

Audit Findings Progress Report – May 2019

Compensation and Staffing Review – April 6, 2018				
	KEY CONTROL	FINDING	RECOMMENDATION	STATUS
1	Wage and Benefit Packages	In relation to peer cities, Santa Monica exhibits the same distribution of personnel costs as peers across wages, health benefits, and retirement.	<ul style="list-style-type: none"> ✓ Enhance awareness and understanding of personnel costs by making this information readily accessible to the general public and provide explanations of each component of total compensation. 	In progress
2	Wage and Benefit Packages	Santa Monica lacks a formal philosophy to guide how compensation is determined.	<ul style="list-style-type: none"> ✓ Develop and implement a formal compensation philosophy, including, but not limited to, compensation and benefits components, levels, and market competitiveness, to guide labor negotiations and set employee expectations with respect to compensation. 	Complete
3	Wage and Benefit Packages	The City uses peer city compensation averages for individual positions during its market analysis prior to negotiations. Best practice is to expand the dataset used to include the median (midpoint) and calculate percentiles when benchmarking position wages.	<ul style="list-style-type: none"> ✓ Evolve the in-house position-level compensation market study methodology to include medians and percentiles in accordance with best practices, accounting for labor relation requirements. 	In Progress

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4	Wage and Benefit Packages	Santa Monica has taken steps to reduce unfunded liability, including introducing an additional retirement tier prior to the Public Employee Pension Reform Act and making \$76 M in lump sum payments. Similar to peer cities, the City’s overall unfunded pension liability remains high.	✓ Continue to take steps whenever possible to mitigate the financial threat that pension liability places on the City.	Complete
5	Wage and Benefit Packages	Similar to peers, Santa Monica’s employee medical insurance costs have risen steeply in recent years. The City’s cash contribution to monthly individual employee medical insurance, which varies by plan, is consistent with that of peers.	✓ Evaluate options to stabilize per-employee health care costs.	Complete
6	Drivers of Compensation	Santa Monica is a highly unionized municipality that typically negotiates multiple labor contracts lasting one to three years. Frequently, all 11 contracts expire simultaneously, requiring a significant amount of work to negotiate.	✓ Consider negotiating labor contracts in the next cycle to expire at different times and cover longer durations to reduce the burden of negotiations on the City.	In progress

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7	Drivers of Compensation	Like most municipalities, Santa Monica operates a civil service system that is governed by state law and the City’s charter, municipal code, and civil service rules. As a result, is difficult to change personnel practices as business needs evolve.	✓ Regularly assess the City’s charter, municipal code, and civil service rules to ensure they are aligned with contemporary personnel practices and meet the evolving business needs of the City.	In progress
8	Drivers of Compensation	Santa Monica largely operated as usual during the 2008 recession and did not need to reduce staffing levels, while most peer cities had to significantly cut costs by increasing efficiency, outsourcing services, and reducing staffing levels.	✓ Develop financial and operational strategies to prepare for possible future recessions, since the City may not be able to absorb a future recession as easily.	Completed
9	Drivers of Compensation	Santa Monica has the highest number of employees among peers. Similar to peers, tenure at the City tends to be long with 77.3% of employees being paid within 10% of the top salary step for the position.	✓ Explore strategies for mitigating personnel costs, such as hiring personnel at lower steps, and leveraging training programs to equip personnel to take on greater responsibility earlier in their career.	In progress

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10	Drivers of Compensation	Santa Monica employs more personnel than peers, in part, because it operates a variety of unique service offerings and responds to the service needs of a significant tourist population.	✓ Implement an evaluation framework to assess the lifecycle costs of proposed new programs and services, and evaluate outsourcing options, where applicable.	In progress
11	Drivers of Compensation	In general, Santa Monica has a higher workload and higher costs than peer cities. The City could more strategically utilize key performance indicators to measure and communicate operational efficiency and effectiveness.	✓ Continue initiatives already underway to develop a strategic plan, comprehensive performance indicators, and leverage the City's data for decision-making.	Structure Completed
12	Public Safety Overtime	Although SMPD's overtime expenditures increased by \$1.2 million between FY 2014 and FY 2016, the overtime rate for an existing employee costs an estimated 7.1 to 14.6% less than the hourly rate of a new employee, suggesting that the use of overtime provides cost savings to the department.	✓ In accordance with best practice, continue to evaluate police staffing levels and use of overtime.	In progress

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13	Public Safety Overtime	Although SMFD’s overtime expenditures increased by approximately \$800,000 between FY 2014 and FY 2016, the overtime rate for an existing employee costs an estimated 9.3% less to 6.5% more than the hourly rate of a new employee, suggesting that the use of overtime may provide cost savings to the department.	✓ In accordance with best practice, conduct a staffing study to evaluate on-duty staffing demand, staffing levels, and use of overtime.	In progress

