



Audit Subcommittee Members  
Sue Himmelrich, Committee Chair  
Tony Vasquez, Committee Vice-Chair  
Pam O'Connor, Committee Member  
Elizabeth Van Denburgh, Committee Member  
Greg Morena, Committee Member

Compensation Study Advisory Committee Members  
Dominic Gomez, Laurence Eubank, Janine Bush,  
Libby Bradley, James Williams, Sam Thanawalla,  
Homa Mojtabai

**CITY OF SANTA MONICA**  
**SPECIAL JOINT MEETING AGENDA OF THE**  
**AUDIT SUBCOMMITTEE AND**  
**COMPENSATION STUDY ADVISORY COMMITTEE**

**KEN EDWARDS CENTER**  
**1527 4<sup>TH</sup> STREET, ROOM 104**  
**SANTA MONICA, CA 90401**

**TUESDAY, APRIL 17, 2018**

**MEETING BEGINS AT 6:00 PM**

NOTICE IS HEREBY GIVEN that a special joint meeting of the Audit Subcommittee and Compensation Study Advisory Committee will be held at 6:00 PM on Tuesday, April 17, 2018, at the Ken Edwards Center, 1527 4<sup>th</sup> Street, Room 104.

(Please note that Agenda Items may be reordered during the meeting at the discretion of the body.)

1. **Call to order**

\*Public comment is permitted only on items on the agenda. No other business will be considered at this time.

2. Approval of the Minutes for the January 16, 2018 and February 28, 2018 Audit Subcommittee Meetings

3. Compensation Study Report

- a. Receive and Approve the Compensation Study Report (presented by Moss Adams, LLP)
- b. Review and Discuss the City's Implementation Plan (presented by Gigi Decavalles-Hughes, Director of Finance)

4. Internal Audit Status Report (presented by Moss Adams, LLP)

5. Receive Internal Audit Report on Billing and Accounts Receivable (presented by Moss Adams, LLP)
6. FY 18-19 Internal Audit Work Plan (presented by Moss Adams, LLP)
7. Internal Controls Review Progress Report (presented by Gigi Decavalles-Hughes, Director of Finance)
8. **Adjournment**

**STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:**

- Treat everyone courteously;
- Listen to others respectfully;
- Exercise self-control;
- Give open-minded consideration to all viewpoints;
- Focus on the issues and avoid personalizing debate;
- Embrace respectful disagreement and dissent as democratic rights, inherent components of an inclusive public process, and tools for forging sound decisions

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**This agenda is subject to change up to 24 hours prior to the special meeting. Please check the agenda prior to the meeting for changes.**

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Agenda Item 2.

Approval of the Minutes for the January 16, 2018 and  
February 28, 2018 Audit Subcommittee Meetings

(NOT APPROVED)

CITY OF SANTA MONICA

AUDIT SUBCOMMITTEE MEETING

MINUTES

TUESDAY, JANUARY 16, 2018

A special meeting of the Santa Monica Audit Subcommittee was called to order by Chair Himmelrich, at 6:27 p.m., on Tuesday, January 16, 2017, at Ken Edwards Center, 1527 Fourth Street, Santa Monica, CA 90401

Roll Call: Present: Committee Member Greg Morena (*arrived at 6:35 p.m.*)  
Committee Member Pam O'Connor (*arrived at 7:22 p.m.*)  
Committee Member Elizabeth Van Denburgh  
Vice Chair Tony Vazquez  
Chair Sue Himmelrich

Also Present: Director of Finance Gigi Decavalles-Hughes  
City Attorney Lane Dilg  
City Clerk Denise Anderson-Warren

CONVENE

On order of Chair, the Audit Subcommittee convened at 6:27 p.m., with Committee Members Morena and O'Connor absent.

CAFR

2. Presentation of the Comprehensive Annual Financial Report (CAFR) to the Audit Subcommittee, was presented.

There were no members of the public present to speak on this item.

*Committee Member Morena  
arrived at 6:35 p.m.*

Brandon Young, LSL CPA presented the results of the city's financial audit, including the Big Blue Bus, Federal NTD Report, Air Quality Management District (AWMD) Audit, and the Federal Single Audit (in-progress). The auditors presented their Unmodified Report for the City's Financial Statements, meaning that there is nothing materially misstated in the CAFR. Audit communication letters to fulfill the Statement on Auditing Standards (SAS) No. 114, The Auditors Communication with Those Charged with Governance and SAS 115, and, Communicating Internal Control Related Matters Identified in an Audit were also provided. Information transmitted included Internal control deficiencies (deposit payables in the Resource Recovery and Recycling Fund and the timing of payroll entries), significant transactions (Airport Loan Forgiveness and CalPERS Additional Payment), Accounting Estimates (Net Pension Liability and OPEB), and Management Letter Representations.

Questions asked and answered by staff and the auditors included: Provide an explanation about the reason for the Airport loan forgiveness; since the

pension obligation is \$60 million more than it was last year, what does it mean for our unfunded liability; now that this is LSL's second year, what recommendations would LSL make to improve our financial standing; when does the Enterprise Resource Planning (ERP) system come into effect, and how will that be used in the preparation of the CAFR; what is the auditor's experience with the benefits of the new system; is there any particular area that would be more efficient and effective or that can be improved upon; once the interim audit is completed, can the committee members meet with the auditor; how do settlements relate to the amount of remediation liability; are there other funds that have estimates of costs with no methodology for calculation of costs; fund balance questions relating to the settlement amounts; and, are there other funds out there similar to this that are not known to everyone.

Considerable discussion ensued on topics including: the timing of capital assets completion; the new ERP system and its benefits; and improving deposits.

With questions about Pension Liability, Director of Finance Gigi Decavalles-Hughes provided an overview on the City of Santa Monica Pension Basics, and explained Unfunded Liability to the committee.

*Committee Member  
O'Connor arrived at  
7:22 p.m.*

Questions asked and answered by staff included: clarification of the different retirement tier groups; how paying down the liability affects the city's total; why the number fluctuates with CalPERS; what is the timing; how the city is reconciling the unfunded liability with those adjustments that are being made throughout the year; how the discounted rates affect our unfunded liability; what the difference is between the governmental activities and business type activities on the net pension liability.

Discussion ensued on topics, including, but not limited to: providing additional information as it relates to CalPERS prior to the next Compensation meeting and making sure there is an understanding of CalPERS without providing a full presentation, as it does not fall within the Compensation Study Advisory Committee's scope of work.

Motion by Committee Member Morena, seconded by Chair Himmelrich, to receive and file the presentation and comments received. The motion was unanimously approved by voice vote, with all members present.

## **ADJOURNMENT**

On order of the Chair, the Santa Monica Audit Subcommittee meeting adjourned at 8:00 p.m.

ATTEST:

APPROVED:

Denise Anderson-Warren  
City Clerk

Sue Himmelrich  
Chair

(NOT APPROVED)

CITY OF SANTA MONICA

AUDIT SUBCOMMITTEE MEETING

MINUTES

WEDNESDAY, FEBRUARY 28, 2018

A special meeting of the Santa Monica Audit Subcommittee was called to order by Chair Himmelrich, at 6:10 p.m., on Wednesday, February 28, 2017, at Ken Edwards Center, 1527 Fourth Street, Santa Monica, CA 90401

Roll Call: Present: Committee Member Greg Morena  
Committee Member Pam O'Connor (*arrived at 6:33 p.m.*)  
Committee Member Elizabeth Van Denburgh  
Vice Chair Tony Vazquez  
Chair Sue Himmelrich

Also Present: Director of Finance Gigi Decavalles  
City Attorney Lane Dilg  
City Clerk Denise Anderson-Warren

**CONVENE** On order of Chair, the Audit Subcommittee convened at 6:10 p.m., with all members present, except Committee Member O'Connor.

**MINUTES** 2. Approval of the Minutes for the Audit Subcommittee November 21, 2017 meeting, was presented.

Committee Member Morena noted a correction to the minutes at the top of Page 4, the word "debt" was missing a "t".

Motion by Committee Member Morena, seconded by Chair Himmelrich, to approve the minutes, with the correction on Page 4. The motion was approved by voice vote, with Committee Member O'Connor absent.

**RULES OF CONDUCT** 3. Approval of an Amendment to the Audit Subcommittee Rules of Conduct, was presented.

There were no members of the public present to speak on this item.

Motion by Committee Member Morena, seconded by Committee Member Van Denburgh, to approve the recommended action. The motion was approved by voice vote, with Committee Member O'Connor absent.

**JOINT MEETING** A Special Joint Meeting with the Compensation Advisory Board was called to order at 6:14 p.m., with all members present, except Advisory Board members Bradley and Thanawalla.

## **FT COMPENSATION STUDY REPORT**

4. Receive and Review the Draft Compensation Study Report (presented by Moss Adams, LLP), was presented.

Member of the public Tricia Crane spoke on the recommendation.

Advisory Board Member Bush stated for the record that she was not aware of the information item titled The 2030 Challenge, and wanted to state that she was not included in approval of this recommendation. The information item appears to come as a recommendation from the whole Compensation Study Advisory Committee, which is not accurate. Her goal for being on the Compensation Committee was to bring her expertise in Compensation from the private sector, and not to make a recommendation on a very challenging problem of pension; it was to help review the Auditor's study. She felt that she had done her job by questioning the data and methodology. She was disappointed.

The Auditor briefly presented the Draft Compensation Study report and recommendations. The scope of work consisted of four areas: 1) Wage and Benefit Processes, 2) Wage and Benefit Packages, 3) Staffing Methodology, and 4) Public Safety Overtime. The methodology involved in creating the study included interviewing all department heads in the city and representatives from each labor group; reviewed documents and data; collecting data from the State of California, the City of Santa Monica; and interviewing eleven peer cities.

Findings were reported to be primarily equivalent to peer cities and included major takeaways in terms of wages and benefits, practices in terms of how compensation is set and defined, and what the proportion of compensation is. Each of these areas is similar when compared to any city in California because of the strict and straightforward laws that define how compensation is determined for Public Employees in California. On average, Santa Monica's cash compensation for employees is comparable to that of peers. However, management compensation is the highest amongst all identified peers. Drivers of compensation compared to peers is what makes Santa Monica stand out. The Council is committed to providing a living wage and to insourcing services that a lot of other cities outsource. Overall, Santa Monica has a higher workload and higher cost but productivity is comparable per FTE compared to peers. The higher workload and higher cost are primarily driven by the fact that Santa Monica is considered a "full service plus" city, which means the city provides all services except electric, and provides a lot of unique services to a unique population. Santa Monica has the highest number of employees compared to peers. Unlike peer cities, Santa Monica did not change the way employees were compensated during the recession.

Public Safety Overtime for the past three fiscal years has increased proportionally to each department's operating cost. The breakeven analysis shows that an hour of overtime is cheaper than an hour of a new Full Time Employee (FTE), but the total cost to the city of increased overtime might

be more because of the associated risk with respect to burnout and fatigue.

The Auditor reported there are 12 recommendations in the report that will help the City improve its fiscal sustainability. Topline recommendations include:

1. 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.
2. 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.
3. 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.
4. Continue to take steps whenever possible to mitigate the financial threat that pension liability places on the City.
5. Evaluate options to stabilize per-employee health care costs.
6. Consider staggering labor contracts and expanding the duration of all contracts to multiple years reduce the burden of negotiations on the City.
7. 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.
8. 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.
9. Implement an evaluation framework to assess the lifecycle costs of proposed new programs and services, and evaluate outsourcing options, where applicable.
10. Continue initiatives already underway to develop a strategic plan, comprehensive performance indicators, and leverage the City's data for decision-making.
11. Continue to evaluate police staffing levels and use of overtime.
12. Conduct a staffing study to determine if additional firefighters are warranted to reduce the frequency of mandatory overtime.

Questions asked and answered of staff and the auditor included: Are the management positions part of an MOU, are they separate, or is there a mix; did we look at the age of the population, average wage perspective versus peer cities, and how long employees stay; what percent of our employees are management versus non-management; what does the chart on California total wages and average annual wages by sector say about Santa Monica; health benefits and the breakdown; what new programs were and were not included in the biennial budget; what other departments seem atypical or disproportionate to other cities; why are the contributions into PERS going down since 2012; what's the maximum allowable rate that an employee can pay under PEPR and Classic; can we create a model that maintains a zero pension going forward; is there a way to maintain where we are and not add

any additional liability; if other cities brought in contracted services, what would that actual cost be for services for cities over \$500 million; how do you evaluate the long term effect of burnout and risk for overtime; Is there a format to 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 and how do you plan to implement that; were Y-rated managers included in the compensation study, and do we have the in-house compensation expertise to implement the recommendations of the study or will staffing be an additional cost.

*Committee Member excused  
at 7:10 p.m.*

Considerable discussion ensued on topics including, but not limited to: The presentation of the The 2030 Challenge by two of the Advisory Board members. The Challenge is to pay off the pension liability no later than 2030 and to freeze all hiring, wage and salaries, and end all future “defined” pension obligations, forgo capital expenditures, and continue the Advisory Board beyond their current tenure; Pension liability is a large topic that needs to be addressed, including matrix and benchmarks on moving forward, and requires time and commitment; taking the recommendations and drilling them down to projects; creating a methodology to compare, which should not be a race to the bottom; protecting the lower wage paid employees; Setting wages more fairly; Preparing for future recessions proactively, instead of reactively; looking at service; if the Advisory board continues, they should take part in helping to figure out where to go; creating a workplan to build a model that gets the pension liability to 76 percent or 80 percent over the next five years; having outside negotiations come in to negotiate with bargaining unions, and maybe looking at other cities; managers are at the high end of pay, and that needs to be addressed.

On the consensus of the Committee, the information was received, filed, and comments accepted.

**ADJOURNMENT**

On order of the Chair, the Special Joint meeting of the Santa Monica Audit Subcommittee and Compensation Study Advisory meeting adjourned at 8:39 p.m.

ATTEST:

APPROVED:

Denise Anderson-Warren  
City Clerk

Sue Himmelrich  
Chair

Agenda Item 3a.

Receive and Approve the Compensation Study Report  
(presented by Moss Adams, LLP)



MOSSADAMS

FINAL REPORT

FOR

**CITY OF SANTA MONICA**

Compensation and Staffing Review

**April 6, 2018**

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



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# EXECUTIVE SUMMARY

## BACKGROUND, SCOPE, AND METHODOLOGY

The City of Santa Monica (Santa Monica, the City) is a full-service city in the Los Angeles metropolitan area with 92,000 residents. The City and its community have many unique attributes: a large daytime population, geography, tourism, high City service levels, and a unique breadth of City service offerings. In late 2016, reports of Santa Monica employee salary data resulted in increased public scrutiny of the City’s compensation.

The City contracted with Moss Adams LLP (Moss Adams) to conduct a review of its compensation and staffing levels, including the City’s: 1) wage and benefit setting process 2) wage and benefit packages, 3) staffing methodology and levels, and 4) use of overtime for public safety services. This analysis was informed by interviews with City staff, labor unions, and peer cities. Peer cities include Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Inglewood, Pasadena, Redondo Beach, Santa Barbara, and Torrance. Compensation data for Santa Monica and peer cities was sourced from the State Controller’s Office (SCO) Government Compensation in California (GCC). Private sector cash compensation data was sourced from Economic Research Institute (ERI) compensation databases. Service level, staffing, and overall cost data was collected from fiscal year (FY) 2016-17 budget documents, census data, and a voluntary survey sent to peers.

As noted throughout the report, there are many variables that impact the comparability of cities including operating budgets, community priorities, level of outsourcing, geography, and departmental organization. Although every effort was made to standardize available data, not all services, functions, or positions were able to be included in this analysis or to appear in a way that provides a straight comparison among peers. It is important to note that all data collected from peers is self-reported and unaudited.

OBSERVATIONS AND RECOMMENDATIONS		
WAGE AND BENEFIT PACKAGES		
1	<b>Observation</b>	In relation to peer cities, Santa Monica exhibits the same distribution of personnel costs as peers across wages, health benefits, and retirement.
	<b>Recommendation</b>	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.
2	<b>Observation</b>	Santa Monica’s average cash compensation for employees is comparable to the average of peer cities, although the City’s median senior leadership compensation is the highest among peers. When Santa Monica’s median cash compensation was compared to peers, it was the third lowest, likely due to the City’s strong preference to insource services that require a large number of relatively low paid workers. For individual positions, Santa Monica met or fell below the peer median for 40% of the positions included in the benchmarking study, while the remaining 60% of positions were compensated at levels exceeding the peer median. Santa Monica lacks a formal philosophy to guide how compensation is determined.
	<b>Recommendation</b>	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.



OBSERVATIONS AND RECOMMENDATIONS		
3	<b>Observation</b>	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.
	<b>Recommendations</b>	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.
4	<b>Observation</b>	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.
	<b>Recommendation</b>	Continue to take steps whenever possible to mitigate the financial threat that pension liability places on the City.
5	<b>Observation</b>	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.
	<b>Recommendation</b>	Evaluate options to stabilize per-employee health care costs.
DRIVERS OF COMPENSATION		
6	<b>Observation</b>	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.
	<b>Recommendations</b>	Consider staggering labor contracts and expanding the duration of all contracts to multiple years reduce the burden of negotiations on the City.
7	<b>Observation</b>	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.
	<b>Recommendation</b>	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.
8	<b>Observation</b>	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.
	<b>Recommendation</b>	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.
9	<b>Observation</b>	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.
	<b>Recommendation</b>	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.
10	<b>Observation</b>	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.
	<b>Recommendation</b>	Implement an evaluation framework to assess the lifecycle costs of proposed new programs and services, and evaluate outsourcing options, where applicable.



OBSERVATIONS AND RECOMMENDATIONS		
11	<b>Observation</b>	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.
	<b>Recommendation</b>	Continue initiatives already underway to develop a strategic plan, comprehensive performance indicators, and leverage the City's data for decision-making.
PUBLIC SAFETY OVERTIME		
12	<b>Observation</b>	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.
	<b>Recommendation</b>	In accordance with best practice, continue to evaluate police staffing levels and use of overtime.
13	<b>Observation</b>	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.
	<b>Recommendation</b>	In accordance with best practice, conduct a staffing study to evaluate on-duty staffing demand, staffing levels, and use of overtime.



# I. INTRODUCTION

## A. BACKGROUND

### SANTA MONICA CHARACTERISTICS

The City of Santa Monica (the City) is a full-service city in the Los Angeles metropolitan area. Santa Monica is 8.4 square miles, with a resident population of 92,000, more than 90,000 daily commuters, and an estimated annual visitor population of 7.5 million.

Santa Monica's community has a number of unique characteristics compared to the average municipality. A popular tourist destination, the City's population fluctuates significantly from day to night, between seasons, and during holidays. Population fluctuations impact the response of the City's public safety, transportation and traffic, public landscape, and transit services. Santa Monica's planning and development process is also more complex and rigorous than other cities, given the City's unique environmental considerations and community development priorities. Overall, the City delivers programs and services beyond a typical full-service City, including infrastructure (airport, pier, cemetery, public Wi-Fi, community broadband, beach, regional bus service) and community programs (arts and community non-profit grant programs, housing assistance, public interest law, mobility).

Public entities in California annually report W-2 data to the State Controller's Office (SCO). This data is regularly reported on by the media and public interest groups. In late 2016, several reports of Santa Monica salary data led to increased public scrutiny of City employee compensation. As a result, the City Council's Audit Subcommittee directed Moss Adams, the City's internal auditor, to review the City's compensation and staffing levels.

### CITY REVENUE SOURCES

The City's annual operating budget in FY 2017 was \$508 million, with employee expenses of \$332 million to support 2,293 budgeted full time employees (FTEs). The City funds its operations through a variety of charges, taxes, grants, and investments. In 2017, the largest sources of city revenues were charges for service (30.3%), sales tax (15.1%), and Transient Occupancy Tax (TOT) (8.2%). Revenues generated by the TOT, or hotel tax, have increased at an annual rate of 9.2% since 2011, reflecting Santa Monica's continued status as a global destination.

### REGIONAL DRIVERS OF COMPENSATION

Several external factors contribute to municipal employee compensation levels in the Los Angeles area. First, the region's cost of living is high. According to US Census estimates, the median home value in the Los Angeles metro area is \$465,000, while the median home value in Santa Monica is over \$1 million, the second highest among the cities considered peers in this study. Additionally, the Los Angeles area experiences significant traffic; one study indicated that Los Angeles has been the most gridlocked city in the world since 2012<sup>1</sup>. Congested roads contribute to longer commutes for employees working in the City.

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<sup>1</sup> INRIX 2017 Global Traffic Scorecard



Santa Monica and peer cities reported that commute times are often cited as a contributing factor to employee resignation. Finally, cities compete for employees with other regional cities and, in some cases, private employers. Peer cities reported a shortage of applicants and strong competition for management-level roles. These factors contribute to higher overall municipal employee compensation in the LA metropolitan area in comparison to many other areas in California and the nation.

## B. SCOPE OF WORK

The objectives of this project are to perform a review of the City of Santa Monica's overall 1) wage and benefit setting process, 2) wage and benefits packages, 3) staffing methodology and levels, and 4) use of overtime for public safety services. The scope of work for each area of analysis includes:

1. **Wage and Benefit Setting Process:** Document the current wage setting process for each bargaining unit and assess processes for opportunities for improvement.
2. **Wages and Benefits:** Understand the terms of bargaining unit agreements and, for a representative sample set of positions (levels and types of positions for each City department), document the wages and benefits for Santa Monica for the past five fiscal years (FY 12, FY 13, FY 14, FY 15, and FY 16), compare to peers for the past three fiscal years (FY 14, FY 15, and FY 16), and document comparison results. Also, document the compensation for top five highest paid positions for each of the top five largest cities in the United States. See Appendix K: Historical Wage & Benefits Data for a detailed breakdown of the historical data.
3. **Staffing Methodology and Levels:** Document the City's staffing philosophy and related policies; document staffing levels for FY 2007 through FY 2016; and document results. Compare to peer service offerings and insourcing versus outsourcing practices. Compare to peer key performance indicators (e.g., efficiency measure such as cost per FTE or capita and effectiveness measure such as service delivery outputs or outcomes).
4. **Public Safety Overtime:** Document overtime utilization for the past three fiscal years (FY 14, FY 15, and FY 16) by department, unit, and person. Compare to staffing levels, turnover, and key performance indicators (e.g., efficiency measures such as cost per FTE or capita and effectiveness measures such as crime rate or response time).

## C. METHODOLOGY

The methodology utilized to conduct this study was grounded in extensive stakeholder input, consideration of peer city practices, and formulation of recommendations to address opportunities for improvement. The following four phases comprised the assessment methodology:

1. **Startup/Management:** This phase concentrated on comprehensive project planning and ongoing management, including determining who would be interviewed, what documents would be reviewed, what on-site observations and walkthroughs would be performed, and when and how results would be shared.
2. **Fact Finding:** This phase included documentation review, interviews with department directors and employee labor group representatives, work sessions to review compensation and overtime data, peer and private sector data collection, and peer management interviews. Peer and best practice information was collected to identify overall industry trends. Eleven peer cities were identified for wage comparison, and some positions were compared to the private sector. Compensation benchmarking methodology is described in detail in Appendix A: Wages and Benefits Comparison Methodology. Representatives from 9 of these cities were interviewed, and 6 participated in a survey



to obtain performance data: Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Inglewood, Pasadena, Redondo Beach, Santa Barbara, and Torrance. Berkeley and Palo Alto also participated in interviews to provide perspectives on leading practices in other innovative, progressive cities.

3. **Analysis:** This phase identified opportunities for improvement and recommendations based on first-hand input gained during fieldwork and comparisons to peer and best practices. We evaluated the importance, impact, and scope of our observations in order to develop recommendations that address opportunities for improvement. Compensation benchmarking methodology is described in detail in Appendix A.
4. **Reporting:** This phase concluded the project by communicating observations and recommendations through reports and presentations.

Every attempt was made to standardize salary, job title, workload, and performance data presented in this report. However, the data utilized in this analysis has limitations; chiefly, all data is self-reported and unaudited and therefore may be inaccurate or misleading. Additional limitations include inconsistent naming conventions (the inclusion of abbreviations and minor differences between departments and titles); limited controls around data entry; the lack of systemized distinctions between part-time positions, new hires, and newly promoted employees; and the inability to consistently identify reasons for outliers and major variances.

Throughout the project, we worked with an ad hoc subcommittee of the Audit Subcommittee. Seven Santa Monica residents appointed by the City Manager comprise the Compensation Study Advisory Committee (CSAC). The CSAC provided guidance and feedback at each major phase of the project. Draft observations, recommendations, and the full report were provided to the CSAC for review and comment.



## II. WAGE AND BENEFIT PACKAGES

This section uses the following definitions to describe city employee compensation:

- Base pay: Includes regular pay and special pay
- Cash compensation: Includes base pay and overtime pay
- Total compensation: Sum of cash compensation, lump sum payments, and benefit cost.

### A. DATA LIMITATIONS

Our analysis of wages and benefits used data from the State Controller’s Office (SCO) Government Compensation in California (GCC). In 2014, the California Legislature required municipalities to submit anonymized payroll compensation data to the SCO. The data has some limitations, including:

- The GCC data does not consistently distinguish between or separate full- and part-time positions or employees. In order to partially account for this, we removed positions from our analysis where the annual regular pay was below the minimum salary level for the position.
- Due to the inability to distinguish between full and part time, the GCC data line-items do not correspond with FTE counts. Count data is included in order to provide context on sample-sizes.
- There is not a timely way to validate the accuracy of the data (would require auditing the GCC data against city payroll records).
- Multiple types of calculations were used in this analysis - including average (arithmetic mean), median, and percentiles - in order to provide a variety of lenses to examine and compare the data.
- Results of this analysis have not been verified as statistically significant and are likely to vary between years and cities.

Appendix A includes the data and methodology used to calculate peer comparisons.

### B. COMPONENTS OF COMPENSATION

1	OBSERVATION	In relation to peer cities, Santa Monica exhibits the same distribution of personnel costs as peers across wages, health benefits, and retirement.
		Overall, Santa Monica spends about two-thirds of compensation to base pay (not including overtime or lump sum payments) and the remaining one-third to health (medical, dental, and vision) and retirement benefits. Health benefits tend to comprise a slightly (1-3%) higher percentage of total compensation in relation to peers.
	RECOMMENDATION	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.
		The City should provide an accessible, easy-to-understand summary of total compensation provided to City employees. A visual element, such



	as a pie chart, showing the typical breakdown of total compensation components for miscellaneous and safety employees should be developed. A list of benefits should be provided with definitions, relevant eligibility information, as well identify which portions of benefit costs the City pays vs. what portion the employees pay. The total compensation summary should link to the City's open data portal, which provides specific compensation and operating data. Enabling citizens to better understand the components of total compensation will increase transparency and public trust.
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As noted previously, there is increasing public scrutiny of public employee compensation in Santa Monica and other public entities. Public sector employees' total compensation packages can vary significantly from the private sector; public employees typically have defined benefit pensions, do not contribute to Social Security, do not receive bonuses, and tend to have less lifetime earning potential than similar private sector roles. In addition, public employee salaries are published while private compensation data is typically not available to the general public.

The following compensation data analysis uses a combination of average (arithmetic mean), median, and percentile values in order to provide an array of ways of examining and comparing the data. Calculating the average value is a way to identify a "representative" sample from a dataset, and particularly for subcategories within the data. The average can be useful for examining, standardizing, and comparing data between entities. However, the average value of a dataset can be skewed by outliers, particularly within smaller datasets, and should be used in conjunction with additional calculations. The median – the single middle value within a range of data – provides a value that is less impacted by outlier values, particularly within smaller data ranges. Usually, if the average and median value are close, it means that the data are symmetric around the mean; if there is a significant difference, the average is likely being skewed by outliers. Percentiles are the values (or the average of two values) in the data set that mark a certain percentage of the way through the data (25% and 75%); the number below which 25% of values are lower than, and the number which 25% of values are higher than. Percentiles provide a way to understand the relative standings of values within the dataset – where a value is in relation to all the other values in the dataset.

According to data from the SCO GCC, the relative percentages Santa Monica spent on base pay, retirement, and health benefits are approximately equal to peer city averages. Across all employee types, average base pay accounts for approximately two-thirds of employee compensation, with retirement varying from approximately 18-30% and health benefits comprising the remaining 8-15%. Using the average values to approximate each City's typical compensation costs, Exhibit 1 summarizes these observations with payroll compensation data from the GCC for FY 2016, after analyzing data from Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Pasadena, Redondo Beach, Santa Barbara, and Torrance.<sup>2</sup>

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<sup>2</sup> Percentage data may not always add up to 100% due to rounding.



Exhibit 1

SECTOR	CITY COMPARISON	BASE PAY <sup>3</sup>	HEALTH BENEFITS	RETIREMENT
Miscellaneous Employees	Santa Monica Average	67.3%	14.3%	18.4%
	Peer City Average	72.2%	11.3%	16.5%
Police	Santa Monica Average	62.0%	8.9%	29.1%
	Peer City Average	65.7%	8.2%	26.0%
Fire	Santa Monica Average	66.5%	10.7%	22.8%
	Peer City Average	66.4%	8.7%	24.9%

### MISCELLANEOUS EMPLOYEES – COMPENSATION COMPONENTS<sup>4</sup>

Santa Monica has a slightly higher percentage of average overall compensation costs dedicated to retirement and health care for miscellaneous employees (all employees except in fire and police departments) in comparison to peer cities. In particular, average health care costs comprise an additional 3% of total compensation in Santa Monica compared to the peer city average. At an average of 14.3% of total compensation for miscellaneous employees, Santa Monica has the largest average health care percentage cost, compared to the 11.3% peer average. For costs of retirement, Santa Monica ties with Santa Barbara for highest average retirement costs at 18.4%, above the 16.5% peer average. Exhibit 2 provides a breakdown comparison of the 2016 average health benefits, retirement costs, and base pay compensation (excluding overtime) as components of total compensation for Santa Monica and the peer cities, excluding police and fire department positions.

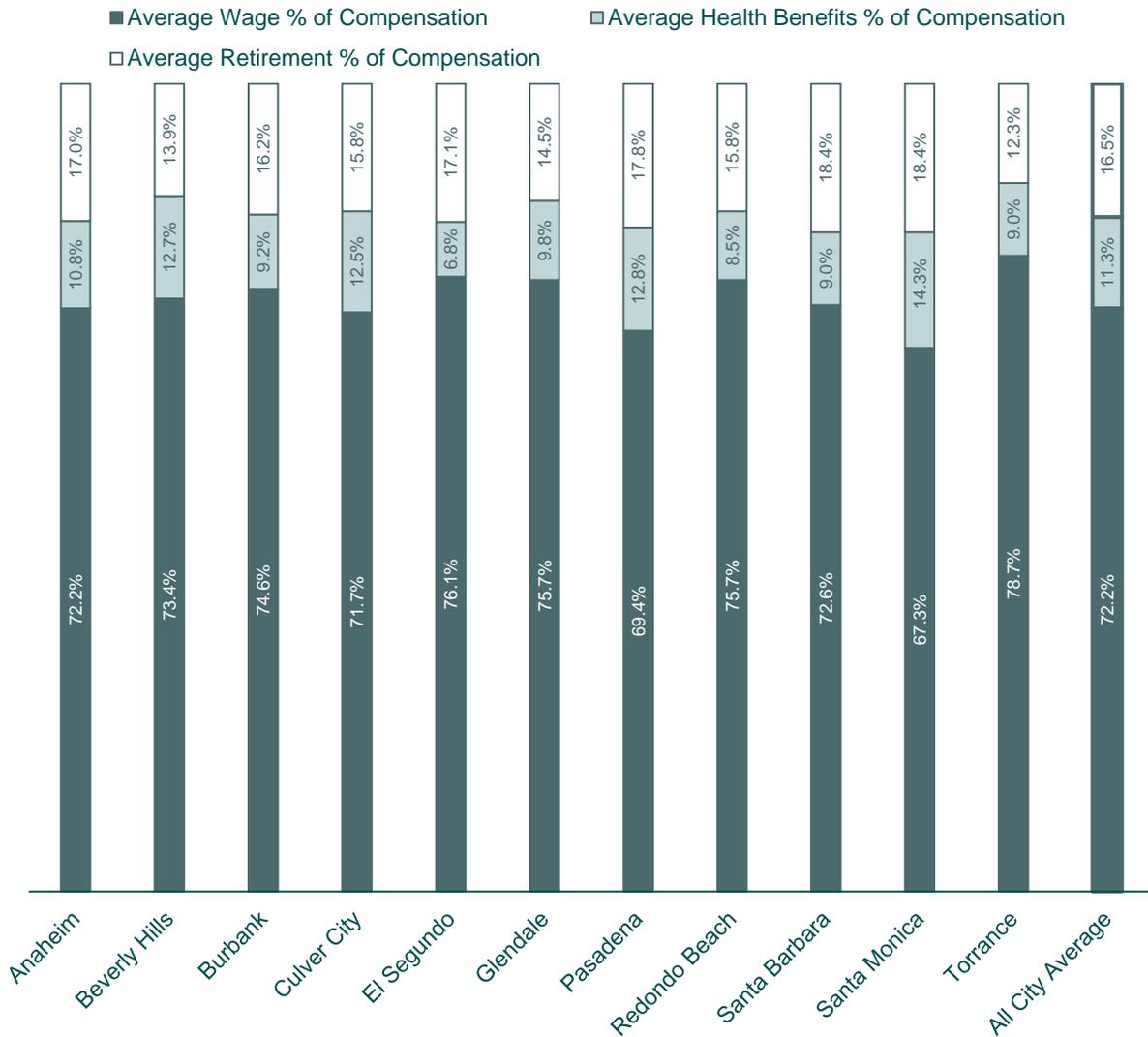
<sup>3</sup> Does not include overtime

<sup>4</sup> Count of GCC data payroll line-items used in analysis: Anaheim (951); Beverly Hills (448); Burbank (727); Culver City (349); El Segundo (96); Glendale (899); Pasadena (1,020); Redondo Beach (180); Santa Barbara (524); Santa Monica (1,261); Torrance (647). Percentage data may not always add up to 100% due to rounding.



Exhibit 2

### Miscellaneous Employees (Not Public Safety)



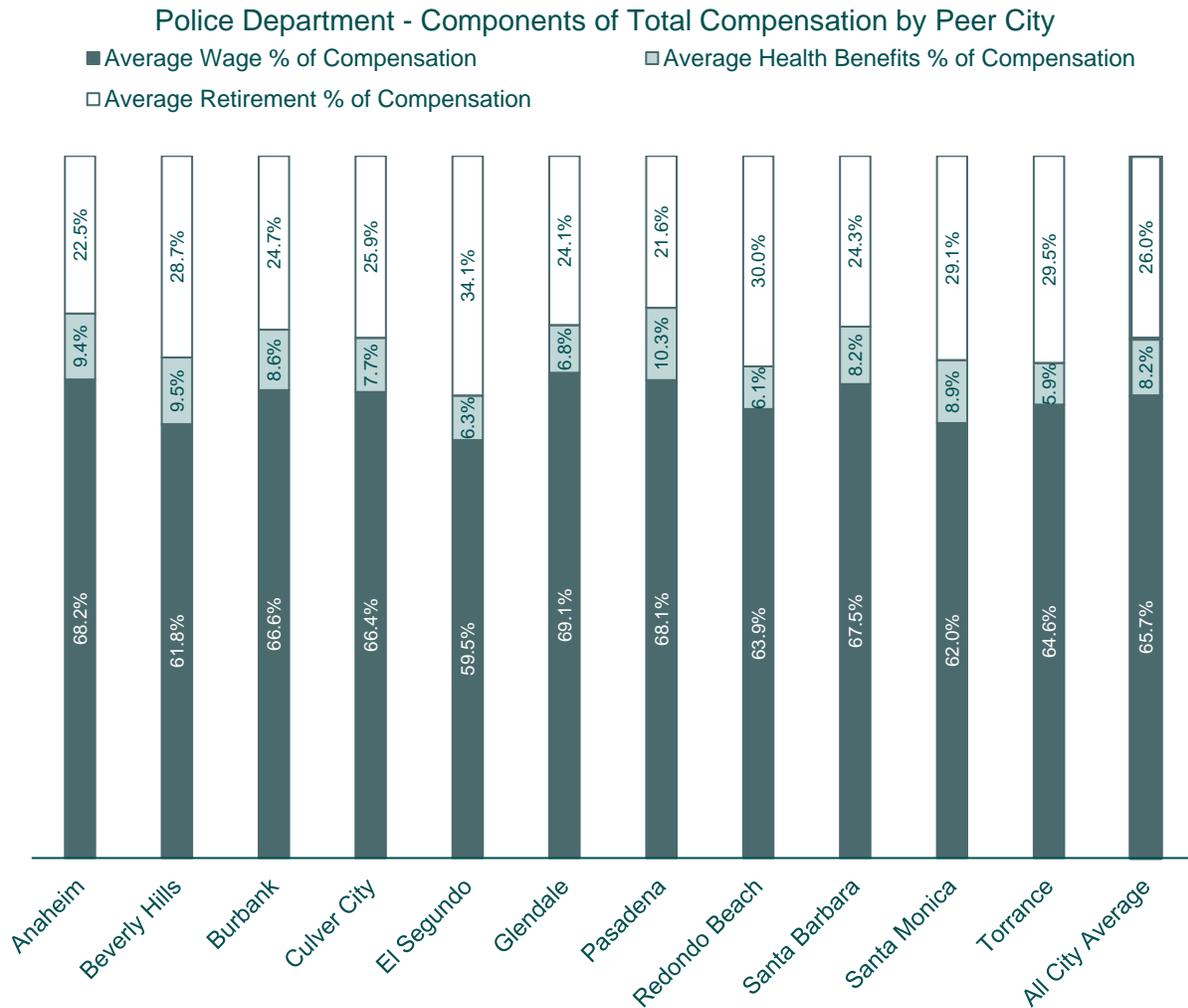
### POLICE DEPARTMENT COMPENSATION COMPONENTS<sup>5</sup>

Police department compensation components vary more significantly between municipalities. In comparison to peers, Santa Monica has the third highest amount of total compensation dedicated to health and retirement benefits combined (38.0%), above the total peer average of 34.3%. Exhibit 3 provides a comparison of the average 2016 health benefits, retirement costs, and base pay compensation as a percentage of total compensation for police departments.

<sup>5</sup> Count of GCC data payroll line-items used in analysis: Anaheim (513); Beverly Hills (166); Burbank (204); Culver City (140); El Segundo (73); Glendale (304); Pasadena (283); Redondo Beach (130); Santa Barbara (166); Santa Monica (342); Torrance (294). Percentage data may not always add up to 100% due to rounding.



Exhibit 3



## FIRE DEPARTMENT COMPENSATION COMPONENTS<sup>6</sup>

Fire department compensation components also vary significantly between municipalities. In comparison to peers, Santa Monica lands squarely in the middle when comparing the amount of total compensation dedicated to health and retirement benefits combined (33.5%), approximately the same as the 33.6% peer average. Exhibit 4 provides a comparison of the average 2016 health benefits, retirement costs, and base pay as a percentage of total compensation for fire departments.<sup>7</sup>

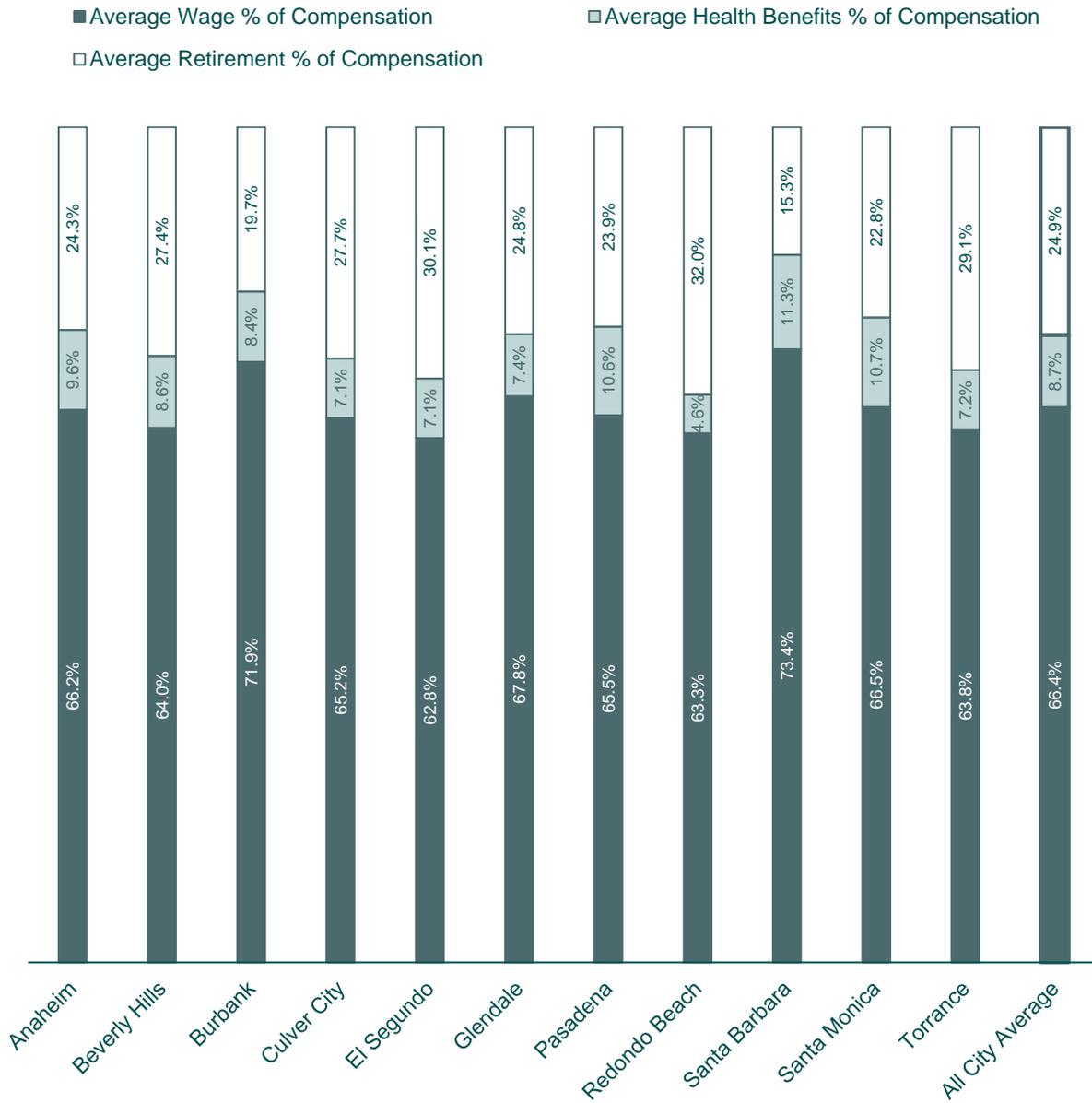
<sup>6</sup> Count of GCC data payroll line-items used in analysis: Anaheim (240); Beverly Hills (91); Burbank (122); Culver City (67); El Segundo (45); Glendale (180); Pasadena (132); Redondo Beach (59); Santa Barbara (106); Santa Monica (117); Torrance (148). Percentage data may not always add up to 100% due to rounding.

<sup>7</sup> Inglewood is not represented on this chart because the City has contracted Fire Services.



Exhibit 4

### Fire Department - Components of Total Compensation by Peer City





## C. CASH COMPENSATION

2	OBSERVATION	<p>Santa Monica’s average cash compensation for employees is comparable to the average of peer cities, although the City’s median senior leadership compensation is the highest among peers. When Santa Monica’s median cash compensation was compared to peers, it was the third lowest, likely due to the City’s strong preference to insource services that require a large number of relatively low paid workers. For individual positions, Santa Monica met or fell below the peer median for 40% of the positions included in the benchmarking study, while the remaining 60% of positions were compensated at levels exceeding the peer median. Santa Monica lacks a formal philosophy to guide how compensation is determined.</p>
		<p>Reviewing the average cash compensation (including base pay and overtime) across cities serves as a comparison of representative samples. Santa Monica’s average cash compensation was \$103,844, meaning a typical employee’s compensation is approximate to the peer average of \$105,198. The median value of cash compensation (including base pay and overtime) amongst all of Santa Monica’s employees was \$86,077, which falls below the peer median (\$91,600) of cash compensation. This variance is typical of data sets with a broader range of minimum and maximum values. The difference is likely due to the City’s in-sourcing of many services as discussed in Section IV, which may lower the minimum value of the range. Santa Monica had the highest median senior leadership level cash wages among peer cities at \$214,842, which is 14.5% (\$187,689) above the peer median.</p> <p>Santa Monica does not have a formal compensation policy to guide negotiators during collective bargaining. Additionally, some Memorandums of Understanding (MOUs) require the City to compensate their members above peers.</p>
	RECOMMENDATION	<p>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.</p> <p>The City Council, City Manager, and Human Resources (HR) should develop a compensation philosophy that formally states the City’s principles related to employee compensation. A compensation philosophy can help guide the City in attracting, retaining, and motivating employees while also balancing the public interest and ensuring sustainability of City operations. The compensation philosophy should identify the elements of total compensation, how employee compensation supports the City’s strategic goals and operating objectives, and how the City plans to compensate employees considering competition for talent and fiscal constraints. The philosophy should provide a framework for management, employees,</p>



	<p>and citizens to understand the decisions that impact compensation and should reflect the value public employees bring to community services and programs.</p> <p>Once the philosophy is adopted, the City Manager and HR Director should develop a compensation policy that clearly defines how the philosophy will be implemented. Both the philosophy and policy should be publicly available to reinforce transparency with employees and the community.</p>
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3	OBSERVATION	<p>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.</p> <p>The use of average (arithmetic mean) values in position compensation benchmarking is commonplace; however, the average value can be misleading if no other values are considered. Best practice is to also consider the median (midpoint) when benchmarking position wages, and calculate the range of values through the use of percentiles. The average (mean) value is sensitive to outliers (abnormally low or high values); the impact of outliers on the median value is lower, and therefore the median provides an additional view of the data being used to benchmarking a position's compensation.</p>
	RECOMMENDATION	<p>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.</p> <p>The City can build upon the existing methodology used to create the internal market studies, incorporating individual position compensation benchmarking best practices for future compensation market studies.<sup>8</sup></p> <p>Individual position benchmarking best practices include:</p> <ul style="list-style-type: none"> <li>• For each study, reviewing peer group selection for relevance and purpose, and including demographic information for each of the peer cities, such as population, operational budget, and FTEs.</li> <li>• Utilizing percentiles (25%, median, 75%) in addition to peer averages in presenting individual position benchmarking analysis, in order to provide a more complete range of the compensation dataset.</li> <li>• Documenting methodology, including data source, process for selection of other cities, and standardization of titles used in the analysis.</li> <li>• Providing a publicly available summary of the comparison of Santa Monica positions against the peer median.</li> </ul>

<sup>8</sup> Market Study methodology may be subject to a meet and confer process.



## PEER PRACTICES – CASH COMPENSATION

Cash compensation for public sector employees is typically defined by collective bargaining and takes two major forms: base pay, and, for non-exempt employees, overtime. Other forms of cash compensation include lump sum payouts for accrued leave and negotiated termination settlements. Some employees also receive “special pay,” pay increases for certifications, degrees, or specialized skills. Base pay and salaries earned determine individual pension contributions; overtime is not pensionable.

Some peer cities established compensation philosophies to guide wage setting practices. The compensation philosophies may include the city’s goals for how compensation is defined, what elements are included, where the city aims to compare to the market, and budgetary considerations. For example, one city’s compensation philosophy also includes limiting management compensation to 25% of total personnel costs.

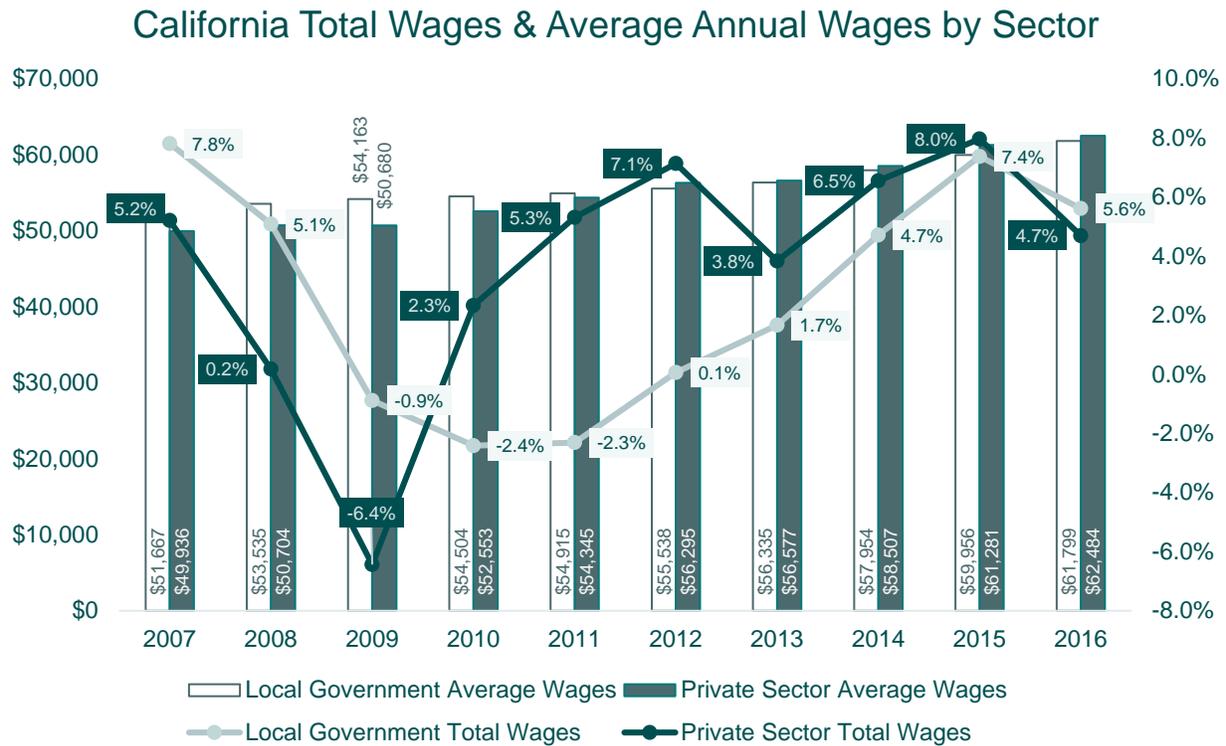
Most peer cities report that they aim to pay their employees the average or median of their labor market; whether by an informal or formal policy. Local government wages in California have lagged behind the private sector since the recession; between September 2016 and September 2017, total compensation costs for private industry workers increased 3.6% in Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties, compared to the national pace of 2.5%. Locally, private industry wages and salaries, which comprise the largest component of compensation costs, advanced at a 3.2% pace, compared to the 2.6% national average.<sup>9</sup> Exhibit 5 shows local government cash compensation in California compared to private sector cash compensation over the past 10 years.

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<sup>9</sup> Source: “Employer Costs for Employee Compensation.” Bureau of Labor Statistics, U.S. Department of Labor. <[www.bls.gov](http://www.bls.gov)>.



Exhibit 5



## SANTA MONICA PRACTICES

### COMPENSATION SETTING PROCESS

At the onset of labor negotiations, the City conducts a market study for key positions that are easily matched in other jurisdictions and arranges a series of meetings with labor representatives. Most of these cities have been defined by the Police Officer's Association MOU and are included for comparison in this study. The City's Human Resources (HR) department is responsible for conducting this analysis, which reviews the average (mean) compensation of like positions in cities considered within Santa Monica's labor market. The use of average (mean) values for individual position compensation benchmarking is commonplace; however, only using the average value can be misleading if no other values are considered. Best practice is to include additional values, such as the median (midpoint) and percentile values, when benchmarking individual position wages. The average (mean) value provides a representative value of a dataset or subset; however, the average is sensitive to outliers (abnormally low or high values) particularly in smaller datasets. The impact of outliers on the median value is lower, as it represents the middle value of a range of numbers, and therefore the median is also useful for better understanding the range of a position's typical compensation.

Santa Monica follows a standard bargaining process that follows California State laws and regulations of the Public Employee Relations Board. Using the information gathered by both parties, the City and labor representatives negotiate MOU terms related to compensation, working conditions, and, on occasion, other benefits. Labor groups solicit input from their membership in a variety of ways, including in-person



meetings, surveys, and email solicitations. Some labor groups choose to engage an attorney for negotiations.

Santa Monica does not have a formal compensation philosophy or policy that guides the City's compensation setting process. A compensation philosophy can help guide the City in attracting, retaining, and motivating employees while also balancing the public interest and ensuring sustainability of City operations. Compensation philosophies and policies provide a framework for management, employees, and citizens to understand the decisions that impact compensation and should reflect the value public employees bring to community services and programs.

## CASH COMPENSATION

In order to provide a representative sample of typical costs, the average, median, and quartiles of Santa Monica and peer cities' cash compensation was compared. The average cost of cash wages (including overtime) in Santa Monica came to \$103,844, based on GCC payroll data analysis. This ranked Santa Monica 7<sup>th</sup> amongst the 11 peer cities, which had average cash wages of \$105,198. The range of average cash wages in peer cities spanned from \$117,661 to \$96,084. The average cost of cash compensation (includes regular pay, overtime pay, and special pay - not including payout, health benefits, or retirement costs) across all peer cities in 2016 is shown in Exhibit 6. The graph includes the overall peer average, as well as the peer percentile values.



Exhibit 6

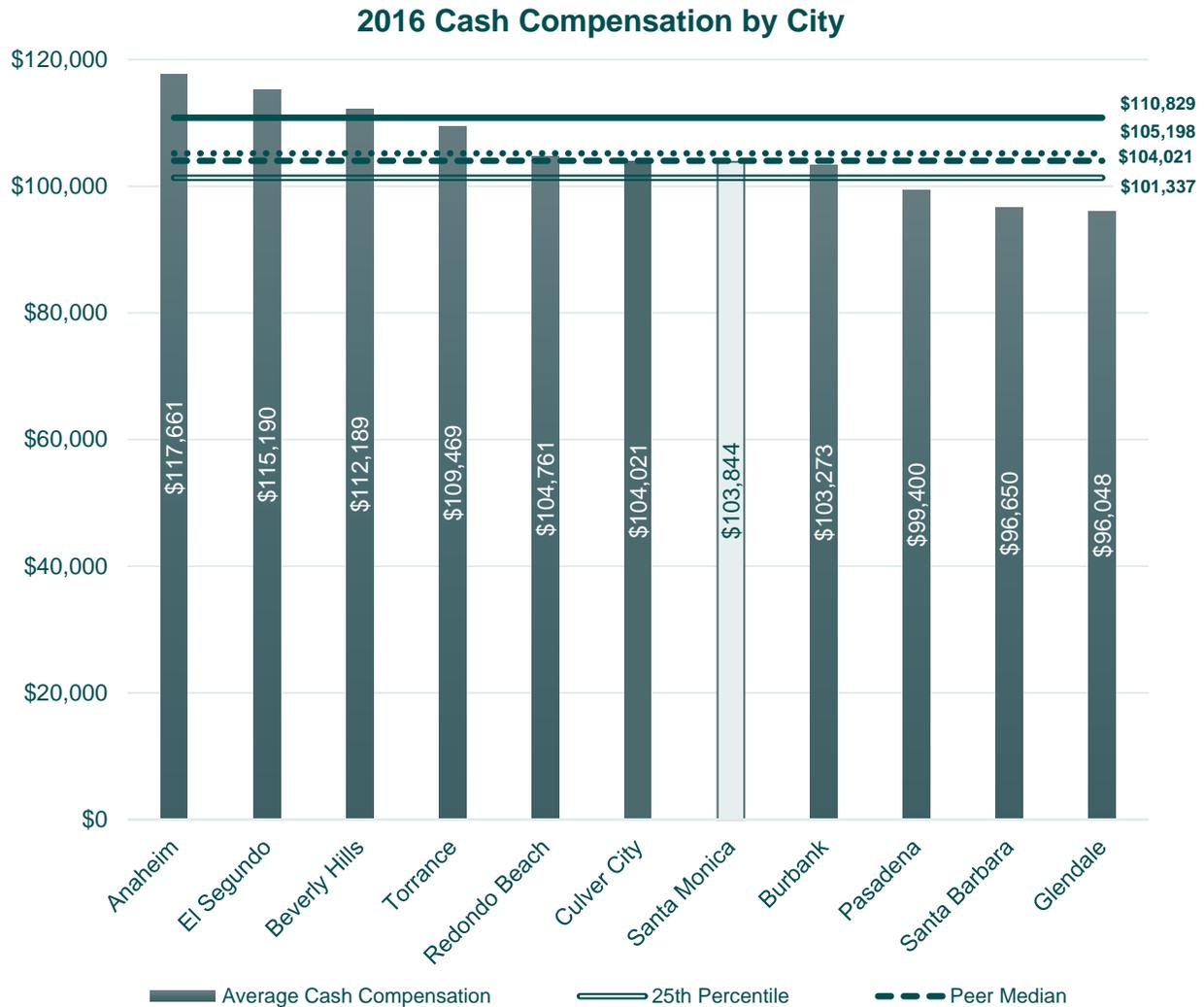


Exhibit 7 presents, for each city, the detailed percentile values (25<sup>th</sup>, 50<sup>th</sup>, and 75<sup>th</sup>) as well as the average cash compensation data listed in descending order of average wages. Santa Monica approximates or falls slightly below the percentile values amongst all peers, including the 25<sup>th</sup>, the 50<sup>th</sup> (median), and the 75<sup>th</sup>. Using percentiles to better understand the range of values, Santa Monica’s cash wage 25<sup>th</sup> percentile value was \$65,134, similar to the peer value of \$65,179. Comparing the median value for cash wages across all its departments, the middle-value amongst Santa Monica’s cost of cash wages (including overtime) was \$86,077, below the peer median of \$91,600. Santa Monica’s commitment to insourcing services contributes to the City’s lower median compensation, driven by the lower values that create a wider range. The 75<sup>th</sup> percentile value for cash wages in Santa Monica was \$124,006; this was more than \$10,000 lower than the \$136,159 value amongst the peers.



Exhibit 7

2016 CASH COMPENSATION, RANKED BY MEDIAN				
City	25th Percentile	Median	75th Percentile	Average
Anaheim	\$73,399	\$109,324	\$153,665	\$117,661
El Segundo	\$71,209	\$106,839	\$153,396	\$115,190
Beverly Hills	\$72,530	\$98,560	\$141,806	\$112,189
Redondo Beach	\$60,564	\$97,612	\$139,247	\$104,761
Torrance	\$67,224	\$92,324	\$147,461	\$109,469
<b>All Peer Average</b>	<b>\$65,179</b>	<b>\$91,600</b>	<b>\$136,159</b>	<b>\$105,198</b>
Burbank	\$59,239	\$90,057	\$136,581	\$103,273
Pasadena	\$62,488	\$89,681	\$126,509	\$99,400
Santa Barbara	\$62,451	\$88,379	\$121,762	\$96,650
Santa Monica	\$66,134	\$86,077	\$124,006	\$103,844
Glendale	\$57,764	\$85,044	\$126,130	\$96,048
Culver City	\$64,324	\$84,938	\$134,890	\$104,021

**Peer City Senior Leadership Compensation.** Using the GCC payroll data, Moss Adams filtered out positions by title to provide an approximate sampling of executive and director-level compensation.<sup>10</sup> We compared each City’s median base pay (not including overtime) value in order to reduce the impact of outlier positions. Santa Monica had the highest median value amongst the peers for its senior leadership-level positions at \$214,842. Torrance came in at a similar level in second, with a senior leadership-level median wage of \$210,396. The median of senior leadership base pay compensation among all peers was \$187,689, which is \$27,153 below Santa Monica’s median value. When comparing the median value of all employees, however, Santa Monica’s median base pay was \$78,286. This is \$13,314 below the peer base pay median of \$91,600.

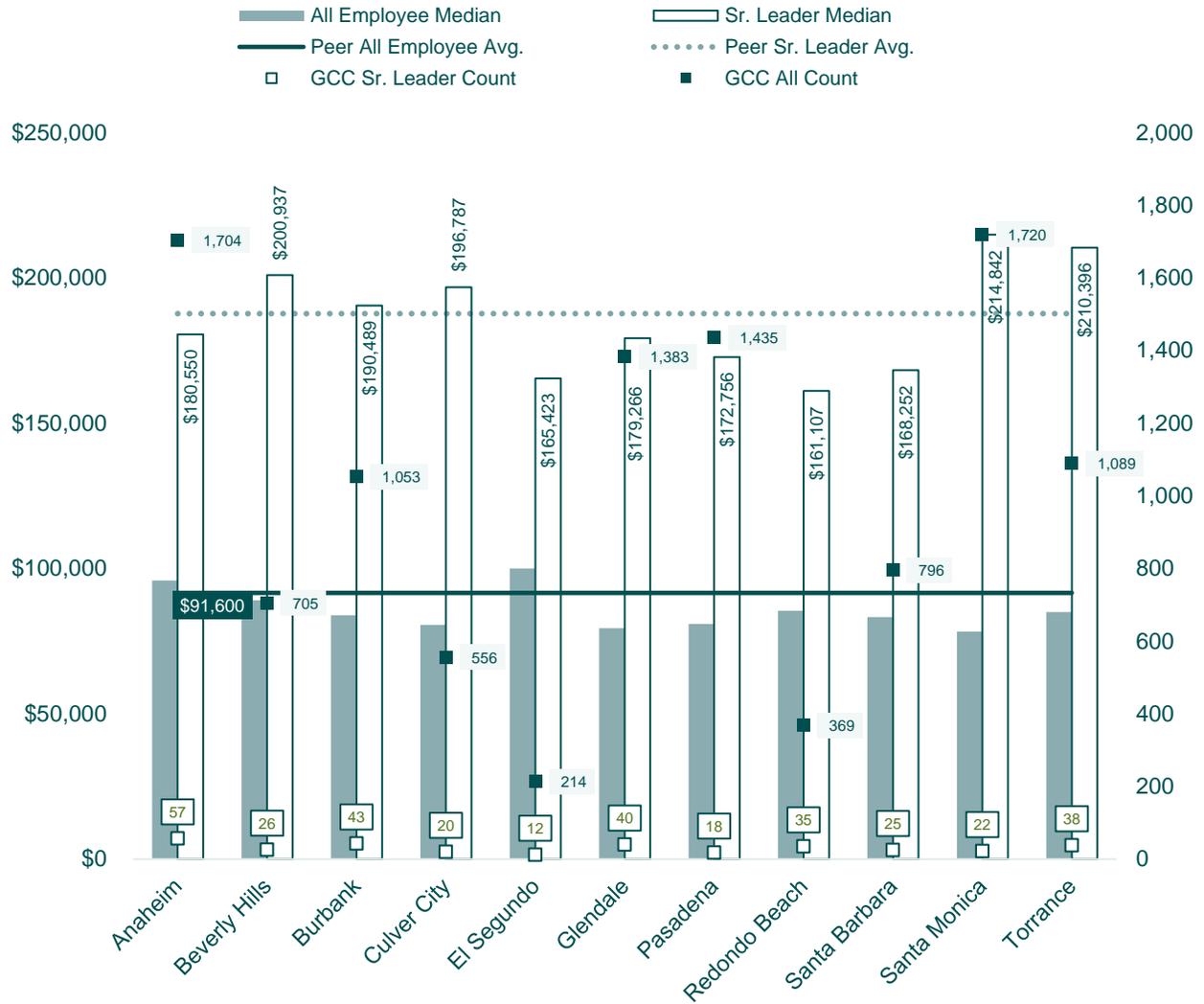
Exhibit 8 presents the median base pay values for both senior leadership and all employees across all the peer cities, as well as the number of data points from the GCC used within each dataset.

<sup>10</sup> Words used to filter by include: Director, Deputy, Chief, City Manager, City Attorney, and Division, among others. These filters allow us to capture positions including chief officers, division managers, and assistant directors.



Exhibit 8

### Peer Cities Senior Leadership-Level Median Cash Compensation

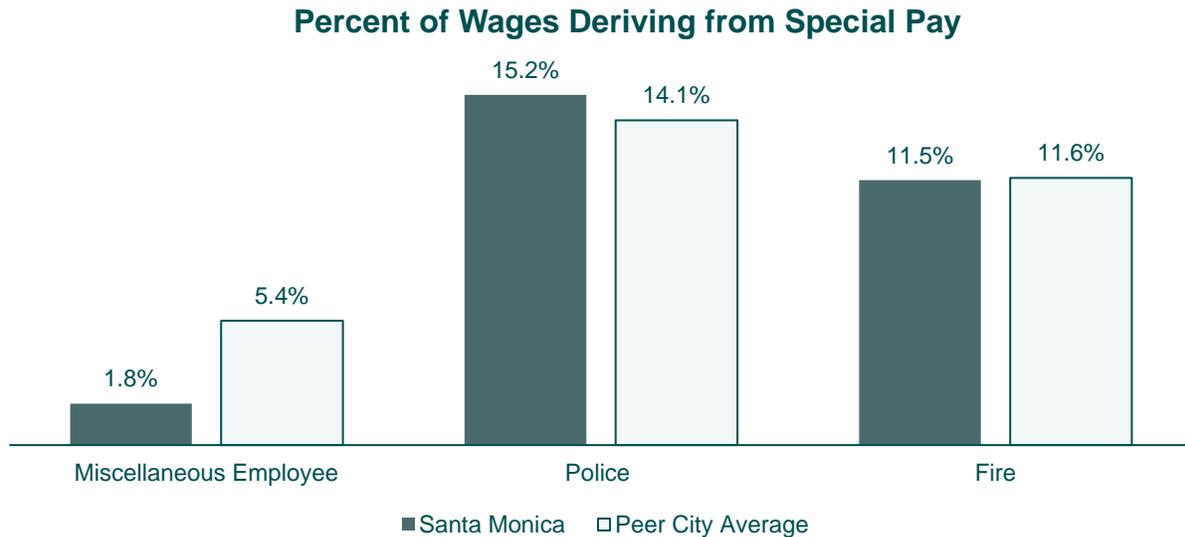


### SPECIAL PAY

Some employees receive “special pay,” which is a percentage pay increase for certifications, degrees, or specialized skills. Exhibit 9 compares the percentage of wages deriving from special pay for Santa Monica employees compared to the average percentage of compensation coming from special pay in peer cities. As noted in Exhibit 9, Santa Monica pays 75% less in special pay to miscellaneous employees than peer cities. Additionally, in relation to peers, the City pays a slightly higher percentage of special pay to police officers and approximately the same percentage for firefighters.



Exhibit 9



## PEER POSITION BENCHMARKING

This section presents citywide trends in cash compensation when compared to peer cities and, where possible, private sector positions. This analysis draws from the departmental service level, staffing, and compensation analysis presented in [Section IV](#). The city data used in this section was sourced from employee W-2 compensation data that cities report annually to the California SCO. Private sector cash compensation data is sourced from Economic Research Institute (ERI) compensation databases, based on the factors identified in the data notes provided in Appendix A. For a detailed methodology of the peer benchmarking, please see Appendix B: Peer Benchmarking Methodology.

## CITYWIDE CASH COMPENSATION

When the City’s median cash compensation for individual positions was compared to the overall peer median value for matching positions, Santa Monica met or fell below peer median compensation for 40% of positions analyzed; the other 60% of positions were compensated at levels exceeding the peer median. Exhibit 10 summarizes this analysis and presents the percent of Santa Monica’s positions that fall above, at, and below the matching peer median compensation. Approximately a fifth of Santa Monica’s positions are below 90% of the peer median (9%) or between 90-100% of the peer median (9%). Additionally, 22% of Santa Monica’s positions serve as the peer median, meaning the City’s cash compensation for those positions falls in the middle of the peer values. The remaining positions are compensated at levels above the peer median; 24% of Santa Monica’s positions fall between 100 and 110% of the peer median; and the remaining 37% of positions are more than 110% of the peer median.



Exhibit 10

Santa Monica Position Compensation Medians Compared to Peer City Medians



At a department level, we sampled a selection of individual positions from each department, based on the relevance to the department and availability of peer data. For each position, we compared Santa Monica median value of cash compensation to the peer median value and any private sector data for cash compensation, as available. Exhibit 11 summarizes what percentage of Santa Monica’s positions were above the peer median and what percentage of positions were below the private sector compensation value. Private sector comparisons were drawn in 11 city departments; in most departments (seven), over half of the benchmarked positions were compensated at a level that fell below the private sector median.

Exhibit 11

DEPARTMENT	NUMBER OF BENCHMARKED POSITIONS	% OF SANTA MONICA POSITIONS ABOVE PEER MEDIAN	% OF SANTA MONICA POSITIONS BELOW PRIVATE SECTOR
City Attorney	4	100%	75%
City Clerk	3	100%	N/A
City Manager	6	83%	100%
Community and Cultural Services	5	80%	33%
Finance	7	86%	86%
Fire	8	75%	N/A
Housing and Economic Development	4	100%	50%
Human Resources	4	100%	25%
Information Services	6	33%	83%
Library Services	5	60%	67%

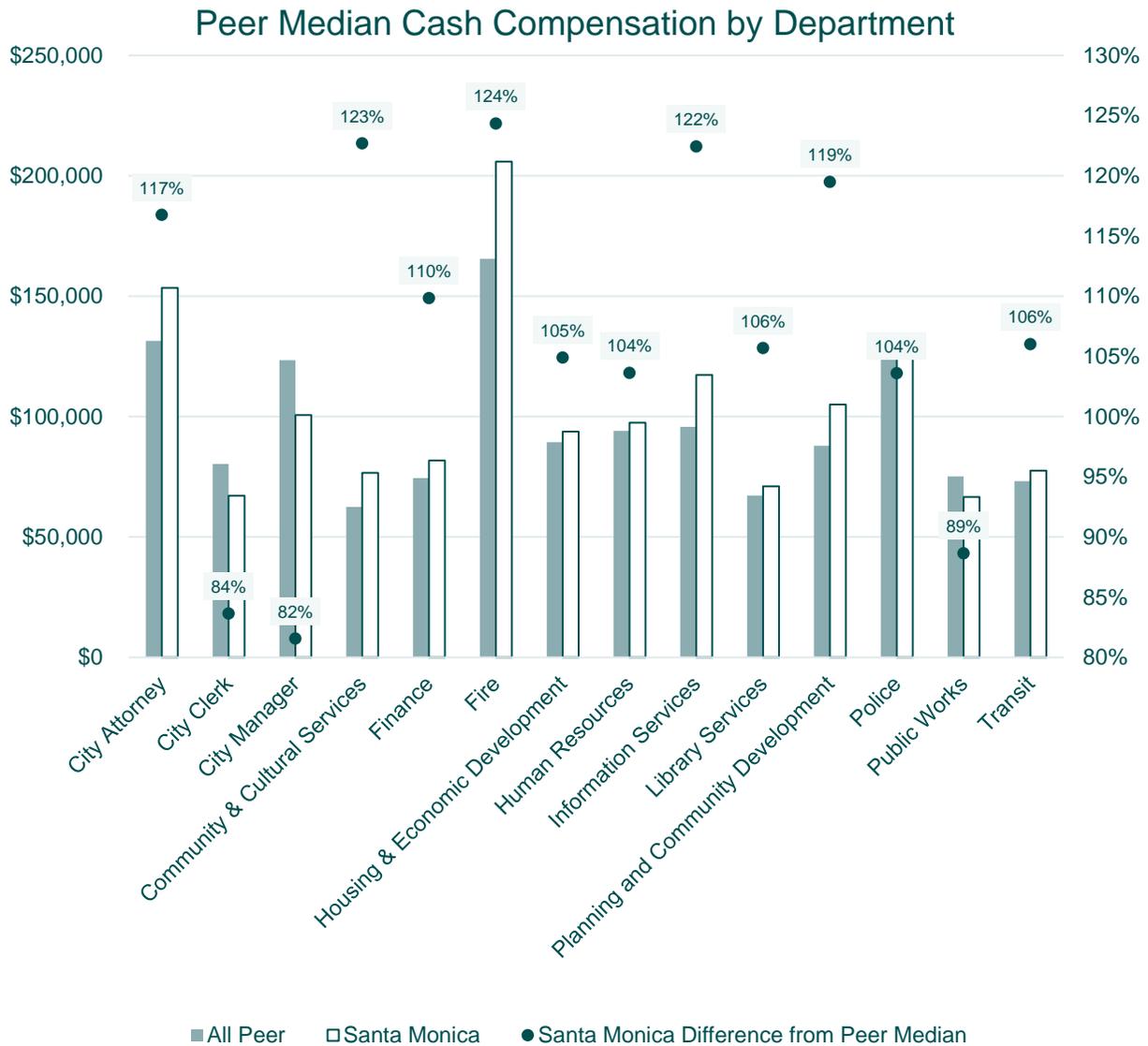


DEPARTMENT	NUMBER OF BENCHMARKED POSITIONS	% OF SANTA MONICA POSITIONS ABOVE PEER MEDIAN	% OF SANTA MONICA POSITIONS BELOW PRIVATE SECTOR
Planning & Community Development	4	100%	33%
Police	7	100%	N/A
Public Works	18	44%	61%
Transit	5	100%	40%

Exhibit 12 shows at the department level, the median values of cash compensation, comparing Santa Monica against the peer median. In general, Santa Monica’s departments are higher than the peer median (11 out of 14). The largest difference is within SMFD, which is at 124% of the peer median, likely due to high levels of overtime in the department. The three departments below the peer median are Public Works (89%), the City Clerk’s office (84%), and the City Manager’s office (82%).