Big Blue Bus Overtime Study – October 9, 2018				
#		FINDING	RECOMMENDATION	STATUS
1		BBB’s overtime expenditures increased from \$6.5 million in FY 2015 to \$7.7 million in FY 2018, with a peak of \$8.4 million in FY 2017. Between FY 2017 and FY 2018, overtime expenditures fell 8.7% due to Department interventions	✓ Continue to evaluate overtime expenditures and implement programs to cost-effectively reduce overtime expenditures.	Complete/ In progress
2		BBB’s overtime budget does not reflect actual anticipated costs, resulting in budget overages ranging from \$3.2 million in FY 2015 to \$4.1 million in FY 2018, with a peak of \$4.9 million in FY 2017.	✓ To adequately plan for operational costs, revise the overtime budget to more closely reflect actual anticipated costs based on historical data, trends, and department goals.	Complete

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Big Blue Bus Overtime Study – October 9,2018			
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3	BBB utilizes cafeteria style bidding to establish MCO run schedules, which allows MCOs to select specific daily runs and days off from a master list, ultimately contributing to higher overtime costs.	✓ Collaborate with SMART-TD and MCOs to establish alternative scheduling guidelines to promote cost-effective MCO run schedules, operator safety, and provision of consistent and reliable regional transit services.	In progress
4	MCO absences were the largest driver of unscheduled overtime, with 16-18% of the workforce being absent throughout FY 2015 and FY 2018.	✓ Develop a comprehensive attendance management program to reduce absences and associated overtime.	Complete
5	FMLA absences are the largest form of absences contributing to MCO unscheduled overtime costs. BBB management lacks a mechanism to efficiently and effectively monitor and enforce FMLA requirements.	✓ Work with the City’s HR Department to establish regular reporting that enables management and supervisors to monitor and enforce FMLA. <i>OR</i> Consider outsourcing FMLA administration and management to a third party administrator.	Complete/ In progress
6	Absences related to workers’ compensation contributed significantly to MCO unscheduled overtime. BBB management report that the use of a third-party administrator resulted in workers’ compensation absence and cost reductions in FY 2018.	✓ Continue working with a third-party administrator to administer and manage workers’ compensation and evaluate the program’s efficacy.	Complete/ In progress

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7	MCO absences due to vacation leave also contributed to unscheduled overtime. Because use of vacation leave is typically planned in advance, there may be opportunities to reduce overtime resulting from vacation-related absences.	✓ Collaborate with SMART-TD to potentially adjust scheduling practices to proactively plan for vacation leave and reduce associated overtime.	Complete
8	According to prior studies, BBB has a shortage of MCOs to operate current levels of service and reduce overtime. Additionally, nearly one-fourth of MCOs are age-eligible for retirement, resulting in significant potential future turnover.	✓ Continue identifying opportunities to streamline the hiring and training processes for MCOs.	Complete

Print Shop Efficiency Study – January 10,2019				
#	KEY CONTROL	FINDING	RECOMMENDATION	STATUS
1	Customer Service	Approximately half of city customers lack familiarity with the full suite of Print Shop products and services.	✓ Develop a digital service catalogue and marketing strategy to educate customers.	In progress

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Print Shop Efficiency Study – January 10,2019				
#	KEY CONTROL	FINDING	RECOMMENDATION	STATUS
2	Customer Service	The web-to-print system has limited functionality, impacting both customer and operator user experiences.	✓ Identify a web-to-print system that meets customer and operator needs to support efficient and effective print shop operations.	In progress
3	Customer Service	Customers do not have sufficient guidance on print shop requirements for common requests.	✓ Develop design policies that include specifications and templates.	Pending
4	Customer Service	The Print Shop does not regularly seek customer feedback to improve operations.	✓ Conduct regular customer satisfaction surveys and develop plans to proactively address customer feedback.	In progress

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Print Shop Efficiency Study – January 10, 2019				
#	KEY CONTROL	FINDING	RECOMMENDATION	STATUS
5	Operations	The Print Shop conducts limited short- and long-term planning and lacks an external performance reporting framework.	✓ Develop a multi-year operating plan to define the Print Shop’s service philosophy, priorities, upcoming projects, and performance measures.	In progress
			✓ Develop a performance reporting framework that includes output and outcome-based measures to educate city management and customers on progress toward goals.	Complete
6	Operations	Print Shop operational consistency and quality is dependent on long-term employees.	✓ Continue cross-training with mailroom employees and develop policies and procedures to capture employee knowledge.	In progress
7	Operations	The Print Shop has relocated twice in the past ten years, at a high price.	✓ Evaluate the cost of potential future moves, taking space and functional requirements into account.	In progress

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Print Shop Efficiency Study – January 10,2019				
#	KEY CONTROL	FINDING	RECOMMENDATION	STATUS
8	Operations	Although city departments are required to obtain Print Shop approval before outsourcing print jobs, there is no existing process to control or monitor vendor utilization.	✓ Develop master service agreements with preferred print vendors and facilitate outsourced jobs on behalf of departments.	In progress
9	Operations	Although Print Shop prices appear to be lower than local vendors, the City's price estimates do not encompass staffing or facility costs, therefore prices are not comparable.	✓ Conduct a market study that evaluates the City's fully-burdened costs to determine the most cost-effective way to deliver print services.	In progress