Exhibit 12



## D. RETIREMENT BENEFITS

4	OBSERVATION	<p>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.</p> <p>Like most public entities in California, Santa Monica offers its employees’ pension benefits through the California Public Employees Retirement System (CalPERS), which has defined benefits. CalPERS pension liabilities have risen significantly in the past 10 years, and are projected to double statewide by 2030. Many cities are taking steps to</p>
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		address unfunded liability and reduce pension costs. Santa Monica’s employees pay 29-30% of PERS contributions. The City has adopted a financial policy to pay at least \$1 million a year toward unfunded pension liability.
RECOMMENDATION		Continue to take steps whenever possible to mitigate the financial threat that pension liability places on the City.
		<p>Reducing unfunded pension liability is a financial priority for Santa Monica and all peer cities. The City should continue to seek ways to reduce its pension burden, including:</p> <ul style="list-style-type: none"><li>• When possible, pay down pension liabilities ahead of schedule.</li><li>• Pursue fiscally sustainable compensation plans during labor negotiations.</li><li>• Assess life cycle costs of proposed programs and services, including pension implications of new FTEs.</li><li>• Collaborate with other cities to advocate for pension reform and seek innovative approaches to managing pension obligations.</li></ul>

## PEER PRACTICES – PENSIONS

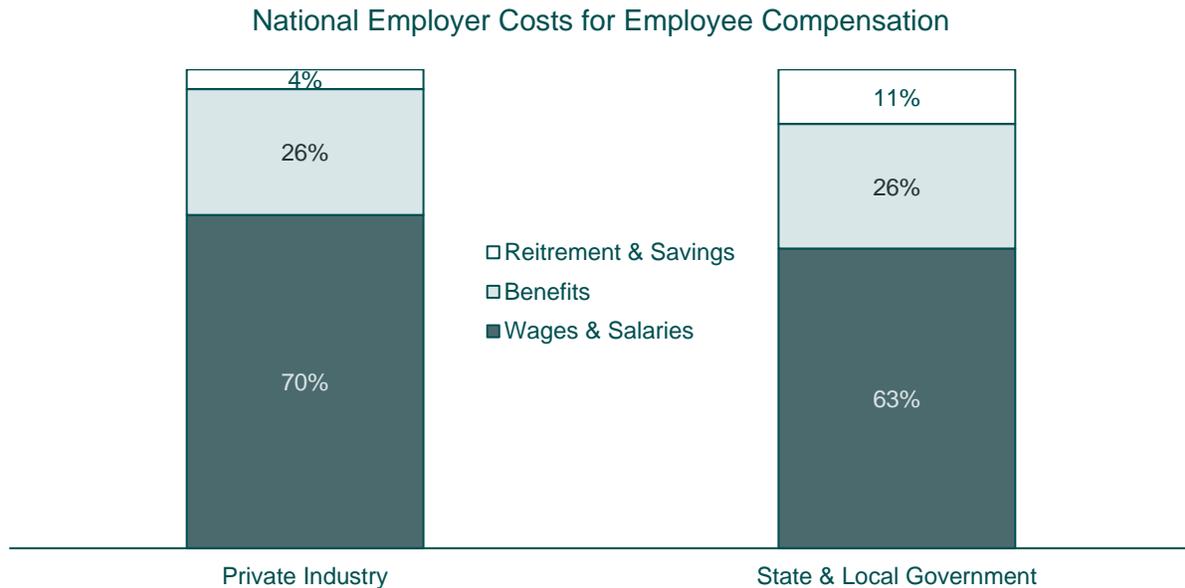
Retirement benefits are a larger share of total compensation in the public sector, as shown in Exhibit 13. According to the Center for State and Local Government Excellence, wages have declined as a percentage of total compensation (67% in 2006 to 63% in 2016) as the costs of pensions and benefits have risen.<sup>11</sup>

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<sup>11</sup> <https://slge.org/wp-content/uploads/2017/05/CSLGE-CompensationD.pdf>



Exhibit 13

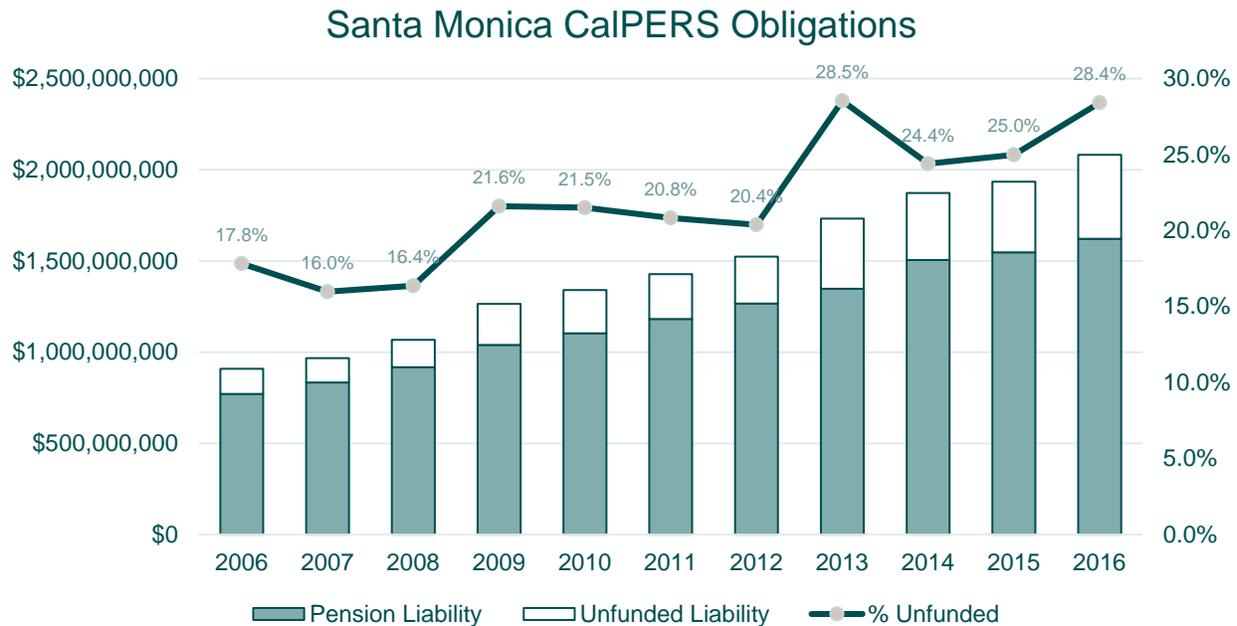


In California, almost every municipal agency (cities, counties, special purpose districts, and joint power authorities) participates in CalPERS. CalPERS serves 1.4 million members and is the largest defined benefit pension program in the United States. In a defined benefit pension plan, retirement benefits are fixed and pre-defined using a formula that includes factors such as years of service and age at retirement. Employees working at least 1,000 hours receive CalPERS benefits. Employees participating in CalPERS do not contribute to Social Security while they are contributing to the pension fund.

Municipal pension liabilities have increased in recent years as CalPERS has repeatedly adjusted its investment valuation. The CalPERS fund lost more than \$67 billion in 2008-2009, and revised its asset mix and valuation methodology in subsequent years. The employer contribution to CalPERS fluctuates depending on investment returns. Statewide, unfunded pension liabilities are expected to double by 2030. Santa Monica's pension obligations from fiscal year 2006 to 2016 are shown in Exhibit 14, and the percent of unfunded liabilities compared to the City's pension liabilities.



Exhibit 14



During interviews, peers reported major concerns regarding rising pension obligations and unfunded liability, which is the gap between promised retirement benefits and the money available to pay those benefits. Cities have limited flexibility to reduce pension costs due to the “California Rule,” a 1955 state Supreme Court ruling that requires that public employee pension benefits, once granted, can never be modified, even for future work.<sup>12</sup> Exhibit 15 shows the net pension liability of Santa Monica and peer cities compared to operating costs.

Exhibit 15

	FY 2016 CAFR NET PENSION LIABILITY	FY 2017 OPERATING BUDGET	PENSION LIABILITY % OF OPERATING BUDGET
Santa Monica	\$ 386,760,127	\$507,991,516	76%
Anaheim	\$ 383,378,000	\$1,743,524,375	22%
Beverly Hills	\$ 202,469,000	\$448,119,185	45%
Burbank	\$ 275,441,000	\$659,018,444	42%
Culver City	\$ 143,401,863	\$220,109,311	65%
El Segundo	\$ 109,933,608	\$123,109,311	89%
Glendale	\$ 430,182,000	\$819,533,134	52%

<sup>12</sup> Beyersdorf, Brian. “The Fate of Public Employee Pensions: Marin’s Revision of the “California Rule.”” *California Law Review*.



	FY 2016 CAFR NET PENSION LIABILITY	FY 2017 OPERATING BUDGET	PENSION LIABILITY % OF OPERATING BUDGET
Inglewood	\$ 227,011,005	\$103,192,627	220%
Pasadena	\$ 386,000,000	\$690,440,000	56%
Redondo Beach	\$ 129,892,979	\$83,875,745	155%
Santa Barbara	\$ 249,860,418	\$355,141,316	70%
Torrance	\$ 374,022,800	\$299,328,883	125%

Note: Some cities, such as Burbank, Pasadena, Glendale and Anaheim, operate electric utilities that require large contracts to purchase electricity. Anaheim also utilizes large contracts for the operation of their convention center, arena, and stadium. These functions increase the non-salary portion of the operating budget significantly and do not have the same level of employees tied to operations, therefore the pension liability as a percent of some operating budgets may appear significantly reduced.

In recent years, some small cities have terminated their relationship with CalPERS, at high up-front costs.<sup>13</sup> Many cities have cut staffing and services in response to rising pension costs. All peer cities, as well as Santa Monica, reported increasing employee contributions during most labor negotiations, with some cities ending the employer contribution entirely. Some cities, including Santa Monica, have paid above planned contributions to lower total unfunded liability, in accordance with best practices. In 2017, the cities of Glendale and Torrance established pension rate stabilization trust funds in response to rising and unpredictable CalPERS costs.<sup>14,15</sup>

## SANTA MONICA PRACTICES

### RETIREMENT BENEFIT SETTING PROCESS

Most unions (8 of 11) participate in the Coalition of Santa Monica City Employees to negotiate medical and retirement benefits. A subset of labor representatives is appointed by membership to negotiate these MOUs on their behalf. Labor groups operating in public safety roles, such as the Police Officer Association and Santa Monica Firefighters Local 1109, negotiate medical and retirement benefits during their individual MOU negotiations. Due to the nature of public safety work, negotiations for medical benefits, overtime, retirement, and other benefits typically does not fall within citywide umbrella agreement MOUs.

### SANTA MONICA'S RETIREMENT OFFERINGS

Like other cities, Santa Monica's employees receive pensions under multiple tiers or formulas. Public safety employees typically receive different pension benefits (e.g., earlier retirement eligibility, higher percent of salary received as pension) from general government staff; in addition, the 2012 Public Employee Pension Reform Act required employers to revise pensions for employees hired after January 1, 2013. Santa Monica employees pay 29-30% of their total PERS contribution rate. Exhibit 16 summarizes

<sup>13</sup> Ashton, Adam. "Public workers from two more towns expected to lose CalPERS pensions." *Sacramento Bee*. September 13, 2017.

<sup>14</sup> Landa, Jeff. "Glendale establishes trust fund to mitigate escalating pension costs." *Glendale News-Press*. July 25, 2017.

<sup>15</sup> Green, Nick. "Rising pension costs crimp Torrance city budget." *Daily Breeze*. May 17, 2017.



the pension benefits offered to Santa Monica employees in FY 2017. Pension formulas and contribution percentages for Santa Monica and peer cities are provided in Appendix C: Peer City Pension Formulas.

Exhibit 16

	HIRE DATE	MONTHLY BENEFITS AS PERCENT OF COMPENSATION	RETIREMENT AGE
Miscellaneous Employees	>7/1/12	2.70%	50-55
	7/1/12-12/31/12	1.43-2.42%	50-62
	1/1/13+	1.0-2.5%	52-67
Police	>12/31/12	3%	50
	1/1/2013+	2.0-2.7%	50-57
Fire	>12/31/12	2.4-3.0%	50-55
	1/1/2013+	2.0-2.7%	50-57

In July 2012, Santa Monica created a second tier for miscellaneous employees, in alignment with best practices. This tier effectively lowered all incoming miscellaneous employees' benefits and reduced the City's financial burden for new employees' retirement. Additionally, since 2011, the City has made \$76 million in additional payments, including a \$45 million payment in 2016, beyond annual required contributions to pay down its unfunded liability and reduce its future burden. These pay downs have lowered the City's annual pension cost by \$6 million. The City also has a policy to pay at least an additional \$1 million annually toward its unfunded liability to further contain rising pension costs.

## E. HEALTH BENEFITS

5	OBSERVATION	<p>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.</p> <p>Most peer cities, as well as Santa Monica, participate in CalPERS health insurance. Costs to cities and employees vary based on the number and types of benefits offered. On average, peer medical benefit offerings require monthly city contributions of \$639-800 and monthly employee contributions of \$59-281 for an employee-only plan. In comparison, Santa Monica's health insurance results in monthly City contributions of \$538-759 and employee contributions of \$40-74 for its employee-only plan.</p>
	RECOMMENDATION	<p>Evaluate options to stabilize per-employee health care costs.</p> <p>As the cost of medical insurance continues to rise, the City should regularly evaluate its options with the goal of stabilizing costs to the City. Peer cities have taken steps including requiring increased</p>



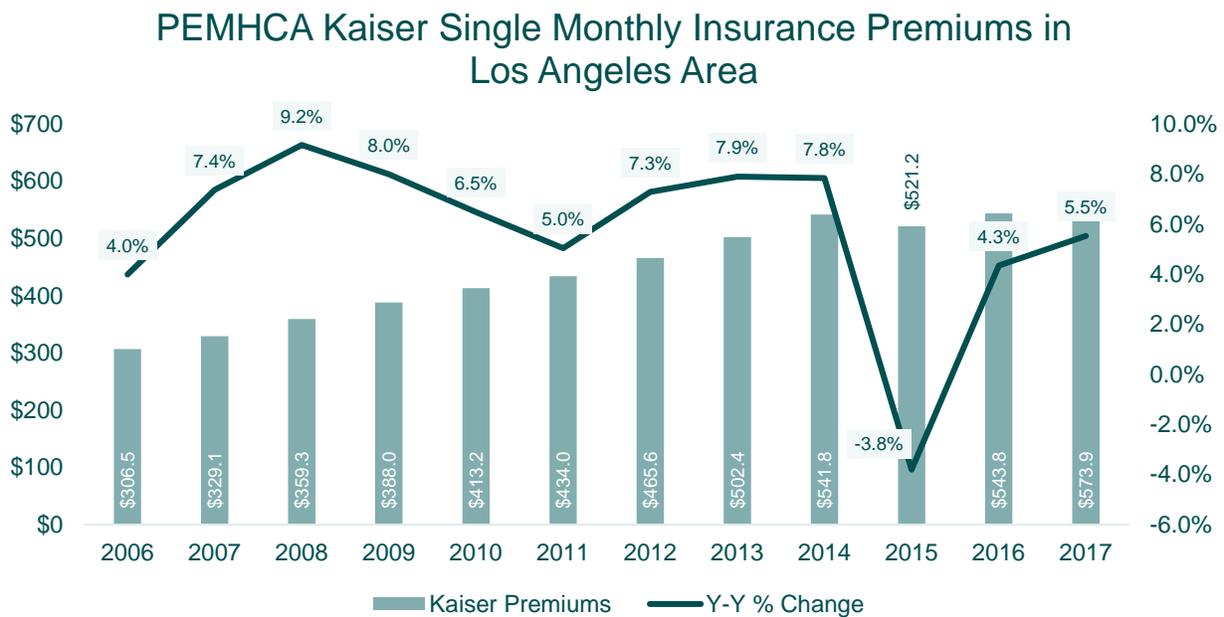
	employee cost sharing, offering new hires less generous coverage, offering health savings accounts, and increasing cost sharing for spouses and families. Employee wellness programs and incentive can have long-term impacts on health care costs.
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## PEER PRACTICES – HEALTH BENEFITS

Most peer cities participate in CalPERS health insurance, known as the Public Employees' Medical & Hospital Care Act (PEMHCA). Retiree health insurance is typically guaranteed for public safety retirees in most cities, and is provided for all retirees in some cities. Employees pay a percentage of monthly premiums, which is negotiated during collective bargaining and can vary between labor groups. In Santa Monica, 8 of 11 labor unions participate in the Coalition of Santa Monica City Employees to collectively negotiate medical and retirement benefits.

The cost of health insurance premiums has increased significantly in the past ten years. For example, as shown in Exhibit 17, below, PEMHCA Kaiser Single monthly premiums in the Los Angeles area have increased 87% since 2007.

Exhibit 17



As shown in [Section IV](#), according to data from the State Controller’s Office Government Compensation in California (GCC), the relative percentages Santa Monica spent on wages, retirement, and health benefits are approximately equal to the peer city averages. In accordance with best practices, many peer cities reported increasing the employee-paid share of insurance premiums during and subsequent to the recession as costs continue to rise. Peers reported major uncertainty around the cost of health insurance, the state insurance marketplace, and the future of the Affordable Care Act. A 2016 survey conducted by the Society for Human Resources Management (SHRM) noted the following strategies for stabilizing or reducing employee health care costs:



- Offering consumer-directed health plans (e.g., health reimbursement arrangements, health savings accounts).
- Creating an organizational culture that promotes health and wellness.
- Offering a variety of preferred provider organization (PPO) plans, including those with high and low deductibles and co-pays.
- Increasing the employee share contributed to the total costs of health care.
- Offering a health maintenance organization (HMO) health plan.
- Providing incentives or rewards related to health and wellness.
- Placing limits on, or increasing cost-sharing for, spousal health care coverage.
- Increasing the employee share contributed to the cost of brand name prescription drugs.<sup>16</sup>

## SANTA MONICA PRACTICES

### HEALTH BENEFIT SETTING PROCESS

As noted earlier, most unions participate in the Coalition of Santa Monica City Employees to negotiate medical and retirement benefits. A subset of labor representatives is appointed by membership to negotiate these MOUs on their behalf. Labor groups operating in public safety roles, such as the Police Officer Association and Santa Monica Firefighters Local 1109, negotiate medical and retirement benefits during their individual MOU negotiations. Due to the nature of public safety work, negotiations for medical benefits, overtime, retirement, and other benefits typically does not fall within citywide umbrella agreement MOUs.

### SANTA MONICA'S HEALTH PLAN

Full-time employees of Santa Monica and peer cities are eligible for medical insurance benefits. Most cities require employees to pay a portion of the monthly premium, which ranges on average from \$59 to \$281 per month for a single employee, depending on the plan selected. Four peer cities offer cafeteria plans with flat monthly city contributions for medical, dental, and vision insurance; under these plans, employees may select a range of options and pay the difference. One peer city, Santa Barbara, provides an option for a plan with no monthly cost to employees. As reported in interviews, peers have increased the employee share of medical insurance premiums in recent years, as they have risen significantly. Santa Monica employees now pay 108-148% more per month than they paid in 2013, depending on the health care plan selected. Medical premiums paid by Santa Monica employees are comparable to other cities, with the exception of the most expensive plan for employees and their families; in Santa Monica, the city bears more of the cost of that particular plan vs. the peer average (\$2,567 per month compared to \$1,536 per month). Monthly medical insurance costs are shown in Exhibit 18 below.

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<sup>16</sup> SHRM Survey Findings: 2016 Strategic Benefits— Health Care



Exhibit 18

	TYPE OF PLAN		EMPLOYEE ONLY		EMPLOYEE +1		EMPLOYEE +FAMILY	
	Cafeteria	HMO/PPO	Employee Cost	City Cost	Employee Cost	City Cost	Employee Cost	City Cost
Santa Monica		X	\$40-\$74	\$538-\$759	\$79-\$148	\$1,061-\$1,975	\$112-\$193	\$1,494-\$2,567
Peer Average	4 offer	7 offer	\$59-\$281	\$639-\$800	\$142-\$659	\$1,016-\$1,234	\$232-\$974	\$1,265-\$1,538

A comparison of benefits offered by each city and medical plan costs is provided in Appendix J: Medical Benefits Offered

## F. FRINGE BENEFITS

As shown in Exhibit 19 below, fringe benefits offered by the City of Santa Monica to full-time employees are similar to those offered by peer cities.<sup>17</sup> All peer cities offer core medical, retirement, disability, and life insurance benefits. Most of these benefits are provided through CalPERS. Fringe benefits can play a crucial role in recruiting and retaining staff; a 2016 Glassdoor/Harris poll reported that 57% of job seekers reported benefits and perks among their top considerations.<sup>18</sup>

Exhibit 19

	MEDICAL	DENTAL	VISION	DISABILITY	LIFE	FSA
Santa Monica	Yes	Yes	Yes	Yes	Yes	Yes
# of Peer Cities Offering	11	11	11	11	11	10
	EAP	RETIREE HEALTH SAVINGS	457	WELLNESS PROGRAM	COMMUTE	TUITION
Santa Monica	Yes	Yes	Yes	No	Yes	Yes
# of Peer Cities Offering	11	11	9	5	5	11

A comparison of benefits offered by each city and medical plan costs is provided in Appendix J: Medical Benefits Offered.

<sup>17</sup> Data source: Memoranda of understanding and/or benefits summaries provided by city human resources.

<sup>18</sup> Glassdoor, "5 Job Trends to Watch in 2016," <https://www.glassdoor.com/blog/glassdoors-5-job-trends-watch-2016/>



### III. DRIVERS OF COMPENSATION

#### A. CIVIL SERVICE AND LABOR ENVIRONMENT

6	OBSERVATION	<p>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.</p> <p>Similar to peer cities, Santa Monica operates a civil service system established in the City Charter. The city has 11 labor groups that represent all employees below the director level. Labor contracts typically last between one and three years, and typically expire at the end of a fiscal year. Longer contracts are typically agreed to during times of economic and organizational stability. The City's HR and Finance Department have a significant amount of additional work to perform to support 11 different labor negotiations at once, impacting the delivery of core services during that time.</p>
	RECOMMENDATION	<p>Consider staggering labor contracts and expanding the duration of all contracts to multiple years reduce the burden of negotiations on the City.</p> <p>In the current model, all compensation levels are decided at the same time, and each compensation element is fixed for a certain amount of time, typically the length of the contract. The major benefit of this model to the City is predictability in a large expenditure category for one to three years. When contracts are staggered, the City engages in a lower burden of work over a longer period, which enables HR and Finance to plan the work required to support negotiations, minimizing impact on day-to-day operations.</p> <p>Longer contract durations would provide more stability, as well as increased expenditure predictability for budgeting and forecasting.</p>

7	OBSERVATION	<p>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.</p> <p>Civil service hiring processes are designed to eliminate bias and ensure fair hiring practices. However, the systems are rarely updated to account for changes in employee relations practices, business process modernization, and a changing workforce.</p>
	RECOMMENDATION	<p>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.</p>



	The City’s civil service system should support the recruitment and retention of a high-performing workforce. Every three to five years, the City Manager’s Office and Human Resources should review the City’s charter, municipal code, and civil service rules to ensure they align with modern business practices and the City’s workforce needs.
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## PEER PRACTICES

Most public entities in California established civil service systems to govern how employees are hired, promoted, and compensated. Ten of 11 peer cities operate a civil service system overseen by a Personnel Board or Civil Service Commission. The City of Anaheim uses a merit-based system with personnel rules defined by the City Manager and Human Resources Director. These personnel rules are intended to create a fair and equitable employment system and therefore resemble many aspects of the civil service system, such as required tests and evaluations to secure an appointment or promotion.

City labor relations in California are governed by the Public Employee Relations Board and rules defined in the Meyers Miliias Brown Act (MMBA).<sup>19</sup> The MMBA gives city and county employees the right to collective bargaining over wages, hours, and terms and conditions of employment. Any change a public employer wishes to make to a term or condition of employment is subject to collective bargaining. Public employees in California have a property right to their jobs and a right to due process prior to discipline or termination.<sup>20</sup>

A number of efforts are underway at different levels of government to reform and modernize the civil service system. In recent years, some state legislatures have moved to at-will employment or changed personnel rules for state employees to align with private sector practices, allowing state agencies more flexibility in hiring, promoting, and firing employees.<sup>21</sup> In California, a civil service modernization initiative has been underway since 2015, with the goal of recruiting and retaining younger workers.<sup>22</sup> At the local level, civil service reform is more difficult to implement, as civil service rules are often in City charters, which require multiple public meetings and a public vote to amend.

## SANTA MONICA PRACTICES

The City of Santa Monica operates a civil service system, as defined in the City charter<sup>23</sup> and municipal code. According to the City’s municipal code, the intent of Santa Monica’s civil service rules is:

*“...to assure the selection and retention of well qualified employees, who because of their qualifications, training, and industry will be able to perform the services rendered by the City to the public in an effective and businesslike manner. Accordingly, it is the purpose of this manual to provide for selection of employees on the basis of merit; the payment of equitable rates of pay; prompt attention to grievances; the provision for*

<sup>19</sup> Public Employment Relations Board, Meyers-Miliias-Brown Act <<https://www.perb.ca.gov/laws/mmba.aspx>>

<sup>20</sup> Skelly v. State Personnel Bd., 15 Cal. 3d 194 (1975)

<sup>21</sup> Maynard, Melissa. “Civil Service Reform Passes in 3 States.” *Governing*. June 12, 2012.

<sup>22</sup> Ashton, Adam. “California’s civil service changes aim for a millennial workforce.” *Sacramento Bee*. November 14, 2016.

<sup>23</sup> Santa Monica City Charter, Article XI



*employee training programs; and the establishment of promotional advancement for qualified employees.”<sup>24</sup>*

Santa Monica is a highly represented municipality with a total of 11 labor groups that cover all city employees (with the exception of department directors). Peer cities have between five and 10 labor groups; six was the most common number of groups (in a total of four cities). Some labor groups in the City described challenges in engaging members and filling officer positions. The City and most labor groups report having an overall positive relationship, which enables both sides to pursue their interests in a way that is based on mutual respect and communication.

Most labor contracts cover one to three years and are set to expire at the end of a fiscal year, and many labor contracts are under negotiations at the same time. Negotiations of any single labor contract require a significant amount of time and resources for the City’s HR and Finance departments, which has a compounding effect when multiple contracts are negotiated simultaneously. In this process, the first labor group to ratify a labor contract can set the expectations of other labor groups. For example, if the Police Officer Association was the first labor group to ratify a MOU and received a 3% cost of living adjustment, other labor groups may expect the same benefit. Other cities that have contracts expiring on a rolling basis don’t have the same ability to make a 1:1 comparison between labor groups in this manner.

## B. RECESSION IMPACT

8	OBSERVATION	<p>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.</p> <p>Because Santa Monica was not impacted by the recession in the same manner as many of its peers, its staffing levels and overall personnel costs tend to be higher than peer cities. Peer cities reduced personnel costs in many ways, such as layoffs, furloughs, outsourcing services, and conducting efforts to increase operational efficiencies.</p>
	RECOMMENDATION	<p>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.</p>

<sup>24</sup> Santa Monica Municipal Code Sections 2.04.010 to 2.04.570



While the City's financial position is strong, the City should begin planning for possible future economic downturns and developing potential strategies to weather a future recession. Implementing strategies that allow for operational flexibility during times of constrained resources is a best practice. These include, but are not limited to:

- Utilizing financial forecasting and scenario modeling to assess impacts of changes in revenues and expenditures.
- Reviewing reserve policies to ensure that reserve levels are consistent with industry best practice and policies clearly articulate spending priorities in the event that reserve funds are expended.
- Assessing processes and systems in place for efficiency improvements.
- Evaluating programs and services to determine core service delivery needs and identify programs and services that directly support strategic goals.

## PEER PRACTICES

Following the global financial crisis that began in 2007, local government revenues nationwide fell significantly. In response, many cities cut services, reduced staff, instituted pay cuts and/or furloughs, froze pay and hiring, and reduced employee benefits. Nationwide, local government payrolls fell by 3.3% (437,000 jobs) between 2008 and 2012.<sup>25</sup> Job cuts continued for several years post-recession, with some California cities still operating under hiring freezes. Most peer cities reported critically assessing their operations to identify opportunities to increase efficiency and reduce non-essential services. Four peer cities froze pay for 3-5 years, and two laid off staff. Most cities reported leaving positions vacant when staff retired or left, and slowing hiring because of increasing pension and benefit costs. All peer cities reported that their staff are spread thin, and there is concern about fiscal growth in the future. The National League of Cities reported recently that city revenue growth is slowing nationwide, which may further impact services.<sup>26</sup>

## SANTA MONICA PRACTICES

Unlike most cities in California, Santa Monica's uniquely diverse and strong revenue base enabled the City to operate as usual during and post-recession. With the exception of the state-mandated dissolution of the Redevelopment Authority, the City did not lay off employees. Modest cost of living increases were still provided, and services continued to be delivered normally. While most other cities cut staff, Santa Monica's employee count increased 5% from 2,206 in FY 2008 to 2,293 in FY 2017.

Santa Monica did not lay off, furlough, or freeze pay for employees during the recession, nor did the City offer early retirement or institute a hiring freeze. Most peer cities reported using one or more of these

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<sup>25</sup> Gordon, Tracy. "State and Local Budgets and the Great Recession." *Brookings*. December 31, 2012.

<sup>26</sup> National League of Cities. "New National League of Cities Research Shows Contracting Fiscal Growth in US Cities for Second Year Running." September 12, 2017.



strategies to limit cash compensation during the recession. Some also reported higher wage increases in recent years as revenues have rebounded to compensate for wage freezes or reductions.

Santa Monica's total operating budget is higher than the peer city average. Unlike most municipalities, Santa Monica's revenues were largely insulated from the impact of the global recession that began in 2007. Exhibit 20 demonstrates the peer city operating cost decline that began in 2008 and reached its lowest in 2009, with gradual recovery through 2016.

Exhibit 20



While other cities experienced a decline in revenues that led to cuts in staffing levels, personnel costs, and operating costs beginning in FY 2010, Santa Monica's staffing and service levels remained stable, which may explain a portion of the cost differences noted. Many cities also froze cost-of-living pay increases, instituted furloughs, and froze or reduced employer benefit contributions in response to the recession. As shown in Exhibit 21, peer city personnel costs have increased at a slower average pace in comparison with Santa Monica.



Exhibit 21



## C. STAFFING AND EMPLOYEE TENURE

9	OBSERVATION	<p>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.</p> <p>Santa Monica has the largest number of employees (2,293) among peers and dedicates approximately two-thirds of its operating budget to personnel costs. However, it is important to note that many peer cities outsource a variety of services that are employee-intensive, such as solid waste and public landscape. Santa Monica operates several regional services, such as transit, library, and the beach. Similar to peers, employee tenure in the City tends to be very high, which can increase per-employee compensation rates.</p>
	RECOMMENDATION	<p>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.</p> <p>Personnel costs are the largest portion of any City’s operating budget. Peer cities leverage outsourcing, reduce programs and services, and limit overtime to reduce personnel costs. Other strategies the City could consider include:</p> <ul style="list-style-type: none"> <li>● Hiring employees at lower steps in position salary ranges.</li> <li>● Improving staff capabilities and productivity through targeted training programs.</li> </ul>



	<ul style="list-style-type: none"><li>• Avoiding costs associated with burnout and turnover by using temporary, contract, or as-needed staff to manage workload spikes or special projects.</li><li>• Cross-training employees for operational flexibility, especially for specialist roles.</li><li>• Assessing department operations to identify potential redundancies or opportunities for inter-departmental collaboration to achieve efficiencies and economies of scale.</li><li>• Leveraging technology to automate tasks where appropriate</li></ul>
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## PEER PRACTICES

Most peer cities reported relatively low turnover among their staff. All cities reported that employees often cite commute times as being the reason they resign, with many reporting that staff will leave for lateral positions closer to home. All cities also reported difficulty in recruiting mid-level management and niche roles, and that in general there are more jobs than people in specialized local government roles in the Los Angeles area. HR directors in peer cities reported intense competition for public safety, dispatch, and experienced manager positions.

Outsourcing was largely reported to be unpopular among peer cities. Like Santa Monica, some peers reported strong community and Council values of insourcing services to provide jobs. Of those who reported outsourcing, most are maintenance functions: commercial trash hauling, park and golf course maintenance, custodial, landscaping, and tree trimming. Few peers outsourced professional services, with the exception of Beverly Hills, which contracts attorney services, and Culver City, which contracts for a variety of discrete projects.

## SANTA MONICA PRACTICES

### STAFFING LEVELS

Santa Monica's City Council and City Manager determine the City's staffing and service philosophy. The Council has long held two values related to City staff: 1) a strong preference for insourcing services and 2) a commitment to providing a living wage. Insourcing services result in overall higher staffing levels when compared to peers; many municipalities outsource services that Santa Monica insources, including worker's compensation claim review, custodial, solid waste, and legal services. In FY 2017, Santa Monica had 2,293 budgeted FTEs, while peer cities averaged 1,273 FTEs. In addition, the City has enacted a living wage for employees and City contractors. When combined with the greater number of city employees, this contributes to higher personnel costs; in FY 2017, Santa Monica budgeted \$332,403,182 in personnel costs in comparison to the peer city average of \$203,719,094. Exhibit 22 presents peer city budget comparisons for FY 2017 in descending order of operating costs.<sup>27</sup>

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<sup>27</sup> Santa Barbara and El Segundo were not included in the table because personnel costs were not adequately reported in budget documents.



Exhibit 22

CITY	FTEs	PERSONNEL COSTS	OPERATING COST	PERCENT OF OPERATING COST SPENT ON PERSONNEL
Anaheim	1,929	\$548,193,097	\$1,211,064,662	45.3%
Glendale	1,579	\$241,734,363	\$776,178,909	31.1%
Burbank	1,422.5	\$189,101,953	\$584,894,183	32.3%
Pasadena	2,218.6	\$246,638,000	\$522,151,000	47.2%
Santa Monica	2,293	\$332,403,182	\$507,991,516	65.4%
Peer Cities Average	1,273	\$203,719,094	\$472,202,326	43.1%
Beverly Hills	951.7	\$143,519,287	\$382,515,878	37.5%
Torrance	1,498.7	\$201,152,441	\$299,328,883	67.2%
Inglewood	726.8	\$100,320,585	\$224,324,072	44.7%
Culver City	691.1	\$108,323,470	\$162,223,113	66.8%
Redondo Beach	439	\$54,488,652	\$87,140,236	62.5%

As noted earlier, some cities, such as Burbank, Pasadena, Glendale and Anaheim, operate electric utilities that require large contracts to purchase electricity, and in the case of Anaheim, large contracts for the operation of their convention center, arena, and stadium. These functions increase the non-salary portion of the operating budget significantly and therefore the proportion of personnel costs relative to operating costs appears to be significantly lower for these cities.

### EMPLOYEE TENURE

As reported in the City’s 2017 Enterprise Risk Assessment, employee turnover is low, averaging 5% over the past three years. Employee tenures are long; 41% of employees have more than 10 years with the City, and the average tenure of a City employee is 11 years. Compared to the private sector, these tenures are very long; in 2016, the median number of years that US workers had been with their current employer was 4.2 years, across all sectors and regions. The median tenure of all government sector employees was 7.7 years; local government employee tenure was 8.3 years; and the private-sector median was 3.7 years. Employee tenure is generally higher among older workers than younger ones. About three in four public-sector employees were age 35 and over, compared with about three in five private wage and salary workers.<sup>28</sup>

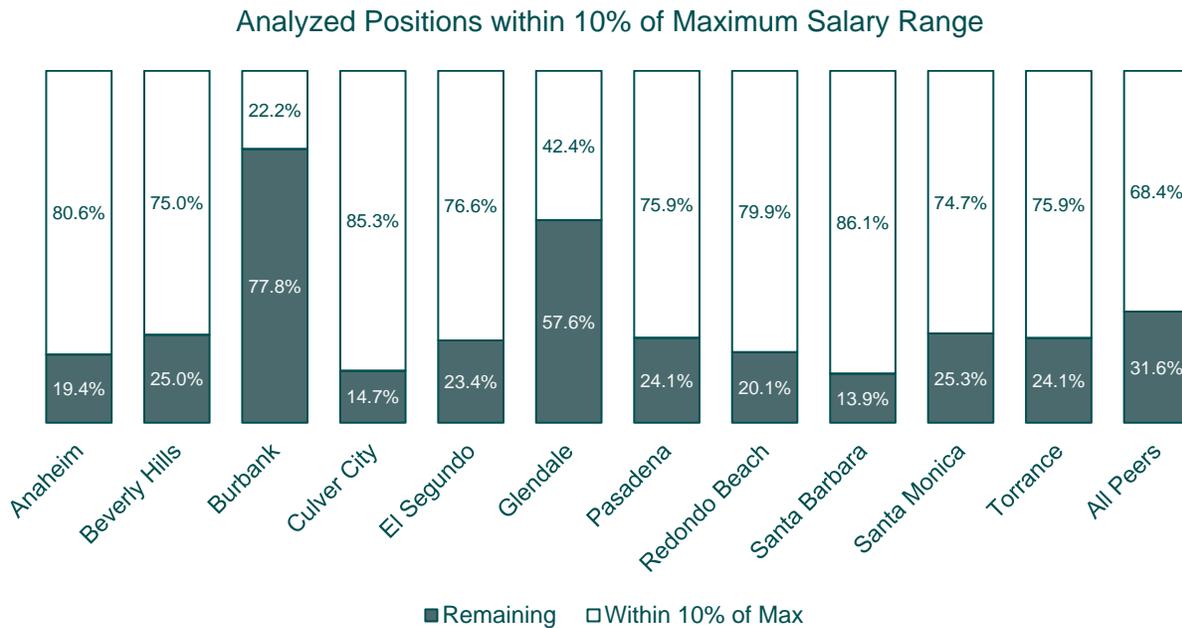
Exhibit 23 shows the percent of positions used in the compensation analysis where the individual’s regular pay was within 10% of the position’s maximum salary for Santa Monica and peer cities. This data indicates that employee tenures are long in most peer cities, with compounding annual cost of living increases moving employees to the top of salary ranges. For example, 74.7% of Santa Monica’s positions

<sup>28</sup> Source: “Employee Tenure Summary.” Bureau of Labor Statistics, U.S. Department of Labor. Sep. 2016. <www.bls.gov>.



used in the study were compensated within 10% of the top salary step, compared to 75.0% in Beverly Hills and 86.1% in Santa Barbara. In both Santa Monica and most peer cities, candidates are typically hired above the minimum salary for the position, depending on qualifications and experience. These factors contribute to higher total compensation costs.

Exhibit 23



## D. CITYWIDE SERVICE OFFERINGS

<b>10</b>	<b>OBSERVATION</b>	<p>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.</p> <p>Similar to peer cities, the Santa Monica community is highly engaged and holds its city government to high standards. Santa Monica operates several unique services, including a municipal cemetery, an airport, a pier and beach, and a large transit system. The specialized needs of a large visitor population require the City to provide services to a population beyond its residential population, while those visitors provide the City revenues via sales and tourism taxes. In addition, the City's reputation as a leader in local government innovation leads to frequent requests for new services and programs to address emerging community needs and interests.</p>
	<b>RECOMMENDATION</b>	<p>Implement an evaluation framework to assess the lifecycle costs of proposed new programs and services, and evaluate outsourcing options, where applicable.</p>



	<p>The City's strategic goals and supporting department business plans should serve as a decision framework that provides a foundation for evaluating new initiatives. For example, will an initiative support the long-term vision for the community? Will it help to achieve the City's goals and objectives? Will it align with the values of the organization? A comprehensive planning framework will help the City to evaluate and prioritize issues in an evolving political environment.</p> <p>The Council should adopt a policy and procedure for evaluating the costs and benefits of proposed initiatives that are not included in the biennial budget. Whether mandated or discretionary and proposed by the Council or a department, new initiatives should be evaluated in a consistent manner. Each proposal should define lifecycle costs, including staffing requirements, and identify whether existing resources will need to be reallocated or current programs or services will need to be deprioritized in favor of the new initiative. An analysis of the costs and benefits of outsourcing should also be included. The impacted or proposing department/agency should be responsible for performing this analysis with the support of the City Manager.</p>
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## PEER PRACTICES

Santa Monica is a full-service city, and provides many programs and services beyond that of a typical city. Many peers also provide additional unique programs and services. For example, Pasadena operates the Rose Bowl, Anaheim operates the largest convention center in the West, Santa Barbara provides regional recreation services, and Beverly Hills provides driveway roll-out trash can service. In addition, some peer cities operate their own electric utilities.

Several peers noted that they look to Santa Monica, Palo Alto, and Berkeley as “innovation labs” of local government in California, because they have the employees, culture, and resources to explore innovative programming and services. When something works in these cities, others use their example and expertise to implement similar programs. The cities of Berkeley and Palo Alto provided insights on managing the unique culture and community expectations they share with Santa Monica. Both cities reported that, similar to Santa Monica, the culture of high levels of service was driven by the community, elected officials, and employees. HR across all three cities reported that employees in are high achievers who are drawn to the fast pace and have high workloads; City leadership reported that new hires typically have more experience and education than a typical new hire. As a result, compensation is an area of public concern in all three cities.

During interviews, most peer cities reported high community expectations. Berkeley and Palo Alto noted their highly engaged and educated communities, with long public meetings and significant effort made to quickly respond to citizen requests. Several peer cities reported a perception that their public meetings are not as long as Santa Monica's, nor do they require as much staff time to support.

## SANTA MONICA PRACTICES

Santa Monica operates in a unique environment, providing a wide range of services to a population beyond its residents. Because Santa Monica has a high level of tourism and many employers in the city, its



typical daytime population swells to double or triple its approximately 92,000 residents on any given day. More than 7.5 million people visit Santa Monica each year. Additionally, the City offers a variety of services that are somewhat unique among peers. Exhibit 24 lists the four least common city services offered by Santa Monica and their rate of occurrence in the 11 peer cities:

Exhibit 24

SERVICE	SANTA MONICA		PEER CITIES OFFERING SIMILAR SERVICES (#)
	OPERATING BUDGET (FY2016)	FTES (FY2016)	
Cemetery	\$2,132,759	8.1	0
Airport	\$5,946,610	8.9	2
Pier/Waterfront	\$18,469,223	25.3	3
Large Transit System*	\$74,893,876	462.9	0

\*A large transit system is defined by having more than 10 million annual passengers.

Additional services offered by peer cities include electric (Cities of Anaheim, Burbank, Glendale, and Pasadena); hospital (City of Santa Barbara); stadium, convention center and arena (Anaheim); Rosebowl (Pasadena); and sewer/wastewater treatment (six cities).

## E. CITYWIDE SERVICE AND STAFFING LEVEL ANALYSIS

11	OBSERVATION	<p>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.</p> <p>Santa Monica reported a higher workload for 52.7% of measures and a higher cost for 62.3% of measures included in the departmental analysis. However, the City historically has not leveraged performance management frameworks to communicate their workload and service levels. The City recently shifted its budget development process to connect departmental work to six overarching outcomes, the Sustainable City Plan, and the Wellbeing Project.</p>
	RECOMMENDATION	<p>Continue initiatives already underway to develop a strategic plan, comprehensive performance indicators, and leverage the City's data for decision-making.</p> <p>The City should continue to use data to increase transparency and accountability through the use of outcome reporting and performance measures tied to strategic goals. It is best practice to use data to inform decision-making. In addition, providing frequent, accessible, transparent, credible, and accurate performance reports can increase public trust. SaMoStat, the City's performance management program, began in 2017. Five Council strategic goals</p>



	inform the reporting to be delivered, with an action plan developed for each goal. Departmental performance metrics are in development and the City plans to produce a citywide performance dashboard this year.
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## CITYWIDE SERVICE AND STAFFING LEVEL ANALYSIS

This section presents citywide trends related to departmental wage averages, inputs, outputs, and performance indicators that were collected through the SCO’s GCC website data, FY 2017 budget documents, census data, and a voluntary survey sent to peer cities. There are many variables that impact comparison between cities, including operating budgets, community priorities, level of outsourcing, geography, and departmental organization. This analysis draws from the departmental service level, staffing, and compensation analysis presented in [Section IV](#). For a complete methodology and discussion of data limitations, please see Appendix A: Wages and Benefits Comparison Methodology.

Overall, the Departmental data demonstrate that Santa Monica provides a high volume of services at higher costs. The City reported higher workloads than the peer average for 52.7% of measures included in this analysis. Additionally, 62.3% of the City’s cost measures were also higher than peer averages. Several departments also operate unique services that were not compared to peers, and further demonstrate their workload.

At the initiation of this study, the City did not have a citywide performance management framework. Departments often included performance measures and related data in budget documents, but these measures were not explicitly aligned with a broader city strategy and performance improvement process. The City has recently initiated a revised approach to budgeting that aligns the work of city departments to create and maintain “A Sustainable City of Wellbeing.” This new approach is based on the City’s Sustainable City Plan and the Wellbeing Project—a custom measurement tool to measure community well-being. The vision to become “A Sustainable City of Wellbeing” rests on six key outcome areas: community, place and planet, learning, health, economic opportunity, and governance. The City has also established SaMoStat, a process that enables data-driven performance, to support these outcomes and the City’s vision.

As of January 2018, Departments were developing performance metrics that align with the six outcome areas. Together with the City Manager’s Office, departments will begin developing an approach to track and monitor progress on metrics. The City also plans to develop a citywide dashboard to communicate progress toward its objectives.



## IV. DEPARTMENTAL WAGE, SERVICE LEVEL, AND STAFFING ANALYSIS

### A. DATA SOURCES AND LIMITATIONS

This section compares service levels, operating costs, staffing levels, per-employee output, and cash compensation for each department. Service, staffing, and cost data was collected through FY 2017 budget documents, census data, and a voluntary survey sent to peer cities. Compensation data was sourced from employee W-2 compensation data that cities report annually to the California SCO. Private sector cash compensation data was sourced from Economic Research Institute (ERI) compensation databases, based on the factors identified in the data notes provided in Appendix A: Wages and Benefits Comparison Methodology. For a detailed methodology of the peer benchmarking, please see Appendix B: Peer Benchmarking Methodology.

There are many variables that impact comparison between cities, including operating budgets, community priorities, level of outsourcing, geography, and departmental organization. For a complete methodology and discussion of data limitations, please see Appendix A. Demographic information for peer cities is included in Appendix E: Peer City Demographic and Economic Data.

### B. CITY ATTORNEY'S OFFICE

#### SERVICE AND STAFFING LEVEL COMPARISON

Typical City Attorney's offices advise city officials and staff on legal matters, provide cities with legal representation, review contracts and leases, and draft and review proposed ordinances. Most cities choose to hire a limited number of attorneys and seek outside counsel in the event of certain types of litigation.

The City of Santa Monica's City Attorney's Office provides unique services and conducts most litigation using in-house attorneys. The City Attorney's Office has five divisions that provide wide-ranging services and expertise to City staff.

- **Administrative Unit:** The Administrative Unit oversees and coordinates the work of the entire City Attorney's Office, including providing legal services to the City Council and City management.
- **Municipal Law Division:** In addition to drafting ordinances, resolutions, contracts, leases, and other legal documents used by the City, the Municipal Law Division also handles land use, constitutional, and other specialized litigation.
- **Criminal Division:** The Criminal Division prosecutes thousands of criminal cases on behalf of the People annually. Cases range from serious Penal Code violations to local infractions. Additionally, this division staffs the City's drug and homeless courts, which are diversion programs designed to address the underlying causes of defendants' unlawful conduct.
- **Civil Litigation Division:** The Civil Litigation Divisions defends the City in state and federal court. Cases vary widely, and may include personal injury, personnel claims, Civil Rights suits, and contract disputes. This division works closely with the City's Risk Management Division and provides advice to help avoid legal claims against the City.



- Consumer/Fair Housing Division:** The Consumer/Fair Housing Division handles complaints about violations of consumer protection and fair housing laws and provides educational services for community members related to their legal rights in litigation to stop illegal housing and business practices.

The services provided by the Criminal Division and Consumer/Fair Housing Division are particularly unique in relation to other municipalities. In FY 2017, the City Attorney’s Office recouped \$12.1 million in revenues for the City through settlements and other legal actions.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=2) <sup>29</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Formal legal opinions	1,986	347.5	6	743
	Lawsuits received	82	15	11	19
	Lawsuits resolved by settlement	59	14.5	14	15
	Budgeted FTEs	45.7	19.11	19	19.23
Cost Data <sup>30</sup>	Operating cost	\$10,921,265	\$7,360,316	\$3,565,953	\$11,154,678
	Operating cost per department FTE	\$238,977	\$383,874.10	\$187,682	\$580,066.46
	Operating cost per city FTE	\$4,763	\$4,785.61	\$2,506.82	\$7,064.39
	Operating cost per capita	\$117	\$45	\$34	\$55

## CASH COMPENSATION BENCHMARKING

Santa Monica’s City Attorney’s Office has the highest median compensation among peer cities, particularly at the Assistant City Attorney level. Although the City Attorney’s office employees are compensated at levels that exceeds peers, private sector counterparts are largely compensated between 15 and 40% more. As discussed above, Santa Monica’s City Attorney’s Office manages a unique caseload including consumer protection and criminal litigation, using primarily in-house employees. Most other City Attorney offices do not handle these cases, and typically outsource prosecution.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
City Attorney	\$315,707	\$268,567	\$519,288	14.9%	-64.5%
Assistant City Attorney	\$306,583	\$197,202	\$405,973	35.7%	-32.4%
Deputy City Attorney III	\$229,441	\$182,525	\$272,553	20.4%	-18.8%

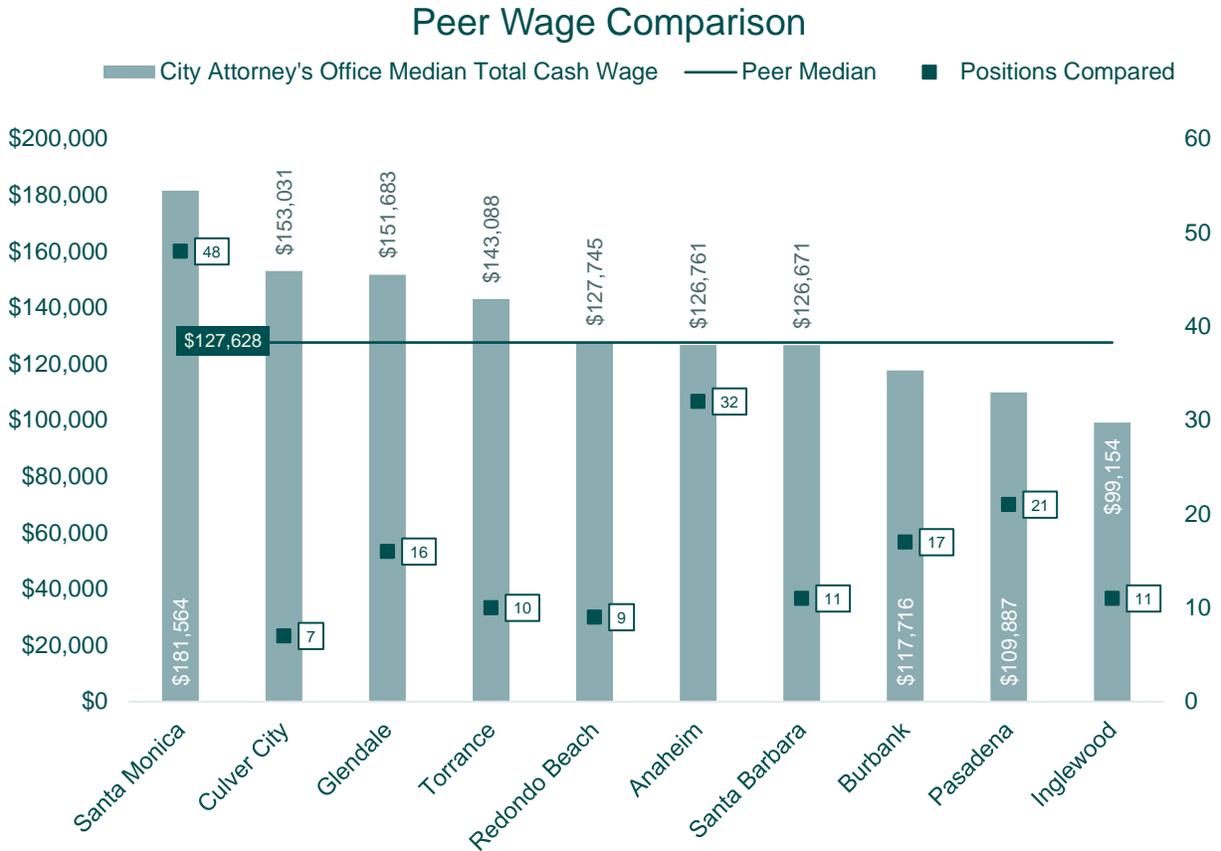
<sup>29</sup> Peer cities that responded to the survey include Burbank and Glendale.

<sup>30</sup> Contract costs are not typically reported for peers because peer information depended on the nature of legal issues faced by each city and was not consistently available.



Paralegal	\$86,748	\$75,644	\$85,373	12.8%	1.6%
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Exhibit 25<sup>31</sup>



## C. CITY CLERK

### SERVICE AND STAFFING LEVEL COMPARISON

A typical City Clerk provides support for the City Council, records meetings, manages records, responds to public requests for information, and serves as the Elections Official on behalf of candidates and voters. A significant component of the City Clerk's duties includes the impartial administration of elections to ensure compliance with applicable laws and regulations and in a manner that promotes voter participation. Santa Monica's Clerk manages four consecutive elections for the City Council, Rent Control Board, School Board, and College Board.

<sup>31</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>32</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Public records requests	1,018	1,203	450	2,885
	Agenda items processed <sup>33</sup>	302	525	311	774
	Boards and Commissions supported	24	15	11	20
	Annual Meetings Supported	225	193	172	226
	Candidates processed for election	34	-	-	-
	Budgeted FTEs	13.5	7	3	9
Cost Data	Operating cost	\$3,035,235	\$1,077,533	\$775,490	\$1,349,630
	Operating cost per department FTE	\$224,832	\$182,975	\$118,639	\$258,497
	Operating cost per city FTE	\$1,324	\$868	\$712	\$1,121
	Operating cost per capita	\$33	\$11	\$7	\$20

In addition to these services, Santa Monica’s City Clerk Department also manages a mail room, print shop, and serves as a passport acceptance facility. To better understand the City Clerk’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Pieces of outgoing mail processed	~350,000
Print jobs processed each month	<1,500
Print job turnaround time	2 business days
Passport applications processed	2,000

## CASH COMPENSATION BENCHMARKING

Three positions in Santa Monica’s City Clerk’s Office were benchmarked against peer cities, all of which were compensated at levels above the peer median. Overall, the City Clerk’s Office median wage falls approximately in the middle of peer wages and is slightly below the median. The discrepancy between the higher position-to-position compensation and lower departmental median compensation is likely because Santa Monica’s City Clerk provides additional services (such as the print shop) using in-house staff.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
City Clerk	\$181,317	\$155,908	16.3%

<sup>32</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, and Torrance.

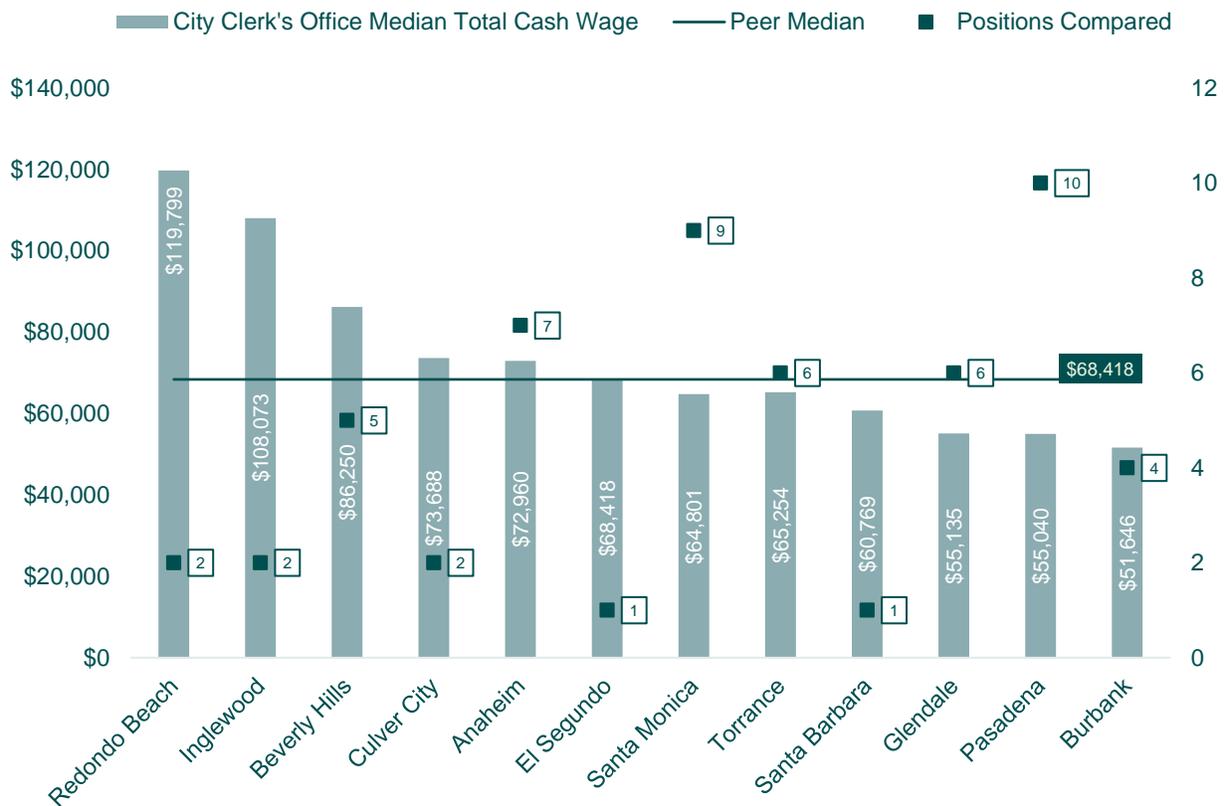
<sup>33</sup> Only those agenda items including a staff report.



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Assistant City Clerk	\$139,608 <sup>34</sup>	\$101,126	38.1%
Deputy City Clerk	\$83,174	\$81,451	2.1%

Exhibit 26<sup>35</sup>

### Peer Wage Comparison



## D. CITY MANAGER'S OFFICE

Typical City Manager's Office duties include City Council support, performance management, leadership, program and budget oversight, government relations, and strategic planning. Santa Monica's City Manager directly oversees a number of additional functions, including emergency management, communications, a cable television station, and an office dedicated to wellbeing<sup>36</sup>. In order to more

<sup>34</sup> This is the minimum salary for this position, and not what was paid out by the city – 2016 was a year of transition

<sup>35</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.

<sup>36</sup> During FY 2016-17, the Wellbeing Office was located in the Community and Cultural Services Department. Therefore, the Wellbeing Office FTEs, budget, and other analysis is not included in the City Manager's Performance Section.



effectively compare to peers, performance tables are broken out by each division within Santa Monica's City Manager's Office.

## SERVICE AND STAFFING LEVEL COMPARISON: ADMINISTRATION

The Administration Division provides direction to operating departments, oversight of major City projects, advocates to other government bodies, and is responsible for the efficient and effective administration of City programs.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=1) <sup>37</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Budgeted FTEs	12.1	9	-	-
Cost Data	Operating cost	\$3,111,455	\$2,242,000	-	-
	Operating cost per division FTE	\$257,145	\$249,111	-	-
	Operating cost per city FTE	\$1,357	\$1,108	-	-
	Operating cost per capita	\$33	\$16	-	-

## SERVICE AND STAFFING LEVEL COMPARISON: COMMUNITY AND GOVERNMENT RELATIONS

The Community and Government Relations Division produces and disseminates strategic Citywide communications in multiple forms, including print materials, social media, and web content. The Division also conducts public outreach, provides neighborhood organization support, and assists in the provision of public information.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=3) <sup>38</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Budgeted FTEs	8.0	2.7	2	3.5
Cost Data	Operating cost	\$1,497,738	\$1,108,939	\$555,000	\$1,703,522
	Operating cost per division FTE	\$187,217	\$293,576	\$277,500	\$309,651
	Operating cost per city FTE	\$653	\$698	\$274	\$1,123
	Operating cost per capita	\$16	\$13	\$4	\$30.1

<sup>37</sup> Peer city comparisons includes data from Beverly Hills's FY 2016-17 budget documents.

<sup>38</sup> Peer city comparisons includes data from Beverly Hills's, Pasadena's, and Anaheim's FY 2016-17 budget documents.



To better understand the Community and Government Relations Division’s activities, the Department also provided the following workload data<sup>39</sup>:

ACTIVITY	WORKLOAD DATA
Facebook, Twitter, and Instagram followers	46,176
Social media video views	413,562
Smgov.net homepage views	3,543,741
Press releases	227
Media articles	2,267

### SERVICE AND STAFFING LEVEL COMPARISON: CITY TV

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=6) <sup>40</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Budgeted FTEs	10.7	10.8	6.7	18.3
Cost Data	Operating cost	\$1,298,000	\$1,458,180	\$526,212	\$5,320,963
	Operating cost per division FTE	\$121,308	\$179,610	\$112,977	\$290,763
	Operating cost per city FTE	\$566	\$1,275	\$333	\$3,550
	Operating cost per capita	\$14	\$18	\$3	\$36

### SERVICE AND STAFFING LEVEL DATA: OFFICE OF SUSTAINABILITY AND THE ENVIRONMENT

The Office of Sustainability and the Environment is responsible for policy initiatives and practices that promote environmental sustainability, resource management, and conservation. The Office oversees integration of energy efficient utilities in many of Santa Monica’s buildings and provides sustainability training to residents, students, and businesses. The Office also provides education and outreach to increase consumer awareness, promote water conservation, improve urban runoff management, and support bans of leaf blowers, plastic bags, and non-recyclable food containers.

In FY 2018, the City moved the Office of Sustainability and the Environment into the Public Works Department.

<sup>39</sup> This workload data is reflective of activities taking place between January-September 2017.

<sup>40</sup> Peer city comparisons includes data from Beverly Hills, Burbank’s, El Segundo’s, Glendale’s, Torrance’s, and Santa Barbara’s FY 2016-17 budget documents.



	PERFORMANCE DATA	SANTA MONICA	PEER CITIES (N=1) <sup>41</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Budgeted FTEs	20.3	1.4	-	-
Cost Data	Operating cost	\$4,593,629	\$377,539	-	-
	Operating cost per division FTE	\$226,287	\$269,671	-	-
	Operating cost per city FTE	\$2,003	\$397	-	-
	Operating cost per capita	\$49	\$11	-	-

To better understand the Office of Sustainability and the Environment’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Reduction in annual water demand	101 acre feet
Solar installations	616.86 KW
Streetlights retrofitted with LED lights	1,200
Water efficiency product installations	2,941
Residents engaged in Sustainable Works Environmental Education Programs	3,119
Businesses engaged in the Green Business Program	30

## SERVICE AND STAFFING LEVEL COMPARISON: EMERGENCY MANAGEMENT

The Office of Emergency Management is responsible for the City’s emergency response and planning efforts, including mitigation, preparedness, response, and recovery to any community-wide hazard or disaster. This division also includes the City’s dispatch operations for its Police and Fire Departments, which comprises the majority of staff.

	PERFORMANCE DATA	SANTA MONICA	PEER CITIES (N=4) <sup>42</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Budgeted FTEs	34 <sup>43</sup>	1.4	1	2.1
Cost Data	Operating cost	\$5,339,564	\$313,073	\$201,600	\$475,566
	Operating cost per division FTE	\$157,046	\$230,038	\$201,600	\$262,054

<sup>41</sup> Peer city comparisons includes data from Beverly Hills’ FY 2016-17 budget document.

<sup>42</sup> Peer city comparisons includes data from Beverly Hills, Burbank’s, and El Segundo’s’ FY 2016-17 budget documents.

<sup>43</sup> 29 FTEs operate the City’s dispatch center.



Operating cost per city FTE	\$2,328	\$432	\$184	\$611
Operating cost per capita	\$57	\$9	\$2	\$14

To better understand the Office of Emergency Management’s activities, the Department also provided the following workload data<sup>44</sup>:

ACTIVITY	WORKLOAD DATA
Disaster preparedness and resilience education attendees	500
Percent of 911 calls answered within 15 seconds	95
Disaster exercises hosted	2
Community Emergency Response Team training attendees	60

## CASH COMPENSATION BENCHMARKING

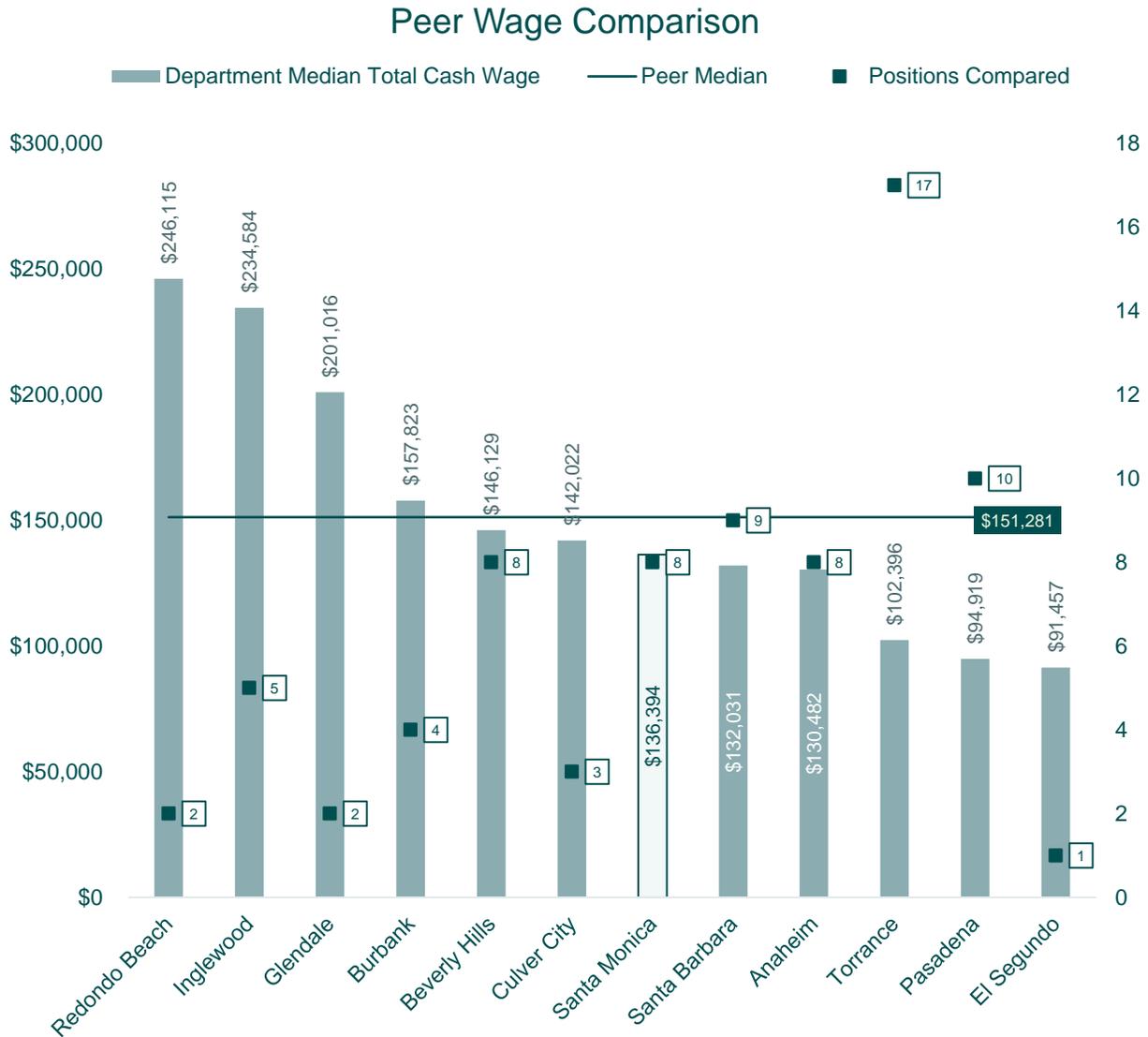
Six positions in Santa Monica’s City Manager’s Office were benchmarked against peer cities, most of which were compensated at levels above the peer median. Overall, the City Manager’s Office median wage falls approximately in the middle of peer wages and is slightly below the median. The discrepancy between the higher position-to-position compensation and lower departmental median compensation is likely because Santa Monica’s City Manager’s Office provides a significant amount of unique services, such as the Office of Sustainability and the Environment and the Office of Emergency Management.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
City Manager	\$341,131	\$301,095	\$499,077	13.3%	-31.6%
Assistant City Manager	\$301,623	\$245,354	\$472,722	22.9%	-36.2%
Deputy City Manager	\$188,921	\$180,769	\$270,449	4.5%	-30.1%
Assistant to City Manager	\$135,658	\$140,279	--	-3.3%	--
Administrative Staff Assistant	\$72,104	\$72,062	--	0.1%	--
Executive Assistant	\$78,158	\$68,641	\$89,455	13.9%	-12.6%

<sup>44</sup> This workload data is reflective of activities taking place between January-September 2017.



Exhibit 27<sup>45, 46</sup>



## E. COMMUNITY AND CULTURAL SERVICES

### SERVICE AND STAFFING LEVEL COMPARISON

Most community and cultural services departments manage community recreation, including recreation programming and permitting for the use of parks, beaches, and recreational facilities serving a local and regional population of participants. Santa Monica’s facilities include aquatics facilities, a teen center, two

<sup>45</sup> Only administrative positions close to the City Manager are included in this analysis. Excluded functions include communications, City TV emergency management, and sustainability offices.

<sup>46</sup> Only administrative positions close to the City Manager are included in this analysis. Excluded functions include communications, City TV emergency management, and sustainability offices.



gyms, a community playhouse, and community activity rooms. The City also operates a 245-acre state beach, including amenities such as the public beach club and event venue.

In addition to these services, Santa Monica’s Community and Cultural Services Department offers several unique services and emphasizes inclusive programming. The Department manages six council appointed City Commissions as well as a number of advisory boards and committees that support work in the areas of children and families, the arts, community gardens, and field sports.

The Department operates five grant programs that support local arts activities that are provided by local nonprofit organizations. Santa Monica houses over 1,700 arts-related businesses that employ over 14,500 people; support of these organizations allows the public to have ample access to a variety of free or low cost cultural activities and programs that promote self-sufficiency, health, and wellbeing. Programs are offered throughout the community, including at city venues. The Department also manages the City’s comprehensive public art program.

Additionally, the Department manages a robust human services grants program equaling \$8.2 million annually to ensure a broad spectrum of supportive services that are easily accessible to the Santa Monica community. In FY 2016, the Human Services Grants program partnered with 21 grantees to support 41 community programs. To augment the work of local non-profits, the Department also provides neighborhood-based educational, fitness, and cultural programs and events, and runs after school programs at seven elementary and two middle school campuses providing homework assistance, enrichment classes and sports.

In other cities, the functions in Community & Cultural Services may be located in a consolidated parks, recreation, and libraries department; parks and recreation services may be separate; and human services may not be provided. In addition, some cities do not support cultural and arts programming, many do not manage grant programs, nor do all cities have beaches. Parks services typically receive a portion of their funding through fees for usage, events, and parking.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>47</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Sports teams	1,012	348	12	684
	Parks operated <sup>48</sup>	32	38	27	43
	Parks per 10,000 residents	3.4	2.9	2.0	4.2
	Acres of parks	135 <sup>49</sup>	263	141	360
	Acres of parks per 10,000 residents	1.5	2.2	1.3	3.9
	Programmed community facilities	16	20	6	43
	Community events (permitted)	1,390	31	21	36
	Budgeted FTEs	171.8	153.9	97.3	250.9

<sup>47</sup> Peer cities that responded to the survey include Burbank, Santa Barbara, Torrance, and Glendale.

<sup>48</sup> Santa Monica’s Parks are maintained by Public Landscape staff in Public Works

<sup>49</sup> Does not include 245 beach acres,



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>47</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Cost Data	Operating cost	\$37,311,461	\$26,618,702	\$17,375,351	\$45,370,596
	Operating cost per department FTE	\$217,179	\$171,362	\$162,164	\$182,274
	Operating cost per capita	\$401	\$190	\$165	\$228

To better understand the Cultural and Community Services Department’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Community classes offered	4,762
Total community class registrations	45,007
Number of unique enrollments in community classes	10,674
Pieces of public art maintained	44
Art Bank Collection pieces maintained	104
Beach acres managed	245
Human Services Program grantees	21
Cultural Arts Grants Programs Managed	5
Beach Concession Leases Managed	3 <sup>50</sup>
Sites staffed for afterschool programs	9

## CASH COMPENSATION BENCHMARKING<sup>51</sup>

Five positions in Santa Monica’s Community and Cultural Services Department were benchmarked against peer cities, three of which were compensated at levels above the peer median. Overall, the Cultural and Community Services department median wage is above the peer median, and is the fourth highest amongst the peer cities. The City’s Community and Cultural Services Department does not include public landscape personnel, like most other peer departments, which may contribute to overall higher median wages.

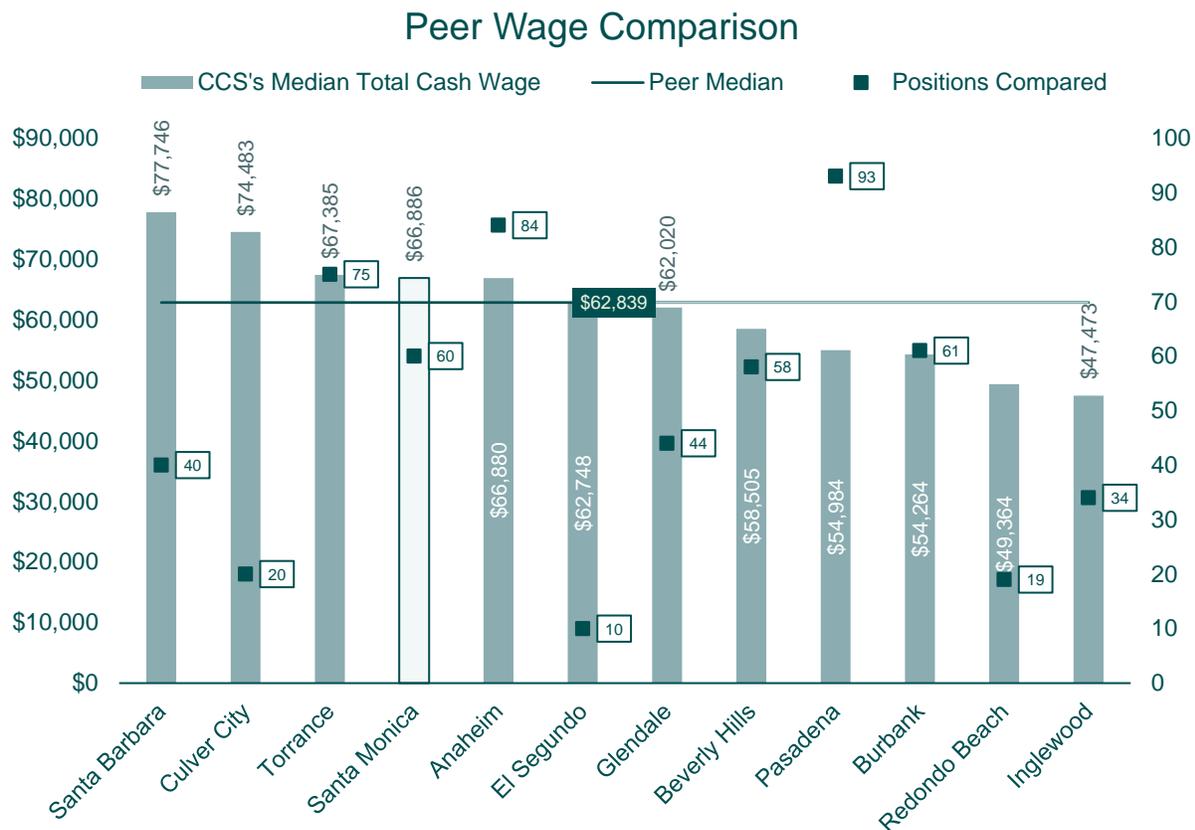
<sup>50</sup> Leases are managed at 8 locations

<sup>51</sup> Many of the programs run out of the Community and Cultural Services Department have no private-sector equivalent. Therefore, there is little equitability in comparing against private sector positions.



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Community Cultural Services	\$241,728	\$186,883	--	29.3%	--
Assistant Director Community Cultural Services	\$189,150	\$160,441	--	17.9%	--
Program Supervisor <sup>52</sup>	\$76,452	\$78,496	--	-2.6%	--
Program Manager <sup>53</sup>	\$130,130	\$105,069	\$112,513	23.9%	15.7%
Program Specialist <sup>54</sup>	\$45,952	\$54,984	\$95,233	-16.4%	-51.7%

Exhibit 28<sup>55</sup>



<sup>52</sup> Generalized position title: examples of types of position titles included in analysis are recreation supervisor; community services supervisor; community services program supervisor.

<sup>53</sup> Generalized position title: examples of types of position titles included in analysis are nature center manager; recreation services manager; social services manager

<sup>54</sup> Generalized position title: examples of types of position titles included in analysis are recreation specialist; community services specialist; human services specialist; community garden program specialist

<sup>55</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



## F. FINANCE

### SERVICE AND STAFFING LEVEL COMPARISON

A typical finance department manages the City’s financial affairs, including forecasting, budgeting, procurement, financial reporting and operations such as payroll and accounts payable, and collection of fees and taxes. Santa Monica’s Finance Department includes meter collection and counting of meter and Big Blue Bus farebox cash. The Department also supports the City’s Audit Subcommittee, which meets quarterly at a minimum, and the internal audit program in conjunction with the City Manager’s Office.

In addition to managing these affairs, Santa Monica’s Finance Department manages many functions that are typically outsourced in other cities. The City manages its own investment portfolio and debt, and operates a utilities billing and collections function for the City’s water, wastewater and resource recovery and recycling programs. The City also prepares its own Comprehensive Annual Financial Report.

Further, the Finance Department manages and administers the risk management program, which is responsible for procuring and managing the City’s insurance program (e.g., liability, workers’ compensation, property, etc.), adjusting liability and workers’ compensation claims with in-house staff, coordinating the citywide safety program, providing risk management and contractual risk transfer guidance to all departments, and implementing programs that reduce the City’s exposure to unnecessary risk.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>56</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Invoices paid	102,542	57,350	28,090	90,432
	P-card purchases	10,450	5,061	2,365	8,958
	Solicitations posted	285	73	25	157
	Business licenses issued	24,951	5,728	866	13,623
	City total operating budget	\$507,991,516	\$548,840,441	\$220,109,311	\$819,533,134
	City capital budget	\$113,723,338	\$59,441,129	\$20,343,398	\$105,812,551
	Budgeted FTEs	78.0	45.8	32.8	65.25
Cost Data	Operating cost	\$15,815,478 <sup>57</sup>	\$6,814,671	\$4,516,967	\$11,096,000
	Operating cost per department FTE	\$202,763	\$146,760	\$120,866	\$170,054
	Operating cost per city FTE	\$6,897	\$5,535	\$3,175	\$9,593
	Operating cost per capita	\$170	\$76	\$30	\$167

<sup>56</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, and Santa Barbara.

<sup>57</sup> Insurance premiums were removed from the city’s operating cost.



To better understand the Finance Department’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Schedule of Expenditures of Federal Awards (SEFA) Dollars reported	\$35,839,659
Utility bills processed	100,924
New workers’ compensation claims processed	341
Parking meter collection revenue	\$15,564,684
Paychecks processed	66,756

## CASH COMPENSATION BENCHMARKING

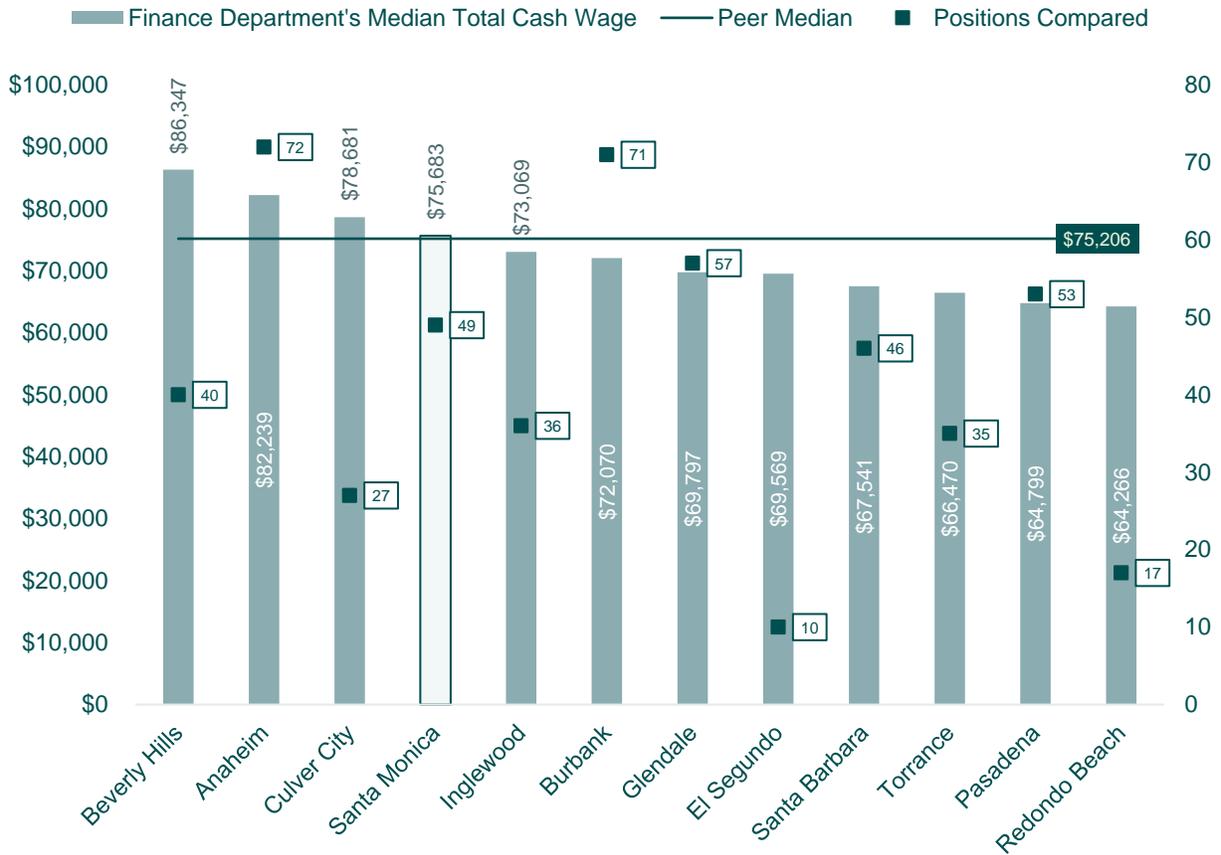
Seven positions in Santa Monica’s Finance Department were benchmarked against peer cities, most of which were compensated at levels above the peer median. In comparison to the private sector, most positions fell below the median for similar positions. Overall, the Finance Department’s median wage falls near the middle of peer wages and approximates the median. As noted in the section above, the City’s Finance department operates additional services such as risk management and workers’ compensation claims in-house.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Finance	\$225,814	\$204,423	\$576,000	<b>10.5%</b>	<b>-60.8%</b>
Assistant Director Finance	\$178,002	\$148,214	\$275,403	<b>20.1%</b>	<b>-35.4%</b>
Accounting Manager	\$142,592	\$139,353	\$148,326	<b>2.3%</b>	<b>-3.9%</b>
Risk Manager	\$171,968	\$142,536	\$143,100	<b>20.6%</b>	<b>20.2%</b>
Accountant	\$78,717	\$72,568	\$84,211	<b>8.5%</b>	<b>-6.5%</b>
Billing Specialist	\$59,555	\$57,952	\$61,369	<b>2.8%</b>	<b>-3.0%</b>
Financial Analyst Senior <sup>58</sup>	\$103,237	\$105,468	\$109,579	<b>-2.1%</b>	<b>-5.8%</b>

<sup>58</sup> Generalized position title: examples of types of position titles included in analysis are revenue analyst; treasury analyst; finance analyst; grants analyst



## Peer Wage Comparison



## G. FIRE

### SERVICE AND STAFFING LEVEL COMPARISON

The Fire Department provides fire prevention and emergency response services for firefighting and emergency medical services. The Department develops and implements programs that help prevent or reduce the magnitude of emergencies and inspects buildings within city limits to enforce fire codes. The Department responds to calls for service, including fire mitigation, emergency medical services, urban search and rescue, and emergencies related to hazardous materials.

The Santa Monica Fire Department (SMFD) provides services for a daytime community that can swell to 250,000 on any day, making its operations somewhat unique.

<sup>59</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



	PERFORMANCE DATA	SANTA MONICA	PEER CITIES (N=5) <sup>60</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Annual service calls	16,384	13,913	6,106	19,421
	Service calls per firefighter	156	130.9	96.2	231.1
	Service calls per 10,000 residents	1,762	1,305	966	1986
	Service calls per 10,000 daytime visitors	966	959.1	672	1,433
	Inspections	10,592	5,665	2,996	9,556
	Stations	4	6.4	3	9
	Service calls per stations	4,096	2,154	1,797	2,500
	Average response time (minutes)	5.47	5.48	4.50	6.12
	Budgeted FTEs	135.8	110.8	60.9	157
	Firefighters	105	110.8	60.9	157
	Firefighters per 10,000 residents	11.3	10.4	7.8	15.4
	Firefighters per 10,000 daytime visitors	6.2	7.1	6.2	7.7
	Firefighters per station	26.3	18.1	9.9	24.2
Cost Data	Operating cost	\$39,669,180	\$36,762,793	\$22,277,646	\$61,302,902
	Operating cost per department FTE	\$292,115	\$258,659	\$240,990	\$309,584
	Operating cost per capita	\$427	\$347	\$275	\$561

## CASH COMPENSATION BENCHMARKING

Eight positions in SMFD were benchmarked against peer cities, six of which were compensated at levels above the peer median. Overall, SMFD median is the highest of peer wage, likely due to the amount of overtime most sworn employees work. For more information on the sources of SMFD's overtime, please see [Section V-B](#).

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Fire Chief <sup>61</sup>	\$225,110	\$239,058	-5.8%
Deputy Fire Chief	\$238,621	\$239,506	-0.4%

<sup>60</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Santa Barbara, and Torrance.

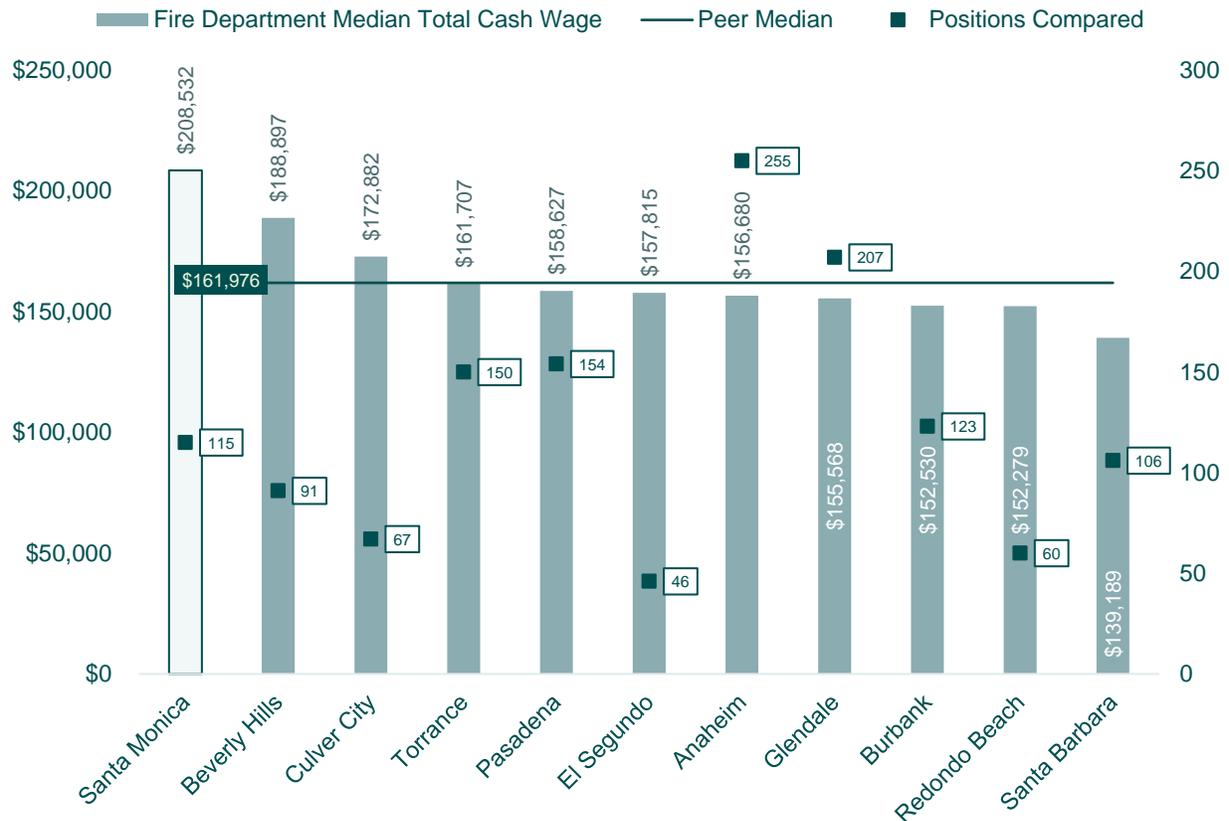
<sup>61</sup> Fiscal year 2016 data reflects a position in transition



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Battalion Chief	\$239,198	\$233,097	2.6%
Fire Marshall	\$252,980	\$198,434	27.5%
Fire Captain I	\$231,925	\$194,970	19.0%
Fire Engineer I	\$208,883	\$170,940	22.2%
Fire Inspector I	\$196,915	\$119,982	64.1%
Fire Fighter I	\$193,551	\$143,066	35.3%

Exhibit 30<sup>62, 63</sup>

### Peer Wage Comparison



<sup>62</sup> Includes overtime as a component of cash compensation.

<sup>63</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



## H. HOUSING AND ECONOMIC DEVELOPMENT

### SERVICE AND STAFFING LEVEL COMPARISON

A typical Housing and Economic Development Department administers affordable housing programs, including managing rental subsidy programs and supporting affordable housing development by making loans to non-profit affordable housing developers. Economic Development primarily focuses on helping attract and retain businesses within the City.

In other cities, the functions in Housing & Economic Development are typically co-located with Planning & Community Development services. Most cities do not manage the extent of city property that Santa Monica owns and leases, and rental assistance may not be provided.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N = 3) <sup>64</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Housing vouchers	1,441	1,765	960	2,936
	Housing vouchers per 10,000 residents	156.7	112.2	91.1	146.1
	Budgeted FTEs	36.4	27.6	6.7	48.5
Cost Data	Operating cost	\$25,078,357	\$20,736,735	\$1,340,569	\$36,368,636
	Operating cost per department FTE	\$688,966	\$652,839	\$200,085	\$505,592
	Operating cost per capita	\$270	\$123	\$13	\$181

Macroeconomic indicators are typically used to measure economic development performance. However, the City has limited impact on community-wide measures such as these and therefore they are not included in this analysis.

Santa Monica’s Housing and Economic Development Department provides additional services, such as operating the farmers’ markets, monitoring deed-restricted affordable residents for regulatory compliance, coordinating the Buy Local campaign, working with business districts and organizations, leasing and licensing of City property, and coordinating management of the Santa Monica Pier. To better understand the Housing and Economic Development Department’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Number of city commercial leases and licenses managed	157
Annual revenues from city commercial leases and licenses	\$10,150,000
Annual revenues from City-operated farmers markets	\$18,150,000

<sup>64</sup> Peer cities that responded to the survey include Burbank, Glendale, and Pasadena.



ACTIVITY	WORKLOAD DATA
Annual dollar value of investments in production and preservation of affordable housing	\$15,000,000
Annual dollar value of rental housing subsidies	\$18,000,000
Portfolio of deed-restricted residences monitored	4,500

## CASH COMPENSATION BENCHMARKING<sup>65</sup>

Three positions in Santa Monica’s Housing and Economic Development Department were benchmarked against peer cities, all of which were compensated at levels above the peer median. Overall, the Housing and Economic Development Department’s median wage falls above the median.

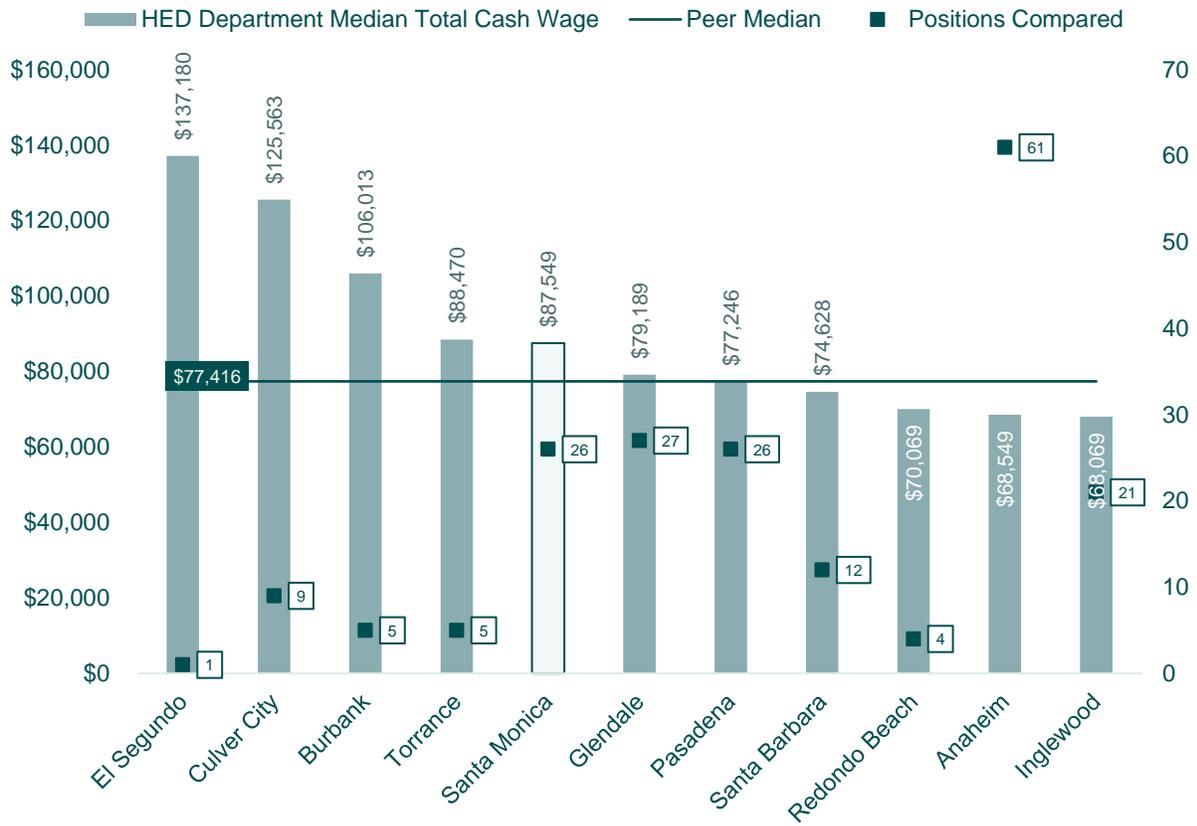
POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Housing & Economic Development	\$213,867	\$184,091	\$270,449	<b>16.2%</b>	<b>-20.9%</b>
Economic Development Manager	\$162,215	\$145,626	--	<b>11.5%</b>	--
Housing Specialist	\$85,560	\$84,003	--	<b>1.9%</b>	--

<sup>65</sup> Many of the programs run out of the Housing & Economic Development Department have no private-sector equivalent (housing assistance, and economic development efforts overall). Therefore, there is little equitability in comparing against private sector positions.



Exhibit 31<sup>66</sup>

## Peer Wage Comparison



## I. HUMAN RESOURCES

### SERVICE AND STAFFING LEVEL COMPARISON

Typical human resources departments manage personnel matters, including recruitment, employee training and development, retention, labor negotiations, and employee grievances.

The City operates the Santa Monica Institute, a program that promotes professional growth and development of City staff. The Department also supports wellness programs for employees and conducts labor negotiations using in-house staff.

<sup>66</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>67</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Labor groups	11	7	6	9
	Recruitments	224	147.6	45	352
	Applications	22,018	9,822	1,570	19,587
	Applications per recruitment	98.3	70.4	34.9	124.4
	Classification and compensation studies conducted	21	17	16	18
	Internal training classes offered	99	77.8	13	214
	Budgeted FTEs	26.2	26	7	55
Cost Data	Operating cost	\$4,504,004	\$3,913,295	\$1,312,166	\$6,608,000
	Operating cost per department FTE	\$171,909	\$166,455	\$111,922	\$201,771
	Operating cost per city FTE	\$1,964	\$2,755	\$1,531	\$4,327
	Operating cost per capita	\$48	\$39	\$17	\$58

## CASH COMPENSATION BENCHMARKING

Four positions in Santa Monica’s Human Resources Department were benchmarked against peer cities, all of which were compensated at levels above the peer median. Overall, the Human Resource Department’s median wage falls approximately in the middle of peer wages and is slightly above the median.

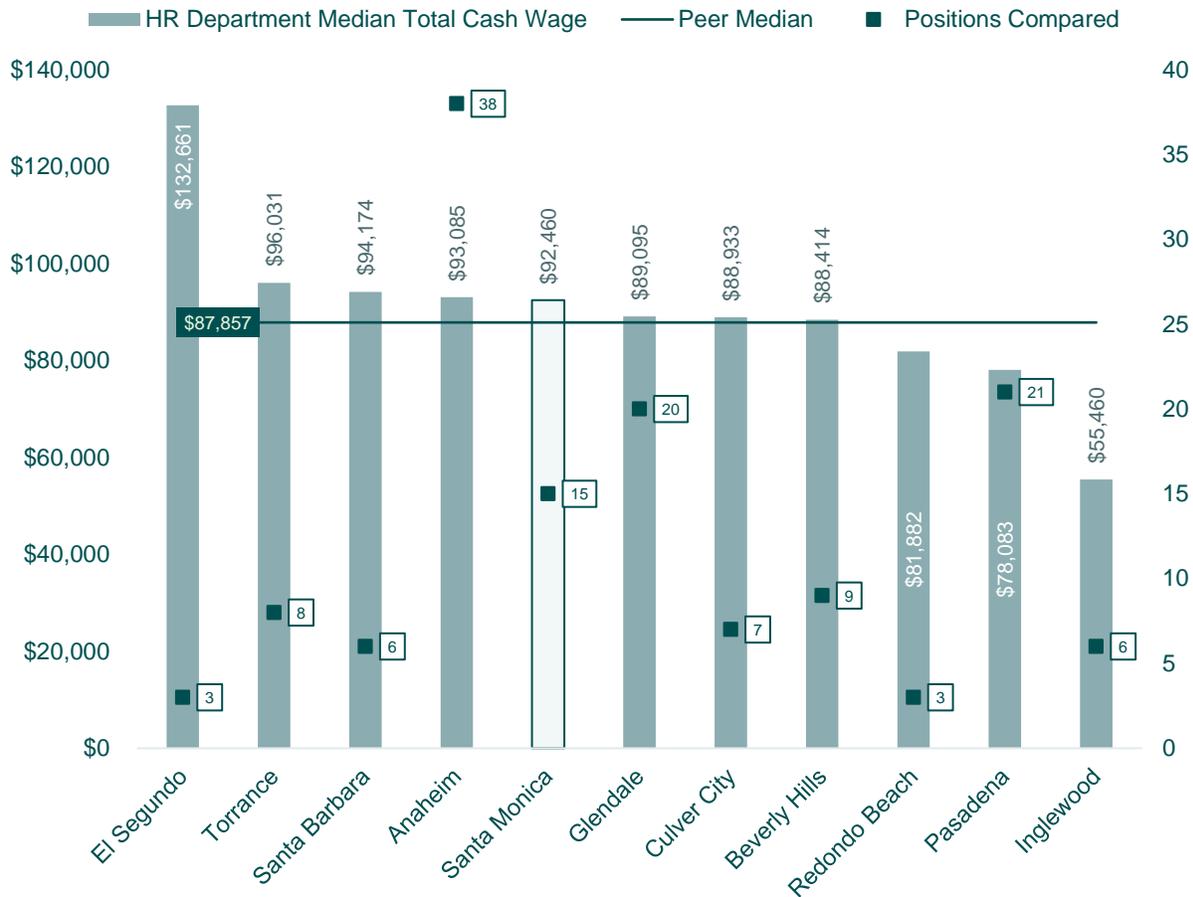
POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Human Resources	\$224,535	\$172,294	\$411,567	<b>30.3%</b>	<b>-45.4%</b>
Human Resources Manager	\$153,399	\$124,444	\$142,429	<b>23.3%</b>	<b>7.7%</b>
Human Resources Analyst	\$92,984	\$65,961	\$84,457	<b>41.0%</b>	<b>10.1%</b>
Human Resources Specialist	\$66,567	\$53,385	\$51,956	<b>24.7%</b>	<b>28.1%</b>

<sup>67</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, and Santa Barbara.



Exhibit 32<sup>68</sup>

### Peer Wage Comparison



## J. INFORMATION SERVICES DEPARTMENT

### SERVICE AND STAFFING LEVEL COMPARISON

Most information services departments manage city technology services and provide help desk support to support users.

In addition to providing these services, Santa Monica’s Information Services Department also provides free public Wi-Fi services to residents and fast and affordable business class broadband to local businesses. The Department continually expands the City’s fiber network to support access to wireless broadband throughout Santa Monica.

<sup>68</sup> Positions with cash compensation reported as less than the position’s published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



	PERFORMANCE DATA	SANTA MONICA	PEER CITIES (N=4) <sup>69</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Help desk tickets	19,490	9,745	3,368	21,723
	Help desk tickets per ISD FTE	397.8	209.4	129.3	273.2
	Work stations	2,350	1,664	769	2,805
	Work stations per IT FTE	48	40.5	35	51.3
	Users	3,125	1,505	1,017	1,900
	Users per IT FTE	63.8	43.7	23.9	67.8
	Budgeted FTEs	49	45.1	15	79.5
Cost Data	Operating cost	\$9,179,862	\$10,324,174	\$3,281,761	\$17,463,324
	Operating cost per department FTE	\$187,344	\$230,281	\$116,632	\$386,613
	Operating cost per city FTE	\$4,003	\$6,305	\$3,152	\$11,060
	Operating cost per capita	\$99	\$67	\$32	\$112

## CASH COMPENSATION BENCHMARKING

Six positions in Santa Monica’s Information Services Department were benchmarked against peer cities, most of which were compensated at levels equal to or slightly below the peer median. Overall, the Information Services Department’s median wage falls is the highest among peers. The discrepancy between the lower position-to-position compensation and higher departmental median compensation is likely because Santa Monica’s Information Services Department provides additional highly technical services, such as city Wi-Fi, using in-house staff. This function requires high caliber employees that likely earn a higher wage, which may skew the City’s median compensation up.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Chief Information Officer	\$182,556 <sup>70</sup>	\$200,158	\$441,960	-8.8%	-58.7%
Information Systems Manager	\$164,367	\$142,774	\$166,095	15.1%	-1.0%
Software Engineer	\$116,438	\$117,203	\$128,022	-0.7%	-9.0%
Network Engineer	\$121,560	\$116,977	\$126,062	3.9%	-3.6%
Information Systems Analyst	\$93,691	\$93,746	\$90,941	-0.1%	3.0%

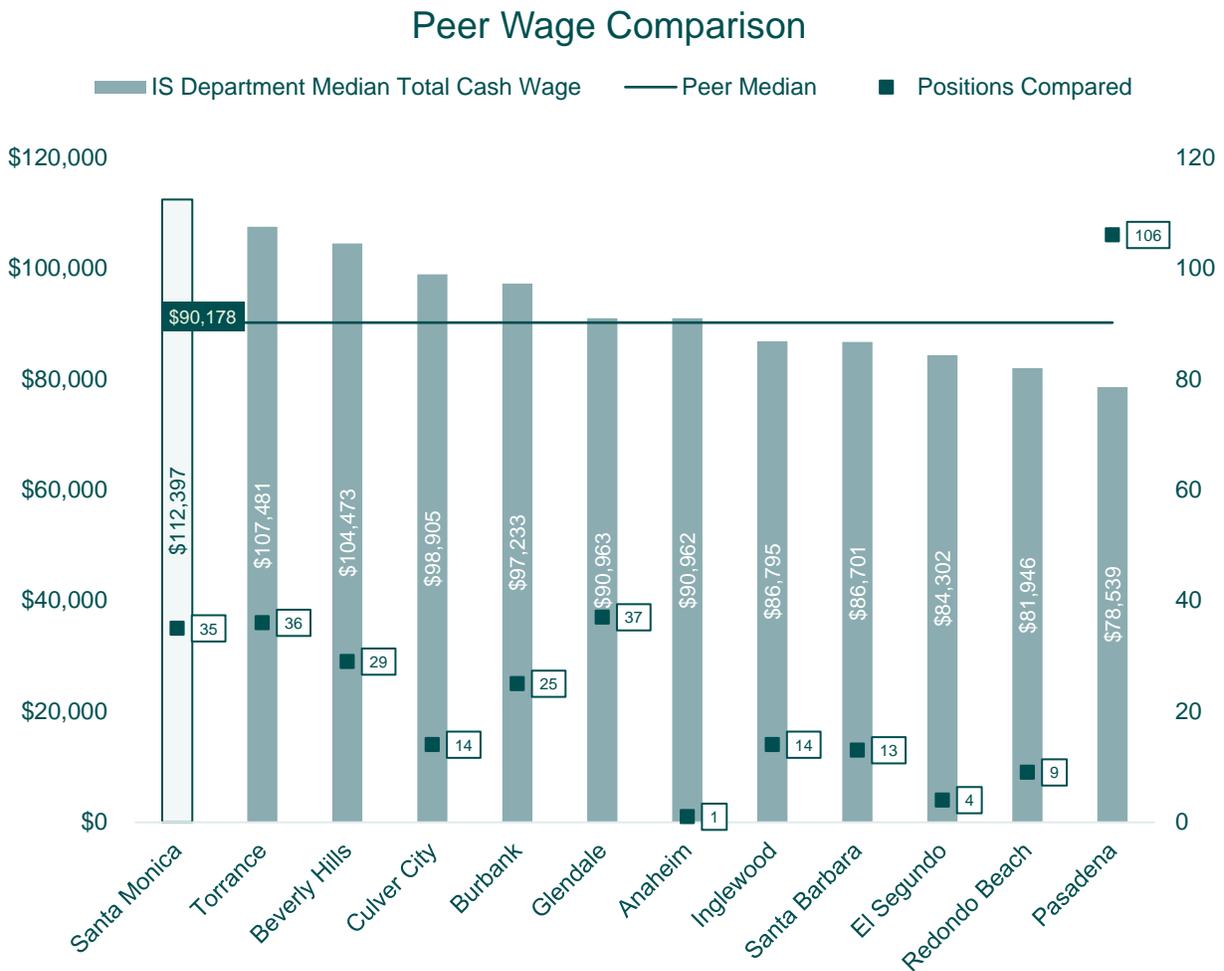
<sup>69</sup> Peer cities that responded to the survey include Glendale, Pasadena, Santa Barbara, and Torrance.

<sup>70</sup> This represents the minimum salary level for this position; SCO data did not include an entire year’s worth of salary data for fiscal year 2016 in Santa Monica.



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
IT Support Specialist	\$85,328	\$86,136	\$98,496	-0.9%	-13.4%

Exhibit 33<sup>71</sup>



## K. LIBRARY

### SERVICE AND STAFFING LEVEL COMPARISON

Typical library departments provide community access to books and media and offer programming to children, teens, and adults that support lifelong learning and literacy.

<sup>71</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



In addition to these services, Santa Monica’s libraries allow members of neighboring communities to access their services, expanding the reach of the Library Department’s customers. The Library Department also has ambitious programming that advances the elements included in its strategic plan, which includes being a vibrant learning center, wellbeing cultivator, dynamic third place, and a community and cultural connector.

In other cities, library systems may be operated as a division of Parks and Recreation, or provided by the county or a library district.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>72</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Libraries	5	6.8	3	10
	Programs offered	2,284	2,139	698	4,735
	Program participants	74,143	52,126	31,469	76,000
	Average participants per program	32.5	34.8	13.3	54.7
	Library visits	1,257,746	932,685	603,162	1,554,135
	Total Circulation	1,479,414	1,199,929	900,774	1,777,779
	Budgeted FTEs	112	78	37	108
Cost Data	Operating cost	\$12,852,539	\$8,903,804	\$5,382,402	\$14,063,000
	Operating cost per department FTE	\$114,755	\$132,461	\$99,543	\$155,920
	Operating cost per capita	\$138	\$65	\$52	\$100
	Library expenditures per visit	\$10.22	\$10.97	\$3.46	\$17.55

To better understand the Library’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Borrowers	28,650
Questions requested	249,714
Virtual visits	960,649
Internet and early learning computer usage sessions	194,407
Active borrowers	69,969

<sup>72</sup> Peer cities that responded to the survey include Burbank, Glendale, Pasadena, Santa Barbara, and Torrance.



## CASH COMPENSATION BENCHMARKING

Five positions in Santa Monica’s Library Department were benchmarked against peer cities, all of which were compensated at levels above the peer median. Across all positions, the Library Department’s median wage falls approximately in the middle of peer wages, and is slightly above the median.

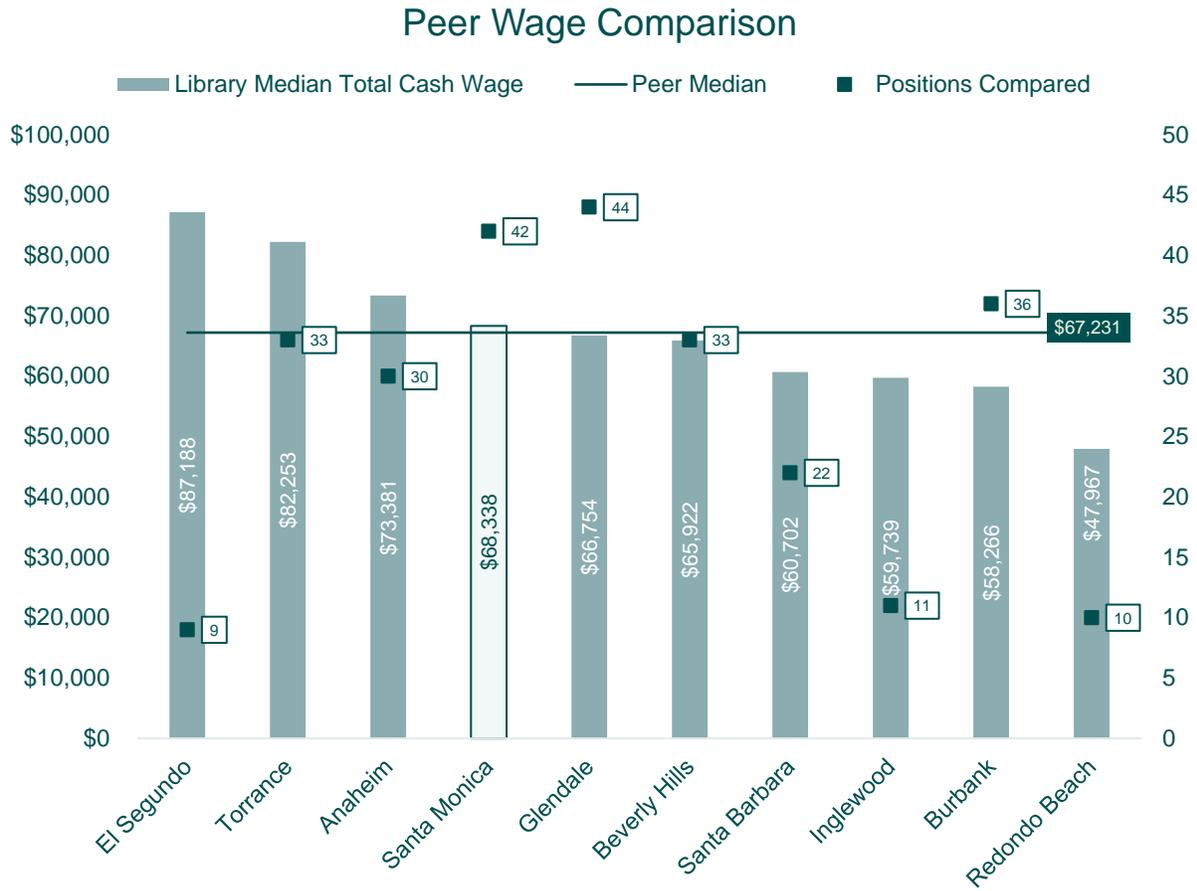
POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Library Director <sup>73</sup>	\$163,396	\$164,732	-0.8%
Librarian III	\$100,641	\$96,773	4.0%
Librarian II	\$89,217	\$85,501	4.3%
Circulation Supervisor	\$81,857	\$79,261	3.3%
Librarian I	\$80,282	\$74,164	8.2%

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<sup>73</sup> Library Director left position in July 2016



Exhibit 34<sup>74</sup>



## L. PLANNING AND COMMUNITY DEVELOPMENT

### SERVICE AND STAFFING LEVEL COMPARISON

A typical Planning and Community Development Department conducts community planning and ensures land use and transportation decisions reflect the community’s values and vision. In addition to these activities, Santa Monica’s Planning and Community Development Department encompasses planning, building safety, parking, code enforcement, mobility, and traffic management.

In other cities, the functions of Planning & Community Development are typically co-located with Housing & Economic Development. Code enforcement functions may be located in the Police Department or Public Works; planning and building safety may be combined with some engineering functions; and traffic management may be in Public Works transportation engineering.

<sup>74</sup> Positions with cash compensation reported as less than the position’s published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>75</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Building permit fees collected	\$3,845,772	\$5,063,2004	\$2,400,000	\$9,900,000
	Code enforcement cases	3,614	1,103	377	1,794
	Budgeted FTEs	124.1	84.1	61.5	121
Cost Data	Operating cost	\$21,883,752 <sup>76</sup>	\$12,291,220	\$7,647,676	\$22,094,132
	Operating cost per department FTE	\$176,340	\$155,441	\$64,566	\$275,625
	Operating cost per capita	\$235	\$90	\$52	\$126

Santa Monica’s planning and development processes are more complex than other cities’ processes, given the City’s unique environmental considerations and community standards. Planners support three commissions and boards, providing advice and expertise as projects move through the planning and development processes. The table below presents the number of commission and board meetings held in 2017, and the average time an associate planner spends processing each case. In addition to these meetings, the Department supports development and update of community plans including the Downtown Community Plan (108 community meetings held), Local Coastal Program, neighborhood plans, and corridor plans.

COMMISSION/ BOARD	2017 MEETINGS	NUMBER OF ITEMS HEARD	AVERAGE MEETING LENGTH	AVERAGE ASSOC. PLANNER HOURS TO PROCESS ONE CASE
Landmarks Commission	13	59	4.5 hours	23 hours
Architectural Review Board	20	134	4 hours	18 hours
Planning Commission	22	58	4 hours	100 hours

To better understand the Planning and Community Development Department’s activities, the Department also provided the following workload data:

ACTIVITY	WORKLOAD DATA
Building permits issued	2,877
Building plan checks completed	4,749
Building inspections performed	24,080

<sup>75</sup> Peer cities that responded to the survey include Burbank, Glendale, Santa Barbara, and Torrance.

<sup>76</sup> Excludes parking operations that are contracted out (\$14,803,547). Parking is typically a division within Public Works departments.



Percentage of next date building inspections	99%
Customers served at Transportation Planning Counter	3,805
Transportation Planning plan checks	583
Non-street meter parking transaction totals	\$19,200,000
Parking permits processed	70,957
Code enforcement cases investigated	3,614
Administrative citations issued	561
Government outreach requests received and investigated	1,063

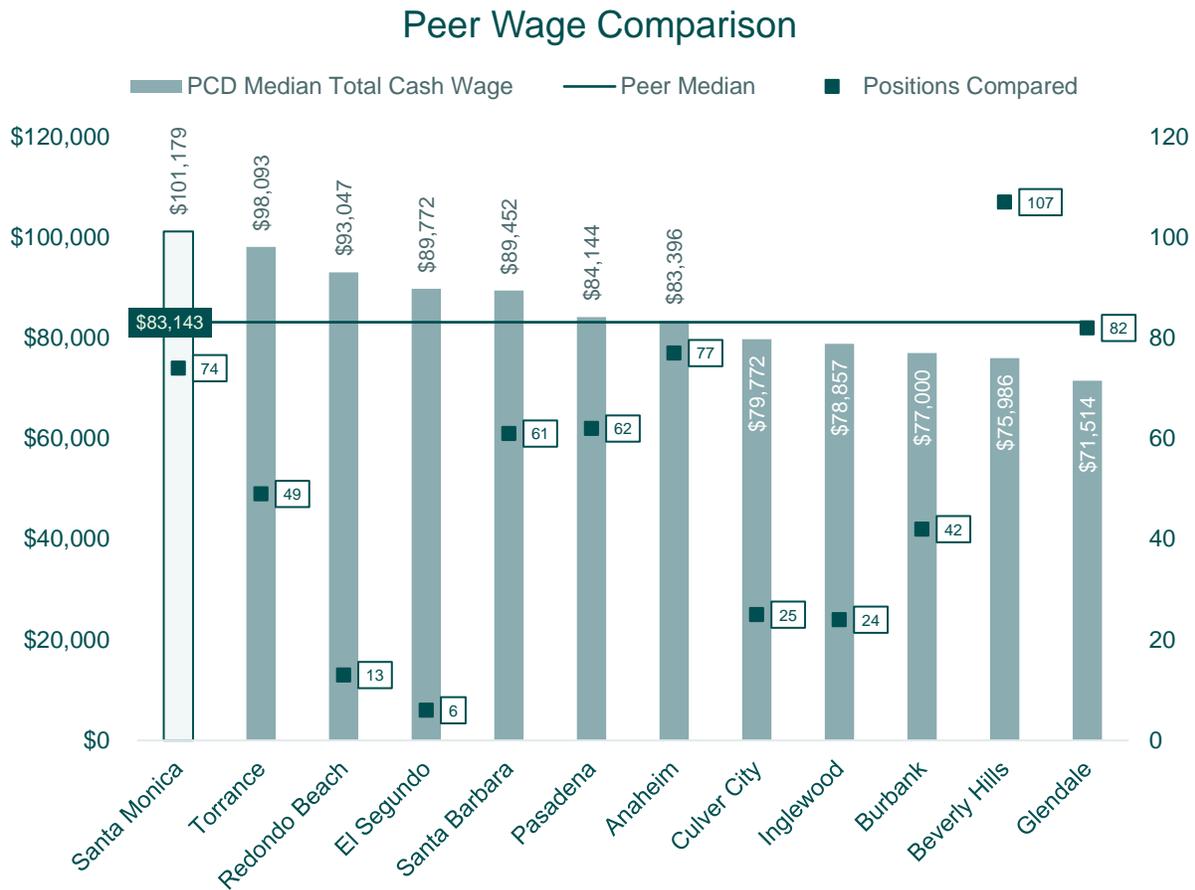
## CASH COMPENSATION BENCHMARKING

Four positions in Santa Monica’s Planning and Community Development Department were benchmarked against peer cities, all of which were compensated at levels above the peer median. Overall, the Planning and Community Development Department’s median wage is the highest among peers. However, as noted in the section above, Santa Monica operates a more complex planning and community development processes, including the support of three commissions and boards.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Planning Community Development	\$239,598	\$202,817	\$225,814	18.1%	6.1%
Plan Check Engineer Senior	\$122,692	\$104,127	--	17.8%	--
Planning Senior	\$119,839	\$109,507	\$104,631	9.4%	14.5%
Building & Safety Inspector	\$87,940	\$78,272	\$103,667	12.4%	-15.2%



Exhibit 35<sup>77</sup>



## M. POLICE

### SERVICE AND STAFFING LEVEL COMPARISON

Typical police departments operate patrol services, respond to calls for service, uphold the law, protect residents and visitors, and investigate crimes.

The Santa Monica Police Department (SMPD) provides services for a daytime community that swells to 250,000 on an average day, making its operations somewhat unique. Additionally, the Department operates community services, a local jail, animal control, the homeless liaison program, and traffic enforcement.

<sup>77</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



	PERFORMANCE DATA	SANTA MONICA	PEER CITIES (N=6) <sup>78</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Annual service calls	118,957	70,250	48,923	115,233
	Service calls per officer	531	392	290	484
	Service calls per 10,000 residents	12,793	6,727	4,643	13,289
	Service calls per 10,000 daytime visitors	7,014	4,206	3,046	5,646
	Average response time (minutes) <sup>79</sup>	5.7	8.48	3.8	18.22
	Clearance rate: violent crimes	54%	61%	56%	66%
	Clearance rate: property crimes	9%	23%	16%	44%
	Serious crime rate per 100,000 residents	362.9	230.4	94.4	427.2
	Property crime rate per 100,000 residents	3,248.5	2,503.5	1,559.3	4,279.5
	Budgeted FTEs	435.7	284.1	159.8	369.8
	Officers	224	185	109	243
	Officers per 10,000 residents	24.1	11.3	9.8	12.3
	Officers per 10,000 daytime visitors	13.2	11.1	9.8	12.3
Cost Data	Operating cost	\$86,664,147	\$59,915,944	\$37,772,840	\$78,998,760
	Operating cost per department FTE	\$198,908	\$211,675	\$189,057	\$236,346
	Operating cost per capita	\$932	\$554	\$393	\$952

## CASH COMPENSATION BENCHMARKING

Six positions in SMPD were benchmarked against peer cities, all of which were compensated at levels above the peer median. The discrepancy between the higher position-to-position compensation and lower departmental median compensation is likely because SMPD provides additional services, such as community services, animal control, and a homeless liaison program. Where possible and appropriate, the City also leverages civilian employees to reduce its operating and personnel costs.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Police Chief	\$309,287	\$268,435	15.2%
Deputy Police Chief	\$291,626	\$269,394	8.3%

<sup>78</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, Santa Barbara, and Torrance.

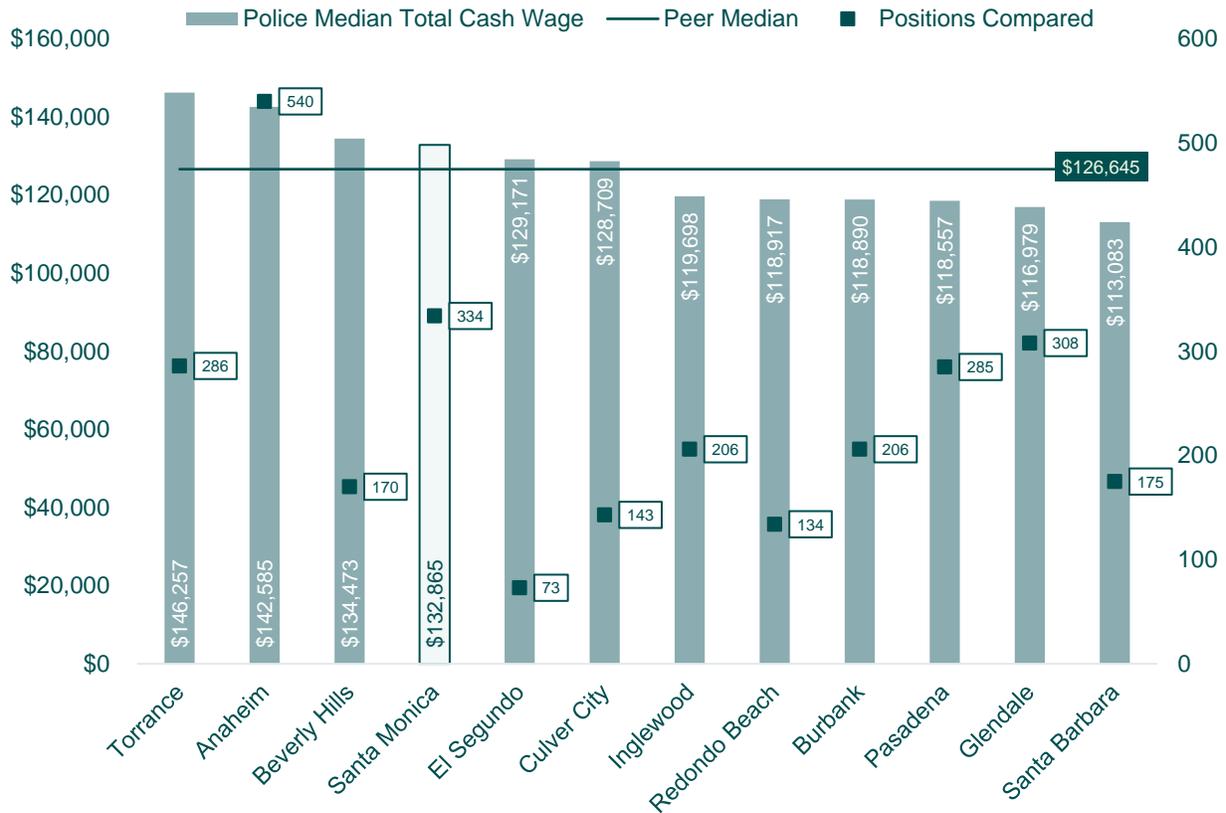
<sup>79</sup> Average response time reflects only high priority calls. However, Police Departments triage calls according to different categories therefore this analysis may not provide a one-to-one comparison.



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	% DIFF. FROM PEER
Police Captain	\$253,864	\$218,341	16.3%
Police Lieutenant	\$203,211	\$177,044	14.8%
Police Sergeant	\$199,985	\$171,936	16.3%
Police Officer	\$149,338	\$127,370	17.2%
Records Management Specialist	\$66,028	\$61,999	6.5%

Exhibit 36<sup>80</sup>

### Peer Wage Comparison



<sup>80</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



## N. PUBLIC WORKS

Public Works organization structures vary significantly between cities. Some cities operate electric, water, and wastewater utilities, while others receive those services from the county or special purpose districts. Airports, when provided by other cities, may be separate departments, and most cities operate transportation engineering (transit) as a division of Public Works. Many cities outsource maintenance functions, including facilities, streets, fleet, and landscape. Architecture and sustainability services may not be provided. As a result, the analysis below includes selected Public Works functions that are readily comparable to peer cities. Where possible, electric utility positions were removed from this analysis.

### SERVICE AND STAFFING LEVEL COMPARISON: PUBLIC LANDSCAPE

The Public Landscape Division manages maintenance of land and parks, including tree trimming and maintenance of exterior infrastructure. Santa Monica’s Public Landscape Division maintains over 700 acres of parks, athletic fields, landscape, urban forest, and downtown district areas. Additionally, the division maintains 245 acres of beach in the City.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>81</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Trees trimmed	9,008	9,288	4,000	15,197
	Acres of natural land maintained	461	893	559	1,227
	Parks maintained	32	38	27	43
	Budgeted FTEs	101	37.5	7	67.6
Cost Data	Operating cost	\$17,265,230	\$6,913,521	\$2,854,377	\$12,256,000
	Operating cost per division FTE	\$174,396	\$421,427	\$161,394	\$921,585
	Operating cost per capita	\$186	\$83	\$14	\$163

### SERVICE AND STAFFING LEVEL COMPARISON: STREET AND FLEET

The Street and Fleet Services Division maintains city streets, signs, parking meters, and sidewalks and the city’s fleet, including procurement, preventive maintenance, and responding to repair requests. Santa Monica’s street maintenance division maintains over 257 miles of streets, alleys, sidewalks, curbs, and gutters. The Division also maintains street signs, crosswalks, and equipment.

<sup>81</sup> Peer cities that responded to the survey include Culver City, Glendale, Pasadena, and Santa Barbara.



## STREETS

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>82</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Square footage of asphalt repairs	269,297	137,778	9,000	458,000
	Sidewalk patches	7,210	36,779	623	72,934
	Potholes repaired	863 <sup>83</sup>	7,915	429	15,400
	Budgeted FTEs	37	45	32.9	52
Cost Data	Operating cost	\$7,257,655	\$9,515,170	\$7,803,180	\$12,151,931
	Operating cost per division FTE	\$196,153	\$270,693	\$171,466	\$369,922
	Operating cost per capita	\$78	\$84	\$39	\$132

## FLEET

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>84</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Vehicles maintained	932	773	478	1,100
	Budgeted FTEs	29	15 <sup>85</sup>	-	-
Cost Data	Operating cost	\$6,886,852,	\$9,807,201	\$3,590,743	\$16,023,658
	Operating cost per division FTE	\$237,478	\$239,383	-	-
	Operating cost per capita	\$74	\$59	\$39	\$80
	Maintenance cost per vehicle	\$7,307	\$7,251	\$6,364	\$8,138

## SERVICE AND STAFFING LEVEL COMPARISON: CIVIL ENGINEERING

The Civil Engineering Division provides design, construction, and construction management for city public infrastructure. The Division also provides services related to land development, such as permit review, right-of-way inspections, and utility coordination.

<sup>82</sup> Peer cities that responded to the survey include Burbank, Glendale, Pasadena, and Santa Barbara.

<sup>83</sup> Santa Monica permanently repairs potholes rather than filling them.

<sup>84</sup> Peer cities that responded to the survey include Burbank, Glendale, Pasadena, and Santa Barbara.

<sup>85</sup> Only one peer FTE counts were available.



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=4) <sup>86</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Filing permits issued	415	108	13	298
	Annual CIP Project Budget	\$113,723,338	\$98,573,466	\$8,113,568	\$287,246,930
	Budgeted FTEs	27	32.5	13	52
Cost Data	Operating cost	\$5,636,496	\$5,133,733	\$2,014,704	\$8,247,000
	Operating cost per division FTE	\$208,759	\$156,787	\$154,977	\$158,596
	Operating cost per capita	\$61	\$40	\$19	\$59

## SERVICE AND STAFFING LEVEL COMPARISON: RESOURCE RECOVERY AND RECYCLING

The Resource Recovery and Recycling Division performs street sweeping, collects residential and commercial municipal waste, including refuse, organics, and commingled recycling. The City of Santa Monica developed a Zero Waste Strategic Operations Plan, which drives implementation of innovative sustainable programs.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>87</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Tons of refuse collected	74,088	56,469	32,820	90,603
	Tons of recycling and green food waste diverted	27,268	23,504	11,745	34,088
	Tons of waste generated per capita	0.80	0.60	0.28	1.02
	Curb miles swept	26,520	29,568	17,995	44,000
	Budgeted FTEs	90.7	42.9	35	51
Cost Data	Operating cost	\$24,289,019	\$16,696,016	\$6,375,000	\$22,939,098
	Operating cost per division FTE	\$267,795	\$300,148	\$182,143	\$484,114
	Operating cost per capita	\$261	\$178	\$45	\$301
	Cost per curb mile swept	\$840	\$841	\$470	\$1,196
	Refuse collection cost per ton of waste	\$263	\$267	\$174	\$335

<sup>86</sup> Peer cities that responded to the survey include Burbank, Glendale, Pasadena, and Santa Barbara.

<sup>87</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, and Santa Barbara.



## SERVICE AND STAFFING LEVEL COMPARISON: WATER RESOURCES

The Water Resources Division provides safe, reliable, and sustainable water for residents and businesses. In Santa Monica, this includes operation of the City’s potable and recycled water production, water pollution prevention programs, groundwater basin clean-ups, and maintenance of the wastewater collection and conveyance system. Santa Monica’s water systems serves a network of 1,300 fire hydrants, 1,070 fire sprinkler connections, and over 86,00 residential and business customers.

### WATER

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=2) <sup>88</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Water and main service breaks	46	27.5	14	41
	Linear feet of water main replaced	2,269	11,900	-	-
	Total linear feet of water and sewer pipes	813,120	847,500	475,000	1,220,000
	Response time to service breaks (hours)	0.6	3.5	-	-
	Budgeted FTEs <sup>89</sup>	47	-	-	-
Cost Data <sup>90</sup>	Operating cost	\$22,760,951	-	-	-
	Operating cost per division FTE	\$484,276	-	-	-
	Operating cost per capita	\$245	-	-	-

### WASTEWATER

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>91</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Sanitary sewer overflows	6	19	5	46
	Total linear feet of water and sewer pipes	813,120	1,186,267	475,000	1,863,800
	Budgeted FTEs <sup>92</sup>	22.2	26.7	11.4	42
Cost Data	Operating cost	\$12,955,026	\$15,120,837	\$8,385,551	\$26,899,480
	Operating cost per division FTE	\$583,560	\$487,615	\$239,655	\$735,575

<sup>88</sup> Peer cities that responded to the survey include Glendale and Pasadena.

<sup>89</sup> Peer FTE counts are not available due to significant differences in departmental organization. For example, many peer water departments include power or other functions that cannot be easily separated from water and wastewater costs.

<sup>90</sup> Peer operating costs are not available due to significant differences in departmental organization. For example, many peer water departments include power or other functions that cannot be easily separated from water and wastewater costs.

<sup>91</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, and Santa Barbara.

<sup>92</sup> Peer FTE counts are not available due to significant differences in departmental organization. For example, many peer water departments include power or other functions that cannot be easily separated from water and wastewater costs.



PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>91</sup>		
			AVERAGE	MINIMUM	MAXIMUM
	Operating cost per capita	\$139	\$192	\$110	\$255
	Maintenance cost per linear foot of water and sewer pipe	\$20.95	\$12.85	\$1.18	\$18.77

## SERVICE AND STAFFING LEVEL COMPARISON: FACILITIES MAINTENANCE

The Facilities Maintenance Division provides custodial services to city-owned and leased buildings, as well as preventive maintenance and repairs. Santa Monica's Facilities Maintenance Division also maintains the beach house, pier, airport, and cemetery. The Division employs skilled trades staff such as carpenters, electricians, painters, and plumbers. Staff also oversee some contracted services for renovations and maintenance of building automated and security systems.

PERFORMANCE DATA		SANTA MONICA	PEER CITIES (N=5) <sup>93</sup>		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Maintenance work orders	7,612	3,691	333	8,433
	Square footage occupied <sup>94</sup>	2,860,543	852,942	280,000	1,348,814
	Average response time	10.9 days	6.75 days	2 days	20 days
	Budgeted FTEs	128.9	31.2	9.5	48
Cost Data	Operating cost	\$22,184,503	\$6,720,487	\$1,800,000	\$9,000,000
	Operating cost per department FTE	\$172,106	\$207,546	\$187,500	\$240,323
	Operating cost per capita	\$239	\$60	\$39	\$83
	Cost per square foot occupied	\$7.76	\$14.13	\$5.52	\$27.19

## ADDITIONAL SERVICES

### AIRPORT

Santa Monica's airport employs 8.9 FTEs and has an operating cost of \$5.9 million. The airport operates as a general aviation airport, with no commercial or scheduled services. Staff enforce curfew and noise regulations, administer leases, host Certified Flight Instructor trainings, and overall provide a safe, secure, and sustainable airport.

<sup>93</sup> Peer cities that responded to the survey include Burbank, Culver City, Glendale, Pasadena, and Santa Barbara.

<sup>94</sup> Includes leased and owned property.



## ARCHITECTURE SERVICES

Santa Monica operates an Architecture Services Division with 17 FTEs and an operating budget of \$2.8 million. The Division designs and constructs City-owned or leased facilities including libraries, parks, recreational facilities, and parking structures.

## CASH COMPENSATION BENCHMARKING

Seventeen positions in Santa Monica’s Public Works Department were benchmarked against peer cities, nine of which were compensated at levels below the peer median. Overall, the Public Works Department’s median wage falls approximately in the bottom third of peer wages and is below the median. Unlike most peers, Santa Monica in-sources most public works functions, including trash pick-up, public landscape, and maintenance services. These functions are typically lower paid, which may contribute to Santa Monica’s lower median wage.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Public Works <sup>95</sup>	\$225,057	\$198,738	\$410,037	13.2%	-45.1%
Assistant Director Public Works	\$162,322	\$159,474	\$189,621	1.8%	-14.4%
Facility Manager <sup>96</sup>	\$159,925	\$124,949	\$113,120	28.0%	41.4%
Operations Manager <sup>97</sup>	\$156,513	\$147,054	\$134,375	6.4%	16.5%
Operations Supervisor	\$102,931	\$105,823	\$85,577	-2.7%	20.3%
Maintenance Worker <sup>98</sup>	\$52,537	\$51,374	\$59,304	2.3%	-11.4%
Maintenance Worker Supervisor	\$89,434	\$80,820	\$92,408	10.7%	-3.2%
Equipment Operator	\$62,983	\$72,418	\$68,818	-13.0%	-8.5%
Fleet Mechanic	\$59,645	\$62,128	\$64,794	-4.0%	-7.9%
Fleet Services Supervisor	\$107,890	\$98,309	\$118,318	9.7%	-8.8%
HVAC Mechanic	\$89,205	\$83,418	\$73,283	6.9%	21.7%
Landscape Worker	\$53,658	\$55,669	\$34,645	-3.6%	54.9%
Mechanic	\$60,865	\$91,325	\$65,320	-33.4%	-6.8%

<sup>95</sup> Fiscal year 2016 data reflects a position in transition

<sup>96</sup> Generalized position title: examples of types of position titles included in analysis are Facilities Manager; Warehouse Manager; Convention Center Manager; Transit Facilities Manager

<sup>97</sup> Generalized position title: examples of types of position titles included in analysis are Public Works Operations Manager; Streetscape Manager; Environmental Programs Manager; Water Systems Manager

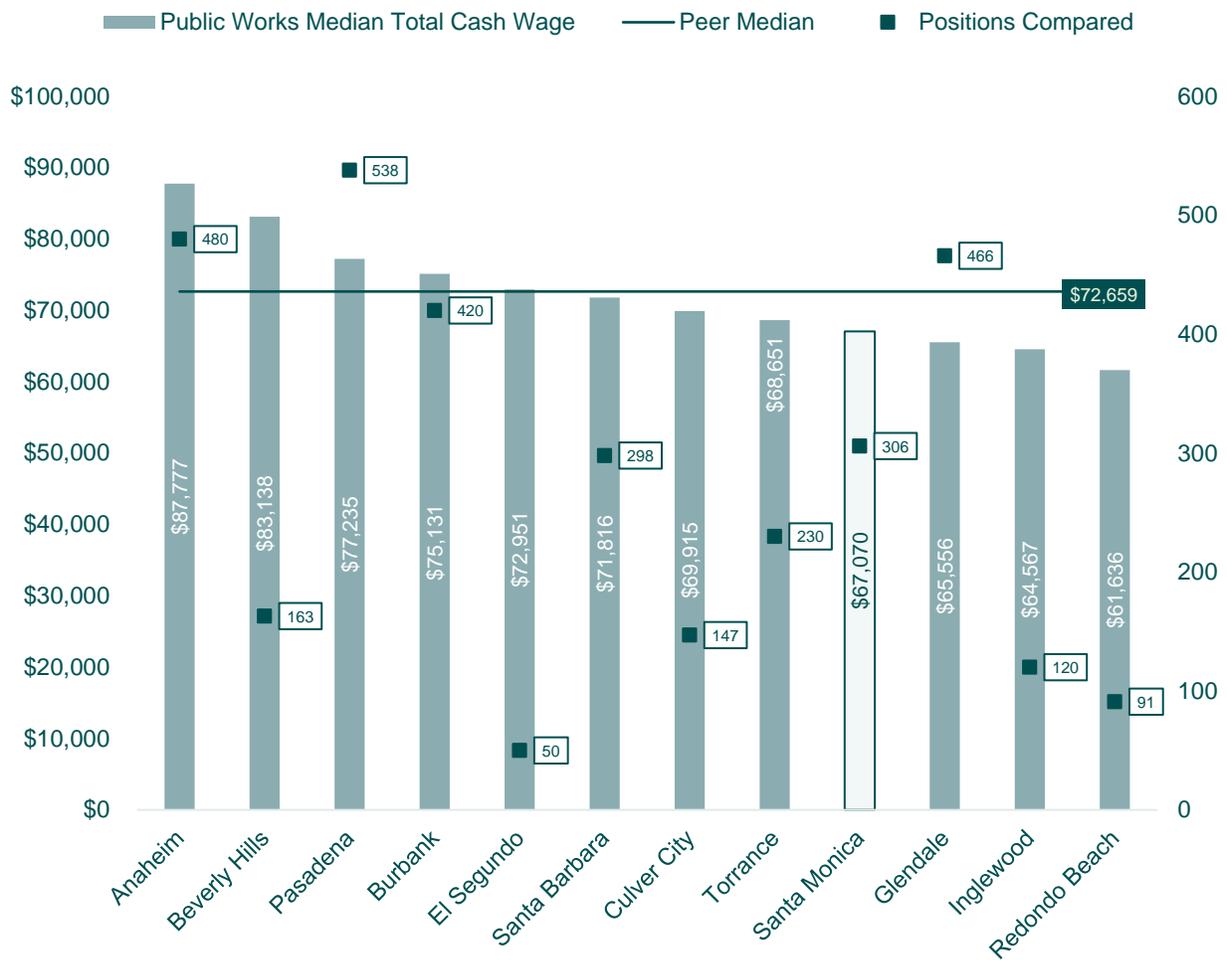
<sup>98</sup> Generalized position title: examples of types of position titles included in analysis are Construction and Maintenance Worker; General Repair Worker; Facilities Maintenance Worker; Public Works Maintenance Worker



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Electrician	\$73,256	\$89,611	\$74,235	-18.3%	-1.3%
Plumber	\$71,107	\$75,621	\$71,891	-6.0%	-1.1%
Carpenter	\$71,215	\$73,375	\$47,186	-2.9%	50.9%
Welder	\$63,951	\$73,472	\$61,774	-13.0%	3.5%

Exhibit 37<sup>99</sup>

### Peer Wage Comparison



<sup>99</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



## O. TRANSIT

### SERVICE AND STAFFING LEVEL COMPARISON

Santa Monica operates a regional transit system, Big Blue Bus, that serves 59 square miles surrounding Santa Monica. Four peer cities also operate transit systems, including buses, dial-a-ride, and some taxi services. In other cities, transit services are provided by multi-jurisdictional transit agencies. Cities that operate their own transit systems typically include transit as a division of Public Works. No peer city operates a standalone transit agency structured like Big Blue Bus.

Transit agencies are largely funded through grants awarded by the federal government and also are expected to recover 20% of costs through bus fares.

PERFORMANCE DATA <sup>100</sup>		SANTA MONICA	PEER CITIES (N=4)		
			AVERAGE	MINIMUM	MAXIMUM
Workload Data	Passenger miles	73,953,419	10,622,181	599,978	22,728,316
	Average weekday trips	63,238	8,670	647	19,343
	Operating expenses per passenger mile	\$0.89	\$2.44	\$0.84	\$5.66
	Operating expenses per vehicle revenue mile	\$13.38	\$9.16	\$6.79	\$11.81
	FTEs	462.9	180.9	167.3	194.4
Cost Data	Operating cost	\$74,893,876	\$21,241,502	\$4,924,176	\$37,086,761
	Operating cost per department FTE	\$161,793	\$195,061	\$190,776	\$199,346
	Operating cost per capita	\$805	\$319	\$48	\$934

### CASH COMPENSATION BENCHMARKING <sup>101</sup>

Five positions in the Big Blue Bus were benchmarked against peer cities, all of which were compensated at levels above the peer median. Overall, the Big Blue Bus's median wage falls in the middle of peer wages and is slightly above the median.

POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Director Transit	\$241,550	\$236,075	\$262,814	2.3%	-8.1%

<sup>100</sup> Passenger miles, average weekday trips, and performance indicators were sourced from National Transit Database 2014 Annual Agency Profiles. Cost data was sourced from FY 2017 agency budgets. Peer transit agencies include Culver City, Glendale, Redondo Beach, and Torrance.

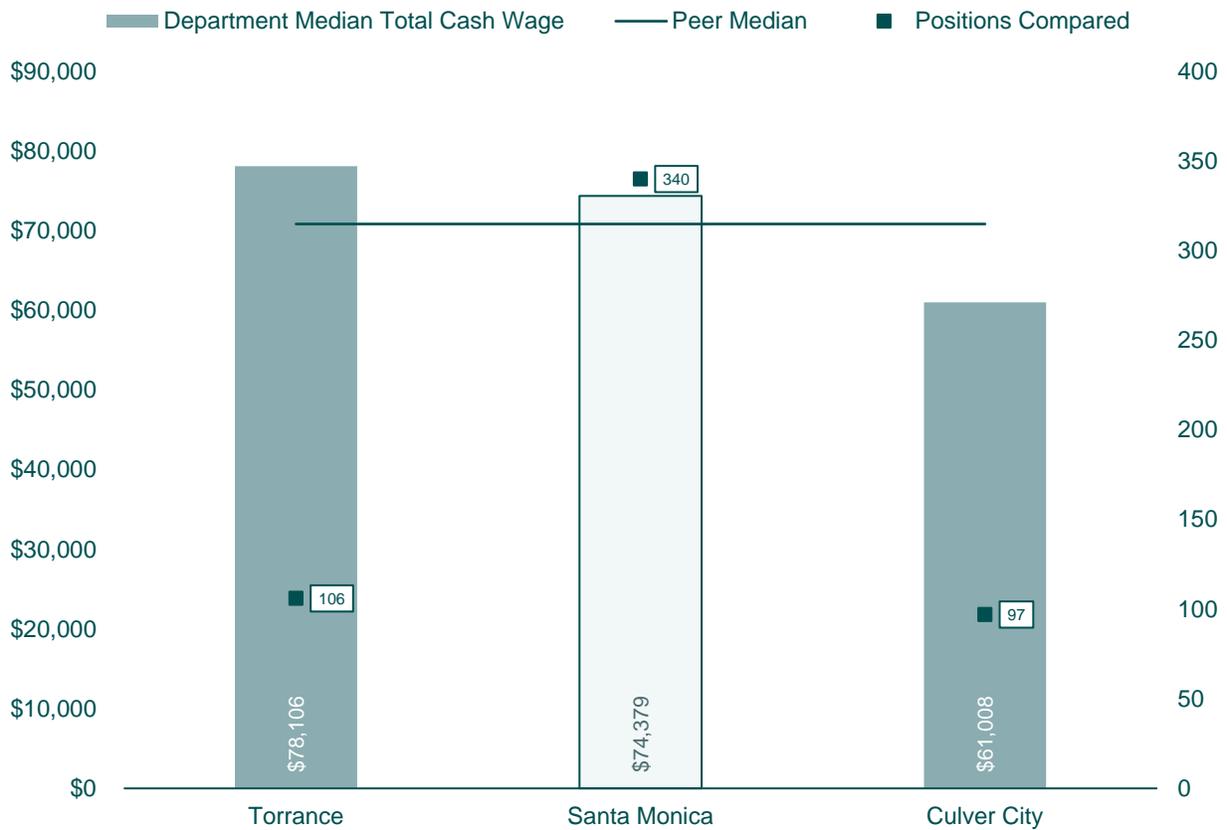
<sup>101</sup> Note: Transit positions amongst peers are difficult to reliably identify and compare, since transit in peer cities a minor part of a larger transportation department or simply within Public Works.



POSITION	SANTA MONICA MEDIAN	PEER MEDIAN	PRIVATE SECTOR	% DIFF. FROM PEER	% DIFF. FROM PRIVATE
Transit Manager	\$134,084	\$125,294	\$123,838	7.0%	8.3%
Maintenance Worker	\$64,000	\$63,389	\$58,452	1.0%	9.5%
Management Analyst	\$86,667	\$82,388	\$95,233	5.2%	-9.0%
Bus/Coach/Motor Operator	\$70,636	\$67,905	\$53,361	4.0%	32.4%

Exhibit 38<sup>102, 103</sup>

### Transit Department Peer Wage Comparison



<sup>102</sup> The data reported to the GCC did not provide enough detail to confidently break out additional peer city cash wages from Glendale and Redondo Beach.

<sup>103</sup> Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.



## V. PUBLIC SAFETY OVERTIME

### A. POLICE OVERTIME

12	OBSERVATION	<p>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.</p> <p>SMPD’s overtime expenditures have increased from \$7.1 million in FY 2014 to \$8.6 million in FY 2016, although they remained a consistent proportion of the department’s overall budget. However, the overtime rate for an existing employee is between 7 and 14% less expensive than the hourly rate of a new, fully burdened employee.</p> <p>The three largest drivers of the department’s overtime are workload requirements, personnel shortages, and workers’ compensation.</p>
	RECOMMENDATION	<p>In accordance with best practice, continue to evaluate police staffing levels and use of overtime.</p> <p>One of the most critical administrative and operational responsibilities of a police department is to effectively staff and schedule a 24-hour / 365-day patrol operations that have workload demand that varies by time of day and day of the week. The Police Department should continue to assess staffing levels through detailed analysis of historical and reliable call-for-service data.</p>

### BACKGROUND

SMPD consists of four divisions employing sworn and civilian personnel. These divisions are summarized in Exhibit 39.

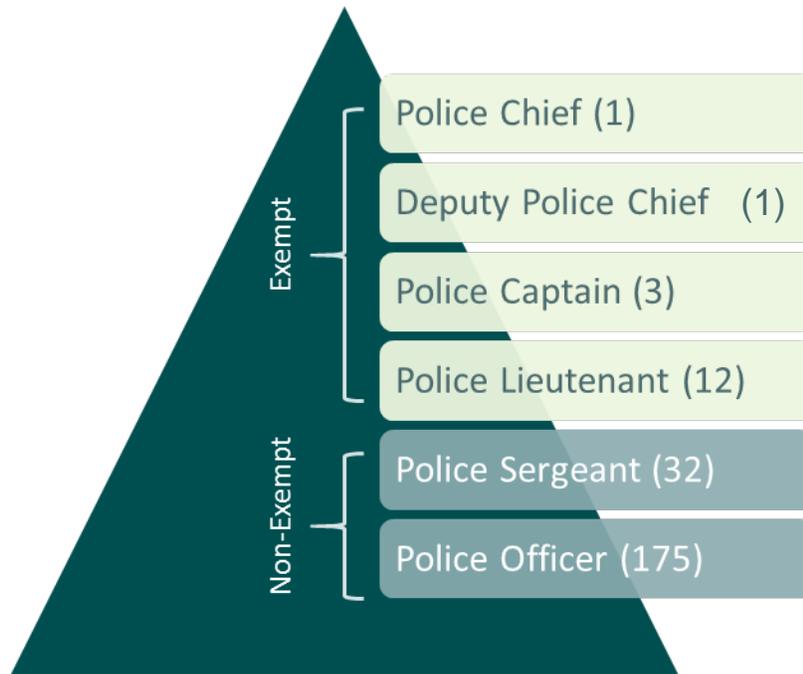
Exhibit 39

DIVISION	RESPONSIBILITIES
Administrative Services	Manages employee benefits, purchasing, and employment; prepares department-wide training; establishes policies and procedures to ensure SMPD operates as efficiently as possible.
Criminal Investigation	Processes crime scenes, retains and safeguards evidence, prepares and presents evidence to the judicial system, manages public law enforcement records, conducts crime analyses and Uniform Crime Reporting, investigates crimes, and operates youth and family services.
Operations	Preserves peace and the protection of life and property, responds to calls for service from members of the public, practices community-oriented policing, and provides security, rescue, and major first aid services to people on the pier, ocean, and beach areas through the Harbor Unit.
Strategic Services	Includes Downtown Services, Community Services, Jail Custody, Animal Control, Traffic Services, homelessness patrol, and traffic enforcement.



Within these divisions, some employees are eligible for overtime pay (non-exempt), while others are not (exempt). For example, most administrative staff and sworn police officers operating in a management capacity are not eligible for overtime, but non-management police officers, civilian security staff, and traffic enforcement employees can receive overtime pay. Among sworn personnel, police sergeants and police officers are non-exempt, but their superior officers are exempt (see Exhibit 40).

Exhibit 40



During some large scale events such as the Twilight Concert Series and the Los Angeles Marathon in the City, some exempt employees are able to accrue overtime at a straight time rate.

### STAFFING MODEL

The SMPD organizes patrol areas into four beats. The department operates three shifts, each with minimum staffing levels to ensure officer safety and responsiveness. Minimum staffing levels are determined through external staffing studies and negotiations with the Police Officer’s Association and institutionalized in the labor agreement contract with the City. The labor agreement contract allows deviations from this target minimum for a short period of time due to operational needs or special circumstances. Because minimum staffing levels must be met, and the SMPD backfills vacant positions, the officer covering the shift accrues overtime. Shifts and minimum staffing levels are summarized in Exhibit 41.

Exhibit 41

WATCH	DUTY TIME	MINIMUM STAFFING
A watch	6 a.m. – 6:30 p.m.	8 officers



B watch	2 p.m. – 2:30 a.m.	6 officers
C watch	6 p.m. – 6:30 a.m.	8 officers

Most officers on patrol work 12.5-hour shifts three days a week and have one 10-hour payback day every four weeks which is typically used for training purposes. Officers staffing the Downtown Services Section work a hybrid Sunday-Wednesday 4-10 schedule and Thursday-Saturday 3-12.5 schedule. Other SMPD employees, such as administrative staff and detectives, work a 4-10 or 9-80 schedule.

## VACANCIES

In FY 2016, the City approved three additional sworn officer positions. Across the three years of study, the Department maintained a vacancy rate of approximately 6 percent. When taking officers' use of sick, vacation, and other leave into consideration, the SMPD's overall vacancy rate increases to 8-10% on any given day. Exhibit 42 shows the number of budgeted and filled positions in the SMPD between FY 201 and FY 2016.

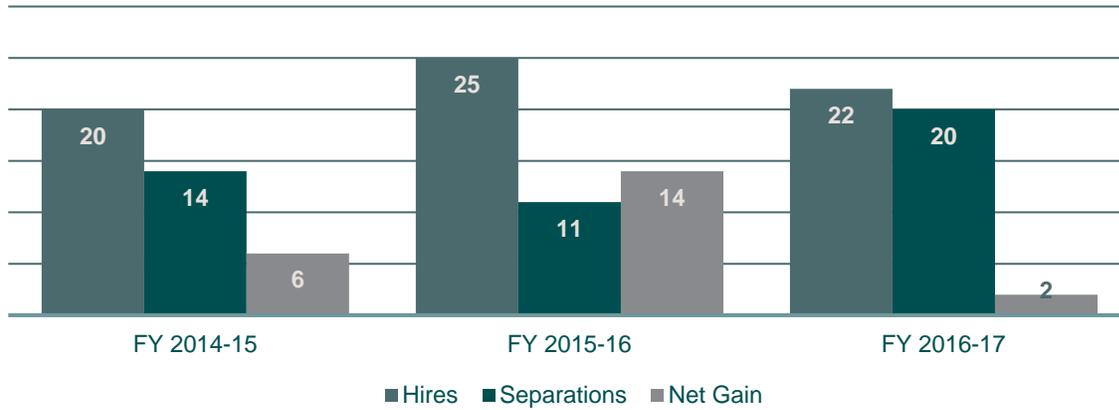
Exhibit 42



Sworn officer positions can be particularly challenging to fill in a timely manner due to civil service hiring processes, including testing, interviewing, and extensive background investigations. Often, these positions can take several months to fill and are filled in batches of three or four officers who graduated from the academy and have undergone significant testing or made a lateral transfer from another agency. Additional staff shortages can arise as officers retire or otherwise leave employment with the City, with varying amounts of prior notice. Exhibit 43 demonstrates the number of net positions gained by the SMPD for FY 2014-FY 2016, taking retirees and other separations into account.



### Sworn Officer Hires, Separations, and Net Gains



The net gain of sworn personnel demonstrates that although the Department hired between 20 and 25 officers a year, approximately 10% of the sworn police force, the rate of separation has resulted in a significantly smaller net gain in filled positions. The hiring process for sworn personnel and SMPD’s high expectations of incoming officers likely contributes to insufficient hires in anticipation of officer retirements and additional sworn budgets.

#### OVERTIME

Police officer overtime is governed by the Fair Labor Standards Act (FLSA) as well as the terms laid out in the Police Officer Association’s Memorandum of Understanding (MOU) with the City. According to the FLSA, an officer receives overtime pay if he or she worked in excess of 86 hours over a 14-day period. The MOU also specifies overtime pay for additional tasks, including:

- **Call Back Pay:** If an officer would have normally been off duty for the entire time of an emergency task, he or she receives at least four hours of overtime. If the time required to handle the task coincides with the employee’s normal schedule, the officer receives overtime for the time between beginning work and the start time of the normal shift.
- **Court Appearances:** Officers often appear in court for reasons related to their employment with the City. When this occurs during the officer’s off-duty time, the officer receives a minimum of three overtime hours.

The Police Officer Association’s MOU specifies that overtime will be based on hours worked, meaning that officers who use sick, vacation, or other types of leave do not receive overtime on those hours.

Officers often work additional hours outside of their normal schedule, both voluntarily and involuntarily. Officers make themselves available for overtime by providing the SMPD with a preferred availability schedule. If an overtime shift arises that is within the officer’s preferred schedule, they are offered the shift and have the option to accept or deny it. The Department uses various methods to ensure officers receive an equal chance of being offered an overtime shift, such as using alphabetical or reverse alphabetical order to offer shifts. SMPD does not require “rank-for-rank” shift coverage; therefore, any officer can fill the vacant position. If no one accepts the shift, officers can be required to fill it, referred to as “force-hiring,” based on seniority. The Department does not currently have the ability to track how



often force-hires occur, but staff report that it most often occurs for large city events such as the Twilight Concert Series or the Los Angeles Marathon.

Although overtime is typical and necessary in most police departments, continued amounts of excessive overtime may have negative implications on officer health and performance. To support officer well-being and promote excellent service to the public, the SMPD has adopted a policy to avoid excessive overtime. The policy states that employees should not exceed 80 hours during a work week or work more than 18 hours, with a minimum 5-hour break between shifts. It also provides that employees should have a minimum of 8 hours between shifts, except in very limited circumstances. Adherence to this policy is monitored by supervisors and payroll staff.

## OVERTIME UTILIZATION

The SMPD requests a certain amount of overtime dollars each year as part of the budget process, which is typical for public safety departments in municipalities. Between FY 2014 and FY2016, the Department’s overtime budget increased by approximately \$250,000, although its overtime expenditures increased by over \$1.2 million, as shown in Exhibit 44. Although overtime increased, the results of a breakeven analysis presented later in this section demonstrate that the overtime rate for an existing employee costs an estimated 7.1 to 14.6% less than the hourly rate of a new employee.

*Exhibit 44*

FISCAL YEAR	BUDGET	ACTUAL <sup>104</sup>	OVERAGE
2014-15	\$5,013,621	\$6,721,110	\$1,707,489
2015-16	\$5,177,450	\$6,979,441	\$1,801,991
2016-17	\$5,277,707	\$7,985,365	\$2,707,658

Overall, police operating expenditures have increased between FY 2014 and FY 2016. However, despite the increase in overtime expenditures, the proportion of the SMPD’s budget spent on overtime remained relatively constant at 9% as shown in Exhibit 45. Additionally, a portion of these overtime expenditures are reimbursed to the general fund through external sources, such as film jobs. Reimbursed expenses are discussed in greater detail in the following sections.

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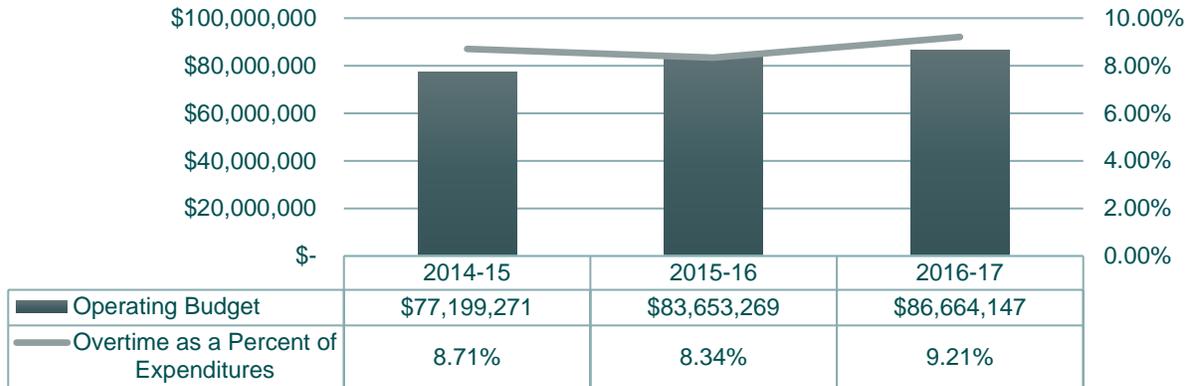
<sup>104</sup> Actual overtime expenditures do not include overtime related to the LA Marathon or Twilight Concert Series. The total overtime expenditures of these events for each fiscal year are:

- FY 2014: \$354,953
- FY 2015: \$362,084
- FY 2016, \$591,843



Exhibit 45

### Police Expenditures and Overtime as a Percent of Expenditures



Santa Monica has nearly the same amount of overtime as a percent of sworn officer total salary as the peer cities. This suggests that the City’s use of overtime is in alignment with average peer utilization.

Exhibit 46

### Percent of Total Pay from Overtime for Sworn Personnel (FY 2016)



The three greatest drivers of overtime are workload requirements, personnel shortages, and special details. Together, these overtime categories comprised over 75% of the SMPD’s annual overtime expenditures.

Appendix F: Police Overtime Summary includes a table summarizing SMPD expenditures by category for FY 2014-FY 2016.

#### WORKLOAD REQUIREMENTS

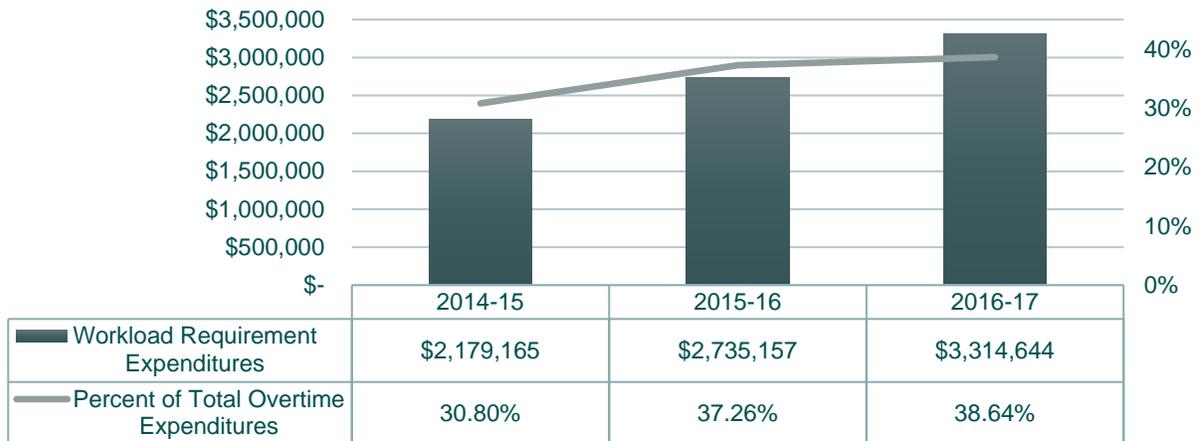
The largest driver of SMPD overtime expenditures was the workload managed by civilian staff and officers. As shown in Exhibit 47, in FY 2017, this category of overtime was 39% of the SMPD’s overtime expenditures. Officer overtime related to workload requirements includes pursuing investigative follow-ups to solve crimes, attending POST-required training (basic, SWAT, mounted), and working special task



forces with other entities such as LA Impact and the FBI. Additionally, a portion of this overtime is paid to civilian officers who manage traffic control and investigate traffic accidents.

Exhibit 47

### Workload Requirements Overtime Expenditures

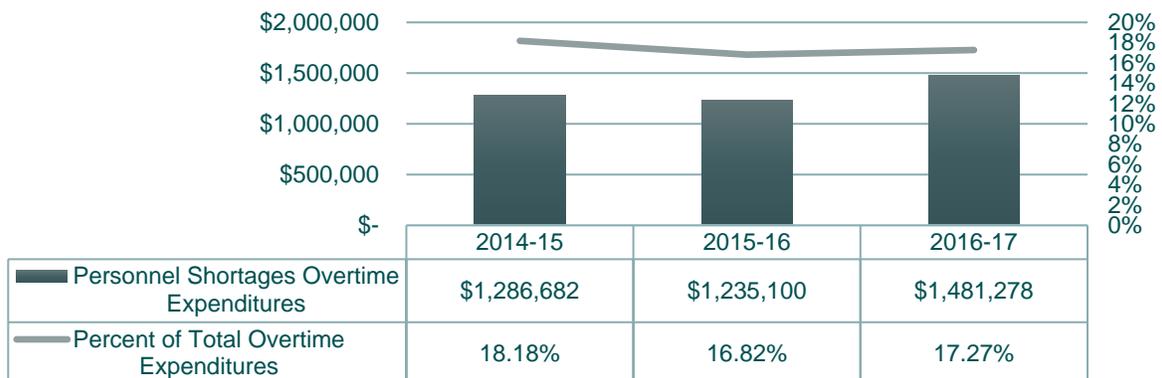


### PERSONNEL SHORTAGES

The second largest driver of SMPD overtime expenditures was personnel shortages. Personnel shortages occur anytime an officer is not available to work an assigned shift, and, therefore, includes vacancies as well as use of sick, vacation, bereavement, workers' compensation (below), and other kinds of leave. Personnel shortages fluctuated slightly over the three years of study, comprising approximately 18% of all overtime expenditures.

Exhibit 48

### Personnel Shortages Overtime Expenditures



### WORKERS' COMPENSATION

Workers' compensation also contributed to officers' inability to participate in on-duty work and resulted in lost duty days. This is a component of personnel shortages as mentioned in the above section. Exhibit



49 reports the number of workers' compensation claims filed during FY 2015-FY 2017 as well as the number of days personnel were paid for being off duty due to workers' compensation claims (lost days).

Exhibit 49

FISCAL YEAR	CLAIMS ADDED	MODIFIED DUTY DAYS	LOST DAYS	EMPLOYEE VACANCY EQUIVALENT	% OF BUDGETED POSITIONS
2014-15	83	548	2,245	6.2 FTE	2.8%
2015-16	82	828	2,432	6.7 FTE	2.9%
2016-17	81	1,633	4,376	12.0 FTE	5.4%

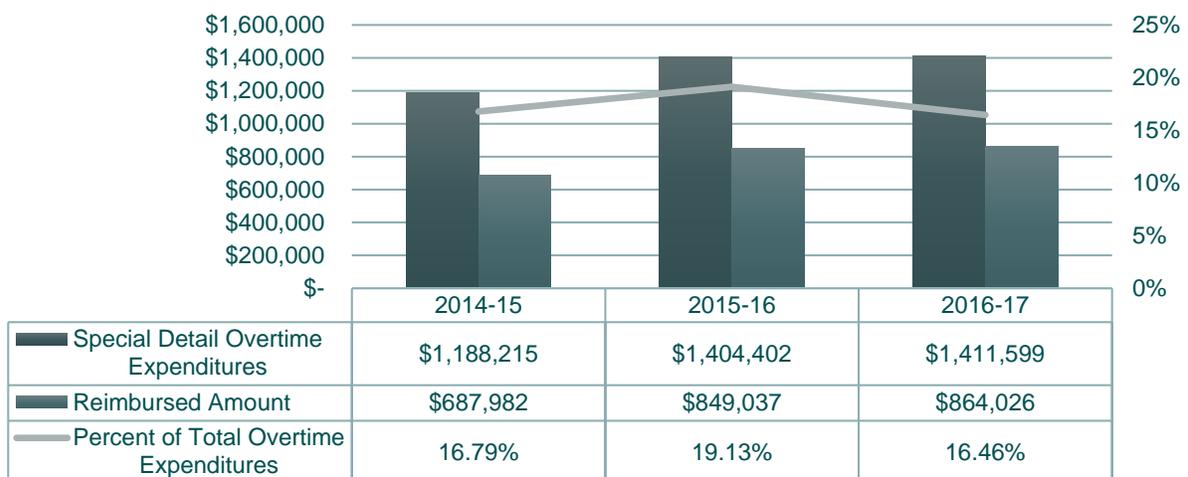
As the above chart demonstrates, the number of lost days translated to FTEs equaled between 6.3-9.0% of SMPD's budgeted sworn personnel.

### SPECIAL DETAILS

Special details are the third largest driver of overtime for the SMPD, making up 18% of overtime expenditures in FY 2017. The SMPD deploys special details for activities such as City Hall security services, City Council details, dignitary visits, demonstrations, and additional staffing in key areas such as downtown during holidays due to heightened crime patterns. Analysts have noted crime increases during the summer months and holidays; the SMPD proactively addresses increased crime by increasing the number of officers on duty during peak times. In particular, the SMPD increases staffing to deter criminal activity in the downtown area, along the beach, and on the pier.

Exhibit 50

### Special Details Overtime Expenditures



Santa Monica has a highly engaged citizenry, resulting in additional police overtime to ensure the safety of protestors and visiting dignitaries. In FY 2015, the City had several high-profile political visits, such as Bernie Sanders and Donald Trump, which contributed to an increase in related overtime expenditures. As



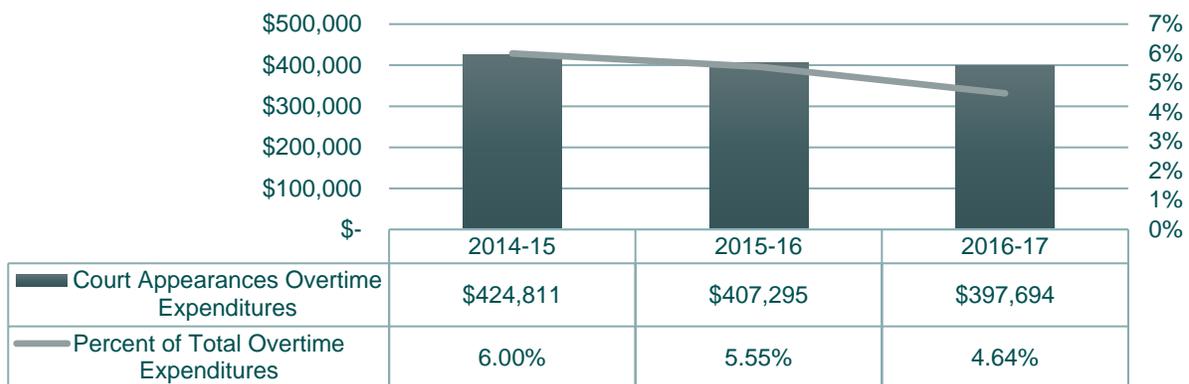
noted in the graph, almost half of special details are reimbursed by other City departments for security at their events and facilities.

### COURT APPEARANCES

Court appearances make up a relatively small portion of overtime, approximately 5-6% across all three fiscal years analyzed. Police personnel appear in court most often for purposes within the scope of their position and employment with the City. The Police Officers’ Association MOU provides overtime pay for officers reporting for court outside of their normal work hours. For example, officers receive a minimum of three overtime hours for appearing in court outside of their normal duty hours. Overtime expenditures related to court appearances have decreased slightly over the last three fiscal years, although this is dependent on court proceedings and other factors external to the SMPD.

Exhibit 51

### Court Appearances Overtime Expenditures



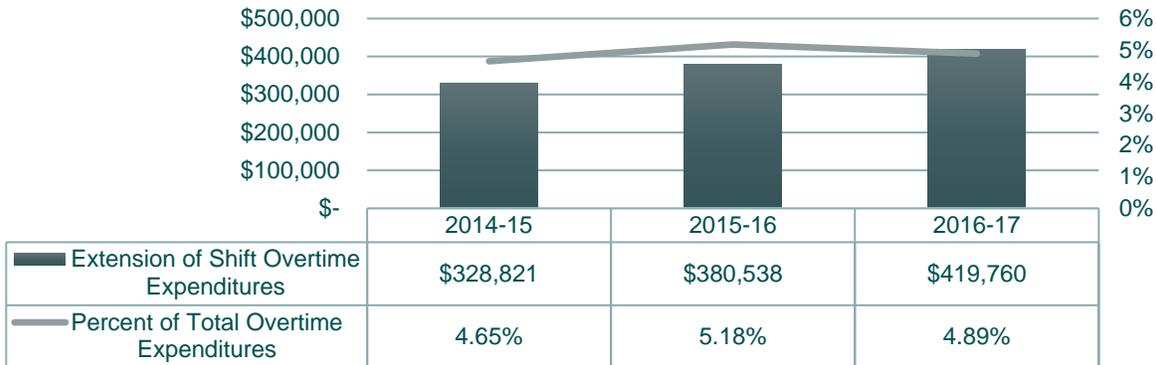
### EXTENSION OF SHIFT

Overtime related to shift extensions remained stable at approximately 5% of total overtime expenditures. Officers extend their shift if they are actively working a call that requires immediate attention when their shift officially ends. Often, officers are also required to complete the incident report before leaving for the day, particularly if their next day of work does not occur for several days. Additionally, shift extension can occur if an oncoming officer is appearing in court prior to the start of his or her shift. Because of the minimum staffing levels established in the MOU, an officer may be required to stay on duty until another officer arrives to cover the vacant shift.



Exhibit 52

### Extension of Shift Overtime Expenditures

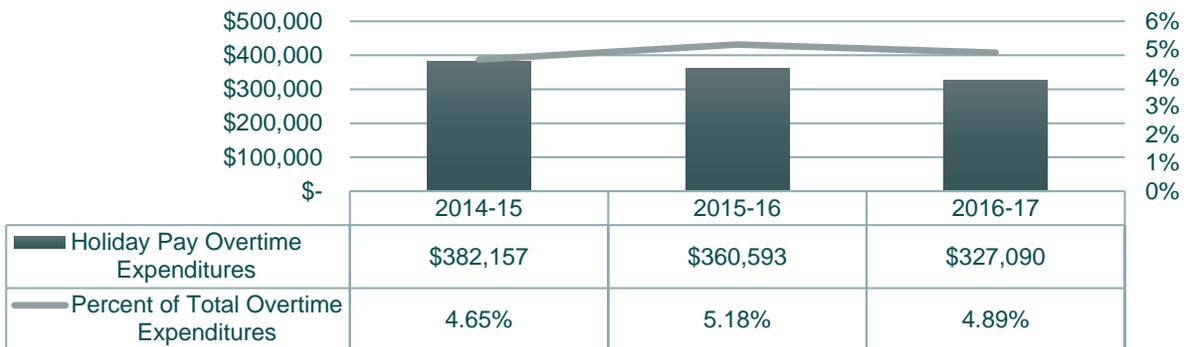


### NON-SWORN HOLIDAY PAY

Holiday overtime pay for civilian personnel made up 4% of the SMPD’s overtime expenditures in FY 2017. In addition to officer overtime, the Department also incurs overtime on behalf of non-sworn personnel; the SMPD leverages civilian positions to fill traffic enforcement and security positions. In accordance with MOU terms, non-sworn personnel in the STA and MEA labor groups who are required to work on a City-observed holiday earn overtime pay for those hours worked. The Department attempts to minimize civilian overtime on holidays.

Exhibit 53

### Holiday Pay Overtime Expenditures



### FILMS AND SPECIAL EVENT

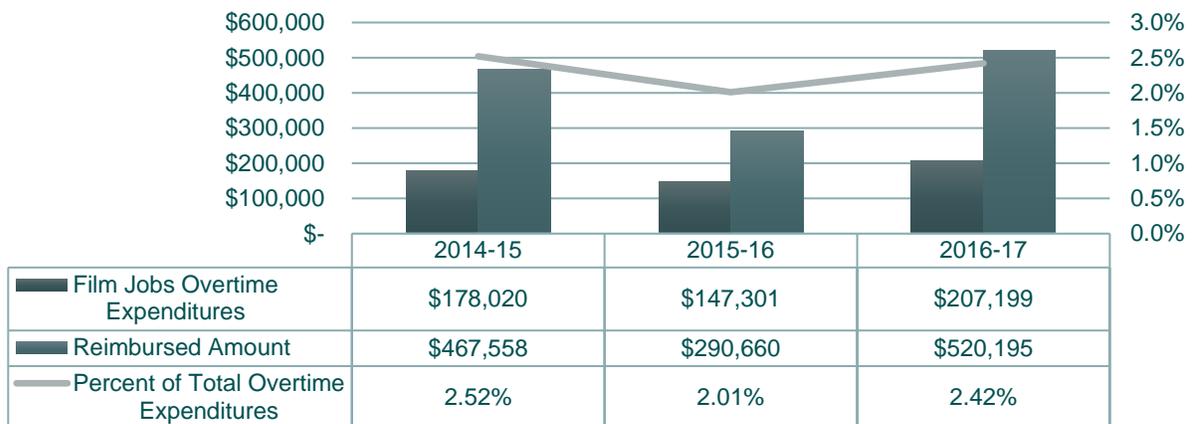
In addition to providing coverage for special events sponsored by the City, SMPD also covers film jobs and externally-hosted special events.

Films jobs comprised approximately 3% of overtime expenditures in FY 2017. Because officers have a full schedule for their normal duties, all time spent covering film jobs is considered overtime. The City negotiates reimbursement rates with Film LA, the official film office for the LA area, and incorporates public safety overtime for film jobs as a fee in the permit fee schedule.



Exhibit 54

### Film Jobs Overtime Expenditures

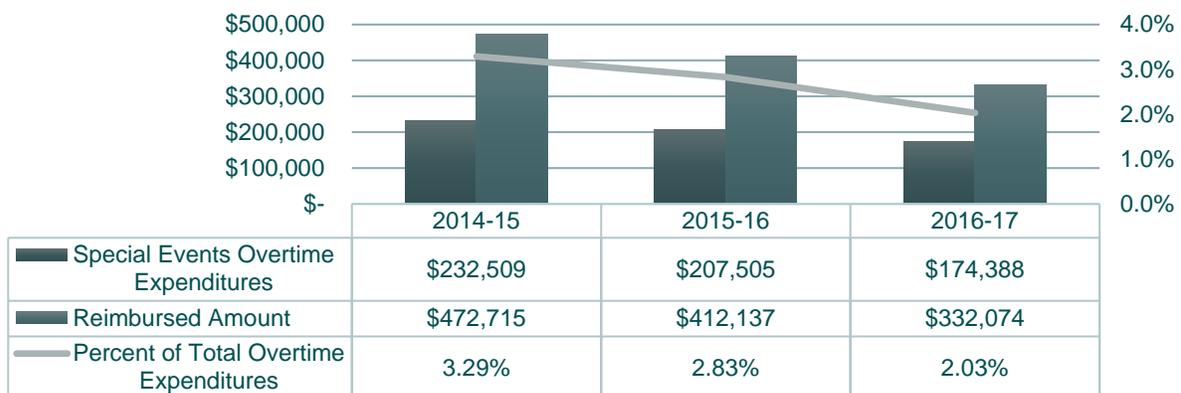


As Exhibit 54 shows, the reimbursed amount exceeded expenditures, as other City services are utilized on film jobs, including permitting and transportation. Film jobs are completed at the convenience of filmmakers; therefore, the City has a limited ability to anticipate this type of overtime when determining whether to incorporate significant fluctuations into its annual overtime budget.

A small portion of overtime expenditures, about 2%, came from reimbursed external special events occurring in the City. Examples of these events vary from year to year, but may include the American Film Institute, the Critics' Choice Awards, City of Hope events, and others.

Exhibit 55

### Special Events Overtime Expenditures



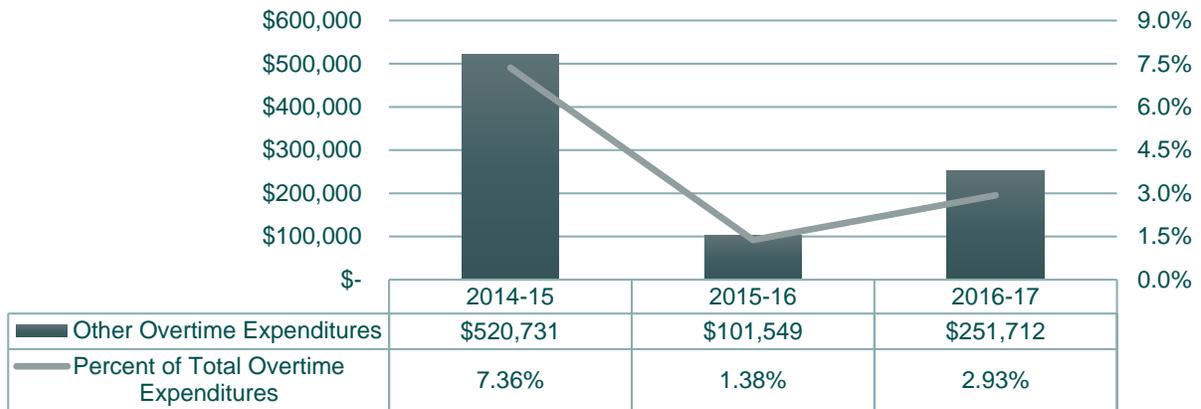
### OTHER

A portion of SMPD's overtime does not fall into specific categories and is therefore considered "Other." This category made up a small amount of the overall overtime expenditures and became significantly smaller over time due to improvements in record keeping and systems in the Department.



Exhibit 56

### Other Overtime Expenditures



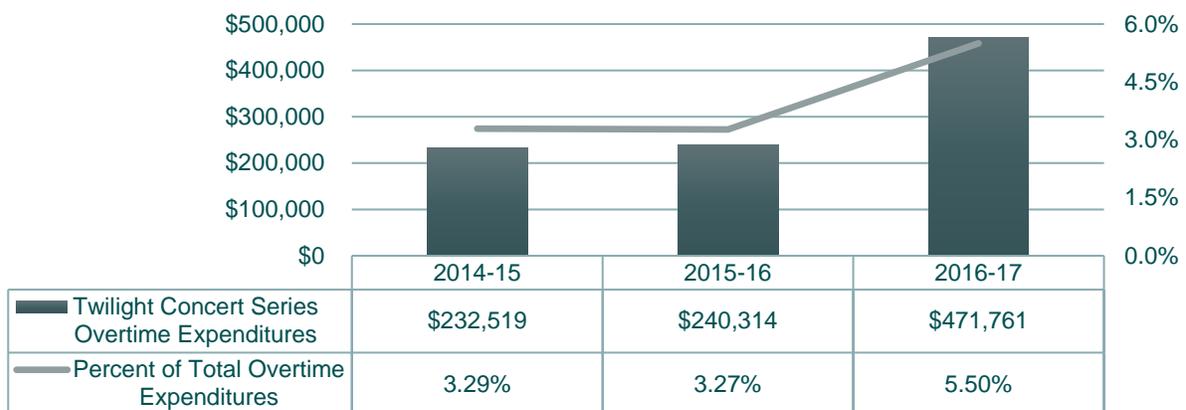
### ADDITIONAL CITY EVENTS

Santa Monica hosts the Twilight Concert Series and the final leg of the Los Angeles Marathon. These events result in significant public safety overtime; however, overtime expenditures deriving from these events are paid through other City funds and do not appear in SMPD’s reported overtime expenditures.

Santa Monica hosted 10 concerts on the pier each summer between FY 2014 and FY 2016. These concerts grew tremendously in popularity, resulting in increasingly higher numbers of attendees and spillover onto the beach. In FY 2016, the City estimated between 15,000 and 20,000 people attended each summer concert. As a result of increased crowds, the SMPD increased the number of public safety personnel present at the concerts and often relies on personnel from neighboring police departments to augment its public safety presence.

Exhibit 57

### Twilight Concert Series Overtime Expenditures



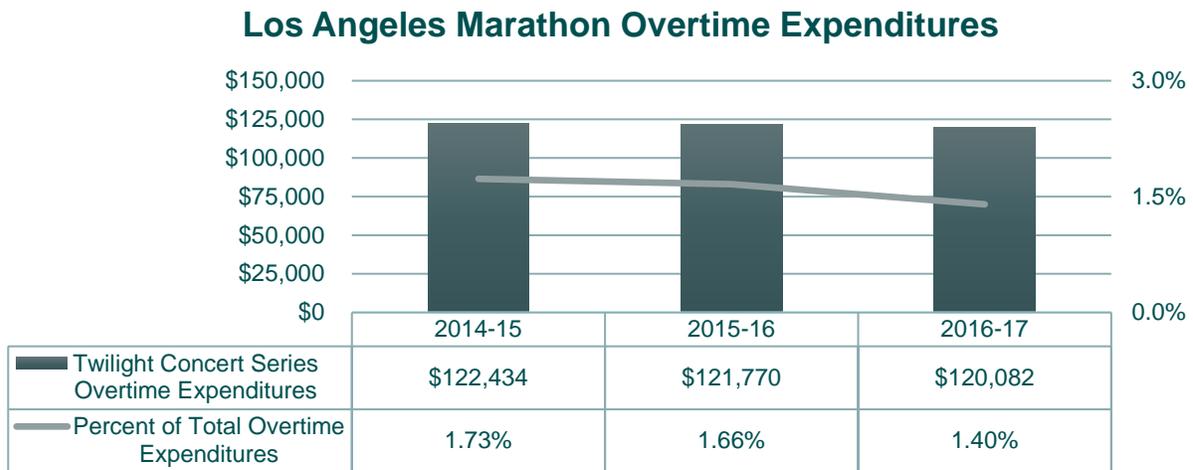
Overtime expenditures related to the Twilight Concert Series increased significantly in FY 2016, nearly doubling from prior years. This increase was due to high attendance and the Fire Marshal’s safety requirements. Public safety overtime for the concerts was paid by the City’s General Fund. Beginning in



FY 2017, the City reduced the number of concerts from 10 to 8 to help reduce costs related to hosting the concert series.

Santa Monica also hosts the final three miles of the Los Angeles Marathon each March. In March 2017, an estimated 25,000 runners participated, in addition to several thousand spectators. To ensure the safety of individuals participating and watching the marathon, the SMPD staffs the event with public safety personnel. Marathon overtime expenditures have been consistent over the past three fiscal years. The overtime incurred to provide a police presence at the marathon is fully reimbursed by the marathon.

Exhibit 58



## BREAKEVEN ANALYSIS

Overtime hours and compensation is partially driven by an insufficient number of staff to fulfill service level expectations of the community. It is a common practice among public safety agencies to use overtime to help fill service gaps. The majority of overtime, especially those related to workload and minimum staffing requirements, could be eliminated if the SMPD increased staffing levels; however, this would need to be done at levels likely to exceed current budgeted amounts. However, increasing staffing levels to reduce overtime expenditures would likely significantly increase the Department’s overall operating expenditures and ultimately the cost of providing policing services.

Overtime pay is calculated at 1.5 times an employee’s regular rate of pay (including any bonuses or special pays) and does not have an impact on the employee’s retirement or medical costs. In FY 2017, the City spent 38.1% of an officer’s total cost of employment on health and retirement benefits. When the Department hires a new employee, the City has to pay this additional cost in benefits. The cost of benefits and additional training often makes hiring an employee more expensive than paying an existing employee to work overtime.

To determine if it is more cost-effective to hire additional staff or fulfill service level requirements or continue paying overtime, we analyzed hourly rates for overtime eligible positions. Our analysis compared the hourly rate of a new employee, including retirement and medical costs, to the hourly rate paid for overtime using 2016 GCC compensation data. Exhibit 59 summarizes the results of this analysis.



Appendix H: Break-Even Analysis contains a description of the methodology used for this analysis and additional data elements.

Exhibit 59

		MINIMUM	MEDIAN	MAXIMUM
Sergeant	Fully Burdened Rate	\$104.83	\$137.77	\$153.07
	Overtime Rate	\$97.35	\$121.16	\$137.66
	<b>Percent Difference of Overtime Rate and Fully Burdened Rate</b>	<b>-7.1%</b>	<b>-12.1%</b>	<b>-10.1%</b>
Officer	Fully Burdened Rate	\$79.14	\$104.84	\$117.36
	Overtime Rate	\$70.83	\$89.56	\$102.99
	<b>Percent Difference of Overtime Rate and Fully Burdened Rate</b>	<b>-10.5%</b>	<b>-14.6%</b>	<b>-12.2%</b>

The results of this analysis show that the hourly overtime rate for an existing employee estimated to cost between 7.1 and 14.6% less than the hourly rate of a new employee, depending on the position and step level of the employee.

## B. FIRE OVERTIME

13	OBSERVATION	<p>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.</p> <p>SMFD's overtime expenditures increased from \$6.2 million in FY 2014 to \$7.0 million in FY 2016, although they remained a consistent proportion of the department's overall budget (18%). However, the overtime rate for an existing employee is between 9.3% less and 6.5% more than the hourly rate of a new, fully burdened employee depending on their position and step level.</p> <p>The primary drivers of departmental overtime are maintaining constant staffing level requirements to cover the use of vacation leave, sick leave, absences due to workers' compensation claims, and staff vacancies.</p>
	RECOMMENDATION	<p>In accordance with best practice, conduct a staffing study to evaluate on-duty staffing demand, staffing levels, and use of overtime.</p>



	<p>SMFD has not conducted a staffing study since 2000 and reports that employees are often required to work overtime that they did not elect to work. To ensure that staffing levels are adequate for the Department’s operations, the City should conduct a staffing study to determine if additional personnel are needed. Adding new staff to the department will likely result in increased operating costs, although benefits of additional staff may be seen by reduced burn out and stress among firefighters.</p> <p>A staffing study provides an independent assessment of the appropriate on-duty staffing level to provide fire and emergency medical services to the community. Typically, staffing studies compare the department using performance measures for similar communities and apply national standards, where applicable.</p>
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## BACKGROUND

SMFD consists of four divisions employing sworn and civilian personnel. The divisions and their respective responsibilities are summarized in the table below.

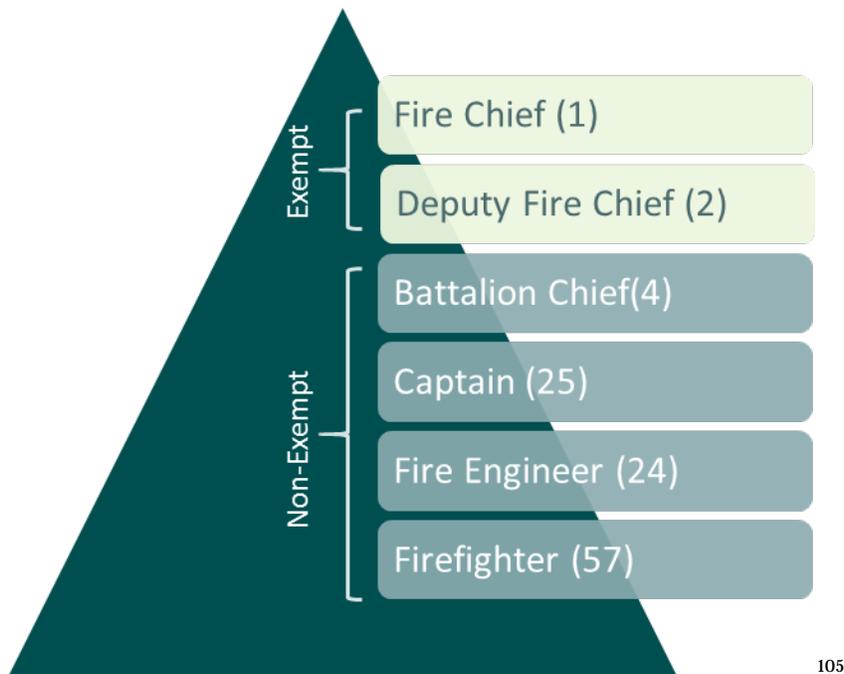
*Exhibit 60*

DIVISION	RESPONSIBILITIES
Administration	Establishes policies and procedures, evaluates operational effectiveness, implements improvements, manages capital projects, and oversees communications and software programs used for emergency response.
Fire Prevention	Develops and implements programs that prevent and reduce the magnitude of emergencies (loss of life and property, personal injury, environmental damage), inspects new construction and existing buildings, and evaluates provisions for emergency access.
Fire Suppression and Rescue	Responds to and mitigates fire, medical, urban search and rescue, hazardous materials-related emergencies, residential inspections, public education, and maintains facilities, apparatus, and equipment.
Training	Provides and manages training for each division and maintains cyclical certification requirements.

Similar to the Police Department, most administrative staff and sworn firefighters that serve in a management capacity are not eligible for overtime (exempt). Among sworn personnel, firefighters, fire engineers, captains, and battalion chiefs are non-exempt, while the Fire Chief and Deputy Fire Chiefs are exempt. Exhibit 61 illustrates which ranked positions are overtime eligible.



Exhibit 61



105

## STAFFING MODEL

The SMFD has a total of five stations located across the City; administrative staff work out of the Public Safety Administration Building. Most fire departments operate on a minimum staffing model that specifically defines the number and skills of staff on duty 24/7. The SMFD has a minimum staffing level of 35 sworn personnel each day. According to MOU requirements, each shift must comprise of one battalion chief, seven captains, eight fire engineers, and 19 firefighters. Of these 35 personnel, 16 must be certified paramedics.

The SMFD’s work schedule is a modified 24- hour work schedule, also known as the ¾ schedule. On this schedule, firefighters work a 24-hour shift followed by a day off, another 24-hour shift followed by a day off, then an additional 24-hour shift and four days off. The Department’s budgeted Suppression and Rescue positions (105 sworn FTEs) exactly align with the minimum staffing level requirements. Therefore, anytime a firefighter is out of work for training, use of leave, vacation, injury, or other purpose, another firefighter must backfill that position and will earn overtime. Overtime shifts are primarily filled using a “rank-for-rank” system: they must be filled with personnel within or above the rank of the vacant position. For example, a fire engineer would be allowed to backfill for another fire engineer or a firefighter, although they would not be able to fill a vacant captain or battalion chief position. On infrequent occasions, the overtime shift can be filled with qualified personnel working in an out-of-class capacity to fill the temporarily vacant position.

Vacant positions can be filled voluntarily or involuntarily. SMFD management report that most overtime is filled voluntarily, although the Department still typically force-hires staff to fill a vacancy once or twice per day. When the SMFD must involuntarily fill a vacant position, they use a number of rules that are

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<sup>105</sup> Four captains work Administrative Assignments.



integrated into the scheduling system. The system assigns overtime shifts within the parameters of the department’s policies and firefighter preferences. Battalion chiefs also monitor overtime assignments. Prior to the 2017-2020 MOU, the Fire Department did not have a policy or otherwise monitor the amount of overtime taken by staff. Overtime is common and required in most fire departments, although continued amounts of excessive overtime may have negative implications on employee health and performance. With the implementation of the new MOU, firefighters are not allowed to work more than five consecutive days without a break, although the Fire Chief may grant exceptions.

## VACANCIES

The SMFD operated with a 6-12% vacancy rate due to unfilled budgeted positions during FY 2014-FY 2016. The SMFD had between 9 and 14 vacancies during the three years of this study. The Department has not requested a staffing study that would determine if additional positions are required to satisfy service level requirements since 2000. The Department added 6 sworn firefighter positions each in FY 2015 and FY 2017.

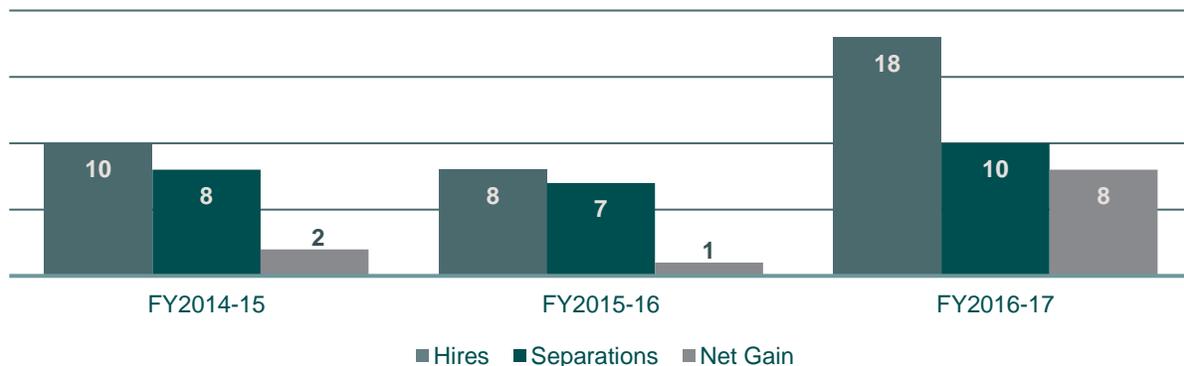
Exhibit 62



Exhibit 63 demonstrates the number of net positions filled by the SMFD during FY 2014-FY 2016, taking retirees and other separations into account. The relatively small net gain demonstrates that although the SMFD hired between 8 and 18 positions over the last three fiscal years, amounting to 10-20% of the total firefighter workforce, the overall increase in staff was minimal with the exception of FY 2017 when the Department added 6 new positions. The lengthy hiring process for firefighters likely contributed to increased vacancies, particularly due to existing personnel separating from the Department, being promoted out of fire suppression services, or taking a position in Fire Prevention.



### Sworn Fire Hires, Separations, and Net Gains



#### OVERTIME

Firefighter overtime is governed by the FLSA as well as the terms and conditions laid out in the International Association of Fire Fighters (IAFF) Local 1109’s MOU with the City. According to the FLSA, firefighters may work up to 212 hours in a 28-day period before receiving overtime pay. If the work period differs, the same ratio of days to hours still applies. The MOU also specifies overtime pay for special circumstances, including:

- **Emergency work:** If a firefighter is called into work for an emergency situation outside of their normal schedule, they are credited with a minimum of four overtime hours.
- **Non-emergency work:** If firefighters are required to perform additional work that is considered non-emergency outside of their normal schedule, they are credited with the greater of three hours or actual hours in overtime pay.
- **Extension of shift:** Firefighters working beyond their shift receive at least two hours of overtime.
- **Court appearances:** Firefighters may be required to appear in court due to a matter relating to their employment with the City. If this appearance occurs when the employee would normally be off-duty, they are paid a minimum of three hours of overtime.

The MOU also provides overtime pay based on hours paid rather than hours worked. Therefore, if a firefighter typically works Monday and Wednesday, but takes those two days off and picks up a shift on Thursday, the shift on Thursday would be paid on an overtime basis.

#### OVERTIME UTILIZATION

Similar to the Police Department, the SMFD requests a certain amount of overtime dollars each year as part of the budget process to account for planned vacancy coverage and special events. Between FY 2014 and FY 2016, the Department’s overtime budget and actual expenditures both increased by approximately \$800,000. Although overtime increased, the results of a breakeven analysis presented later in this section demonstrate that 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.

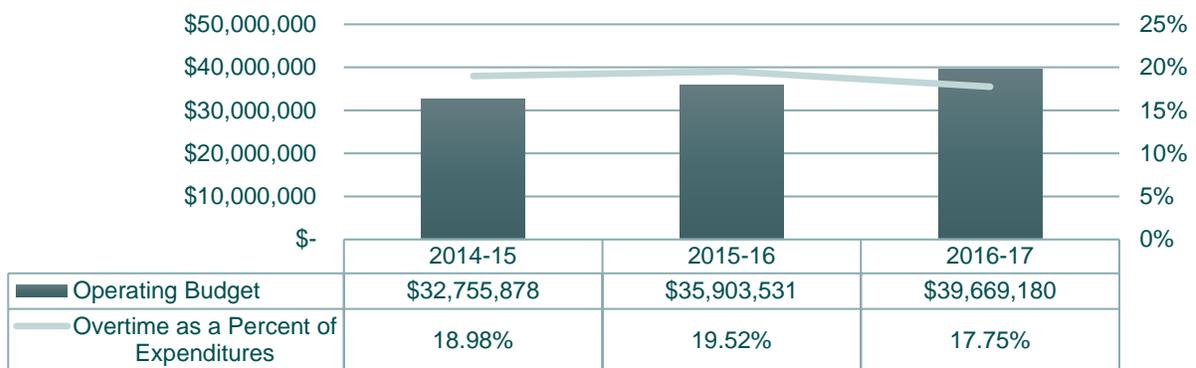


Exhibit 64

FISCAL YEAR	BUDGET	ACTUAL	OVERAGE
2014-15	\$5,774,665	\$6,217,553	\$442,888
2015-16	\$6,254,373	\$7,008,102	\$763,729
2016-17	\$6,565,535	\$7,041,682	\$476,147

Exhibit 65

### Fire Expenditures and Overtime as a Percent of Expenditures



The proportion of SMFD’s operating budget spent on overtime remained approximately constant at around 18%, as shown in Exhibit 66. In FY 2016, there was a significant increase in overtime due to strike team deployments across the state of California to fight wildfires.

Santa Monica’s total firefighter wages comprise approximately the same percentage of overtime as peer cities. This suggests that the City’s use of overtime is aligned with average overtime among peer cities.

Exhibit 66

### Fire Percent of Total Pay from Overtime (FY 2016)





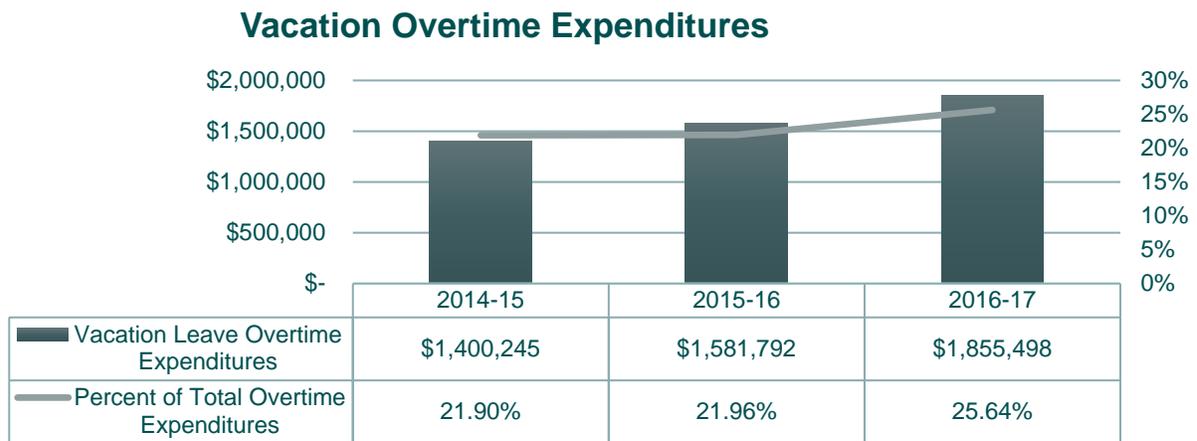
The four greatest drivers of SMFD overtime are coverage due to vacation leave, vacancies, sick leave, and training. These categories make up nearly 75% of the Department’s total expenditures in FY 2017.

Appendix G: Fire Overtime Summary includes a table summarizing SMFD expenditures by category for FY 2014-FY 2016.

### VACATION LEAVE

Vacation leave was the largest driver of SMFD overtime in FY 2017; coverage for firefighters taking vacation leave made up 26% of total overtime expenditures. Due to constant staffing level requirements, any time a firefighter takes vacation leave another firefighter must backfill the vacant position, resulting in overtime. The amount of vacation leave a firefighter accrues increases each year, up to a maximum of two days per month after 20 years of service. As the Department’s workforce increases in tenure, the amount of overtime related to backfilling positions for firefighters taking vacation leave may increase. This may explain the slight increase in vacation coverage overtime in FY 2017.

Exhibit 67



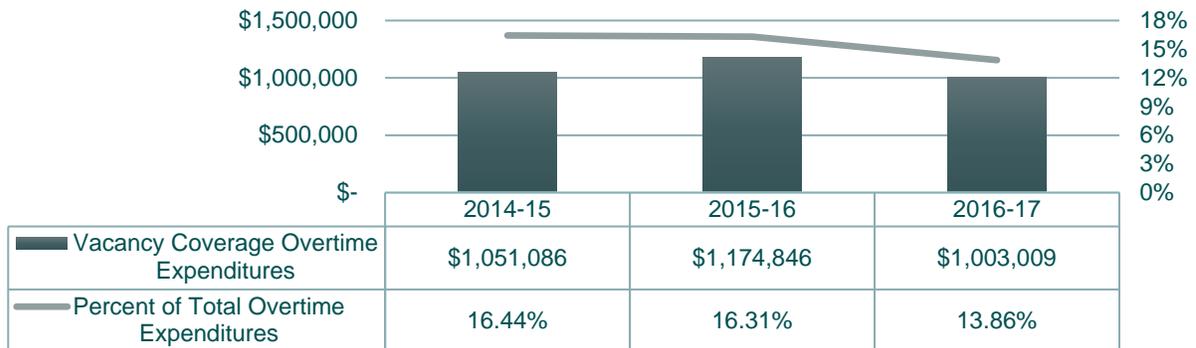
### VACANCY COVERAGE

Vacancy coverage was the second greatest driver of SMFD overtime. Vacancy coverage overtime results from a firefighter separating from the Department, whether for retirement, a lateral move, or termination. Most vacant firefighter positions take months to fill because of the lengthy hiring processes. The percent of total overtime expenditures decreased slightly over the three years of study, largely due to a decrease in the number of vacancies in the SMFD.



Exhibit 68

### Vacancy Coverage Overtime Expenditures

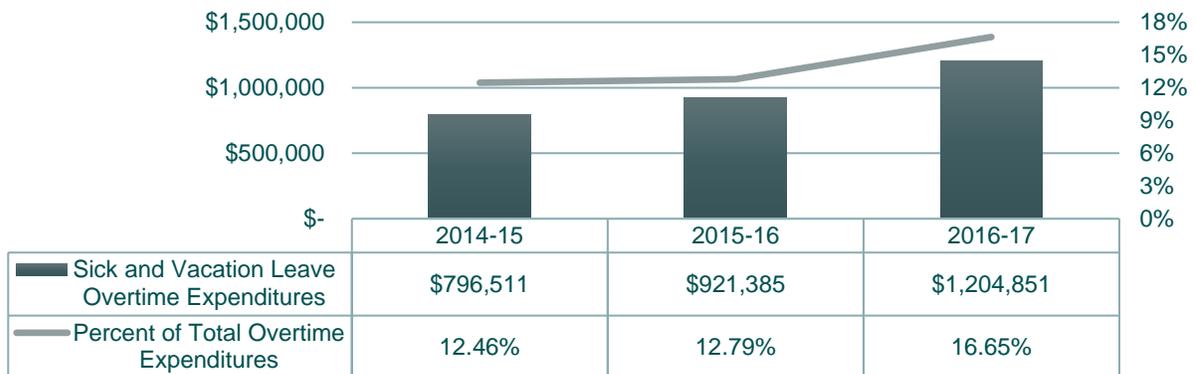


### SICK LEAVE

Sick leave was the third largest driver of SMFD overtime, making up 17% of total overtime expenditures in FY 2017. Firefighters who are unable to work their assigned shift due to illness must have their position backfilled by another sworn employee. Overtime related to backfilling positions for firefighters who are out sick increased 5% between FY 2014 and FY 2016.

Exhibit 69

### Sick Overtime Expenditures



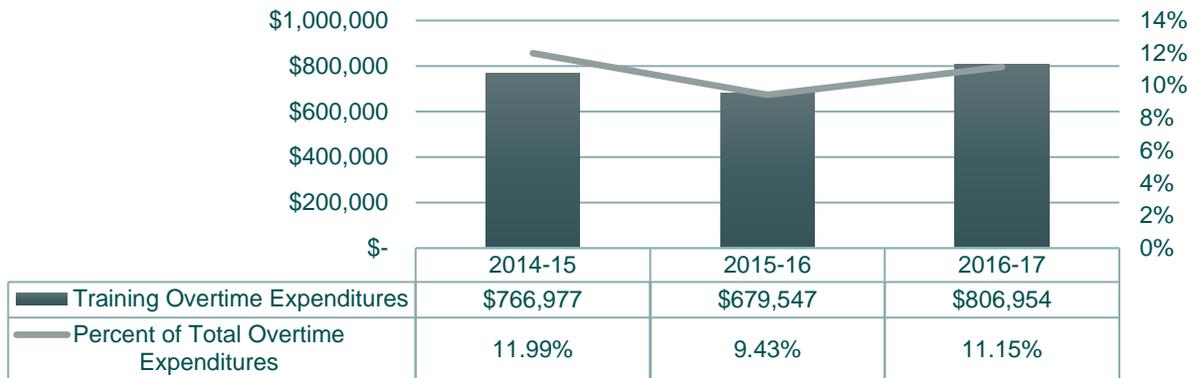
### TRAINING

Coverage for firefighters during training was the fourth largest driver of SMFD overtime, comprising 12% of total overtime expenditures in FY 2017. During FY 2017, 4 firefighters attended paramedic training and 18 recruits were trained in the Fire Academy. Firefighters receive training to become and maintain certification as a firefighter and, for some, a paramedic. Overtime related to training for grant-reimbursed training, paramedic school training, and training academy are represented in Exhibit 70.



Exhibit 70

### Training Overtime Expenditures



Overtime expenditures for outside training fluctuates year-to-year based on the number of firefighters who are training in the academy, in paramedic school, and in specialty disciplines like Urban Search and Rescue and Hazardous Materials. Paramedic school training requires a 9-month commitment and the training academy typically takes 3-4 months. Some training costs are reimbursed through grants.

Firefighters also receive additional internal trainings related to the scope of their duties, which is included in the “Other” category discussed below.

### WORKERS' COMPENSATION

Overtime related to firefighters missing work due to a workers' compensation claim varied year-to-year. Between FY 2014-FY 2016, overtime from injuries ranged from 5% to 14% of total overtime expenditures. Due to the nature of the job, firefighters are susceptible to injury in the course of their employment. While the Department takes measures to help prevent injury, firefighters remain at risk of injury.

Exhibit 71

### Workers' Compensation Overtime Expenditures

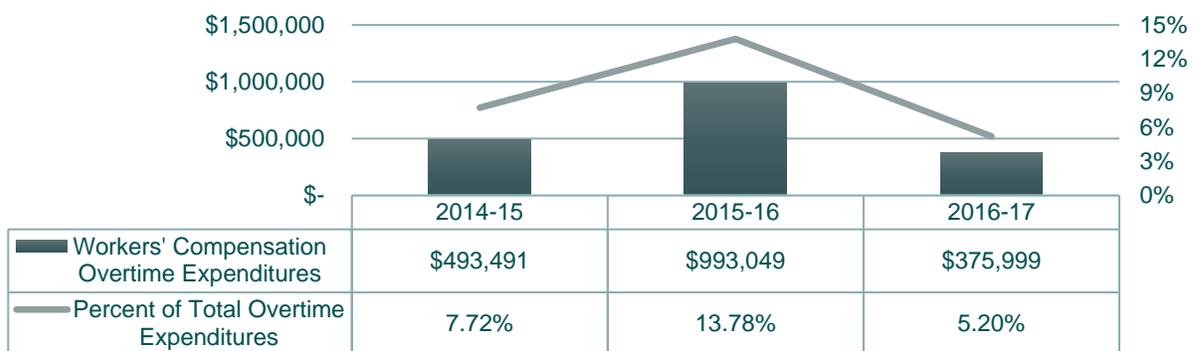


Exhibit 72 shows the number of claims, lost duty days, and light duty days between FY 2014 and FY 2016. Between 2.7% and 4.4% of firefighters were out on workers' compensation over the course of the fiscal year.



Exhibit 72

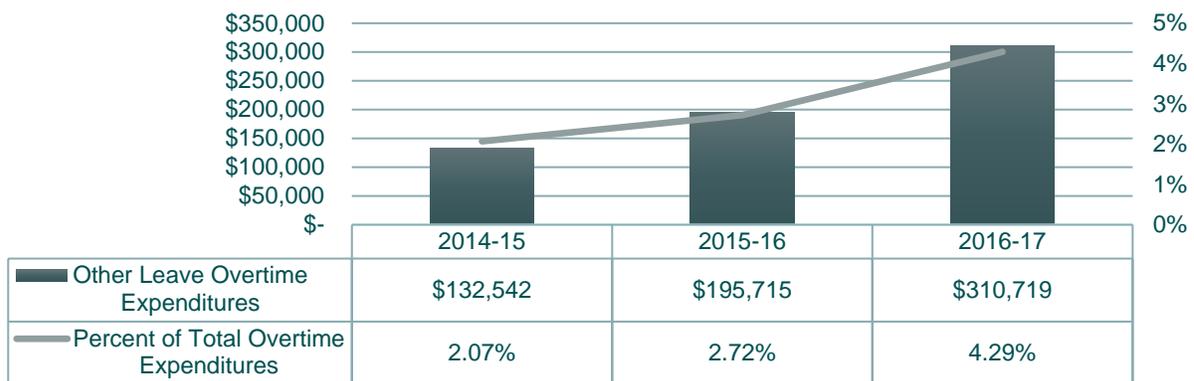
FISCAL YEAR	CLAIMS ADDED	LOST DAYS	LIGHT DUTY DAYS	EMPLOYEE VACANCY EQUIVALENT (LOST)	% OF BUDGETED POSITIONS
2014-15	20	1143	71	3.1 FTE	3.0%
2015-16	39	1,685	220	4.6 FTE	4.4%
2016-17	23	1,018	172	2.8 FTE	2.7%

## OTHER LEAVE

Overtime expenditures related to firefighters taking other forms of leave comprise a small portion of the SMFD's overall overtime. Other types of leave include bereavement leave, jury duty, military service, and administrative leave. In FY 2017, there was a spike in administrative leave which caused an increase in overtime.

Exhibit 73

## Other Leave Overtime Expenditures



## EXTERNAL EVENTS

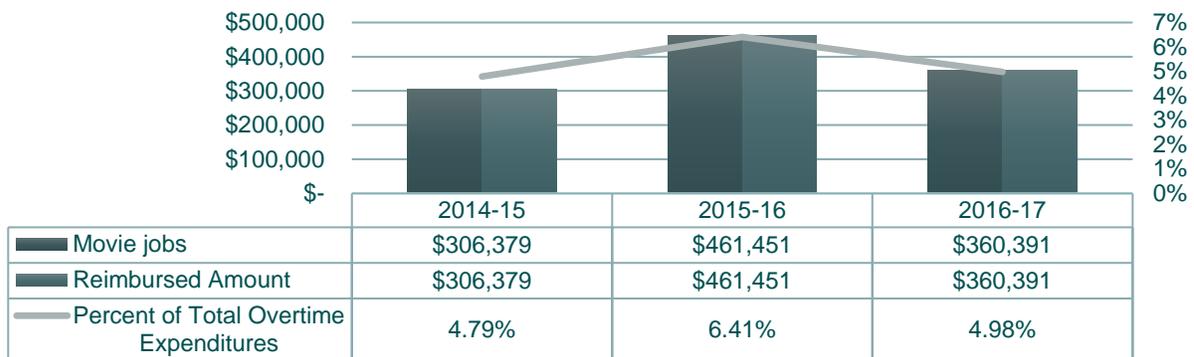
The Fire Department assists with two primary types of external events: film jobs and strike team deployments. As discussed earlier, film jobs are requested through Film LA, an agency that has a negotiated rate with the City to film within city limits and provide public safety personnel to redirect traffic and maintain set boundaries<sup>106</sup>. Film companies reimburse the Department's overtime costs.

<sup>106</sup> The Fire Department does not track overtime expenditures related to Movie Jobs specifically; therefore, the reimbursed amount is used to approximate expenditures.



Exhibit 74

### Movie Job Overtime Expenditures

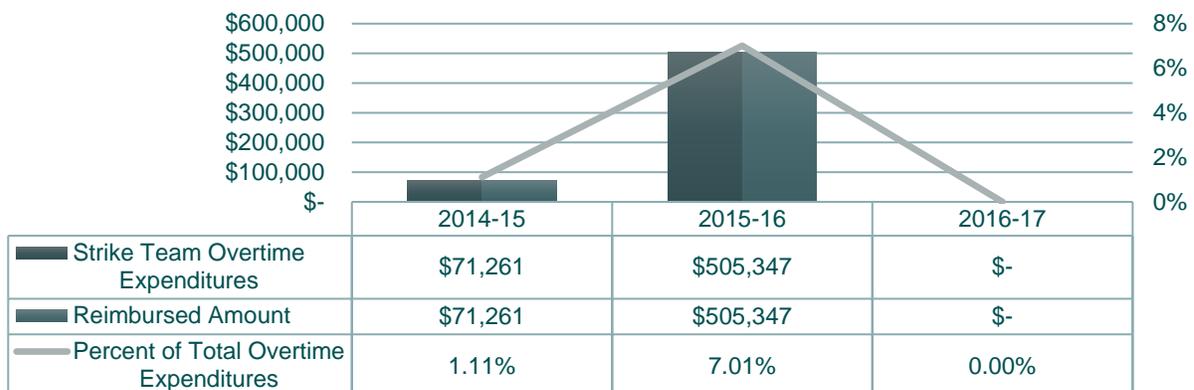


Movie jobs are an unpredictable source of overtime as they are completed at filmmakers' convenience. Therefore, increases in related overtime expenditures are challenging to include in SMFD's requested overtime budget.

In addition to movie jobs, the SMFD also participates in strike team deployments to fight wildfires when requested by Cal Fire. The overtime incurred as a result of these deployments is reimbursed by the state through a contracted rate<sup>107</sup>. Rates are set by a statewide committee, including base administrative rate, personnel base rate, and equipment rates.

Exhibit 75

### Strike Team Overtime Expenditures FY 2014-15 to FY 2016-17



In 2015, California's wildfire season was particularly trying, resulting in nearly 900,000 burned acres. The SMFD deployed a number of strike teams in the summer of 2015 to help contain wildfires across the state of California. No teams were deployed during FY 2017.

<sup>107</sup> The Fire Department does not track overtime expenditures related to Strike Team deployments specifically; therefore, the reimbursed amount is used to approximate expenditures.

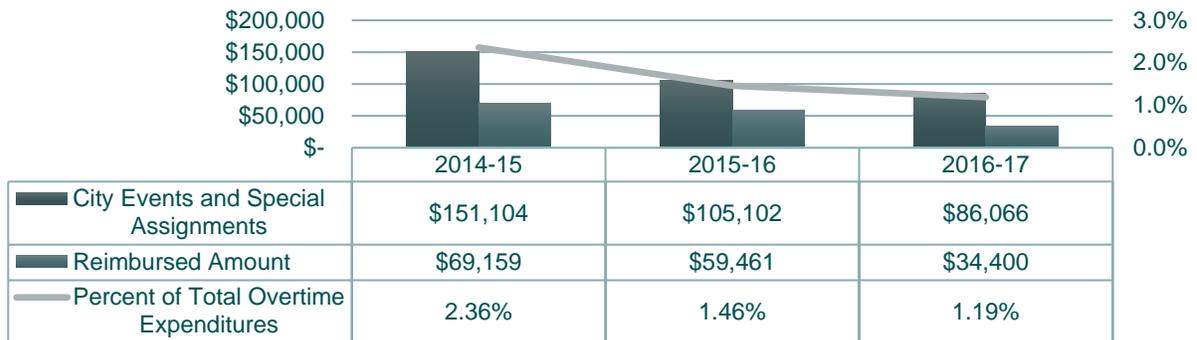


## CITY EVENTS AND SPECIAL ASSIGNMENTS

City events and special assignments comprise a small portion of the SMFD's total operating expenditures. Overall, these expenditures decreased between FY 2014 and FY 2016. The SMFD participates in city events to help provide emergency services and crowd control. These events include demonstrations, parades, and other local events. Additionally, this category of overtime also includes special assignments and investigations into fires occurring within Santa Monica city limits.

Exhibit 76

### City Events and Special Assignments Overtime Expenditures

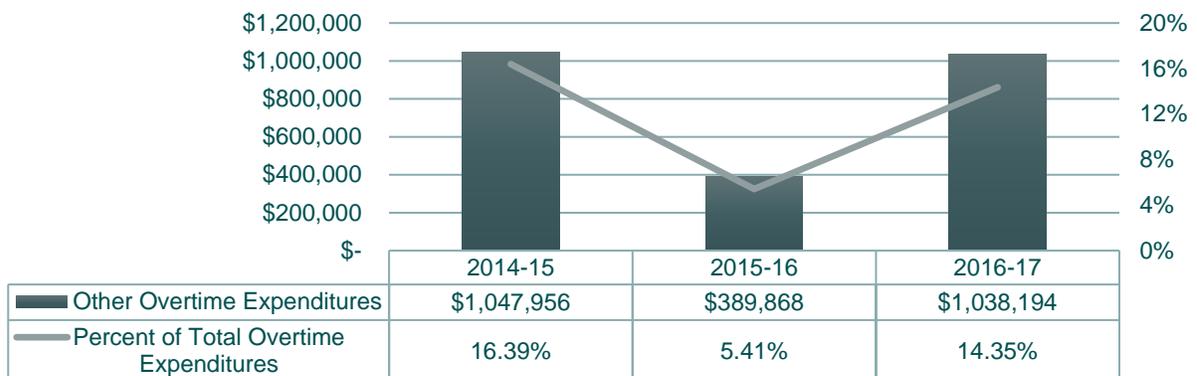


## OTHER OVERTIME EXPENDITURES

This category of overtime encompasses all additional reasons for overtime, including internal trainings, additional workload, and administrative matters. The amount of overtime included in this category is also partially influenced by the data tracking of other overtime sources, which explains a portion of the year-to-year variance.

Exhibit 77

### Other Overtime Expenditures





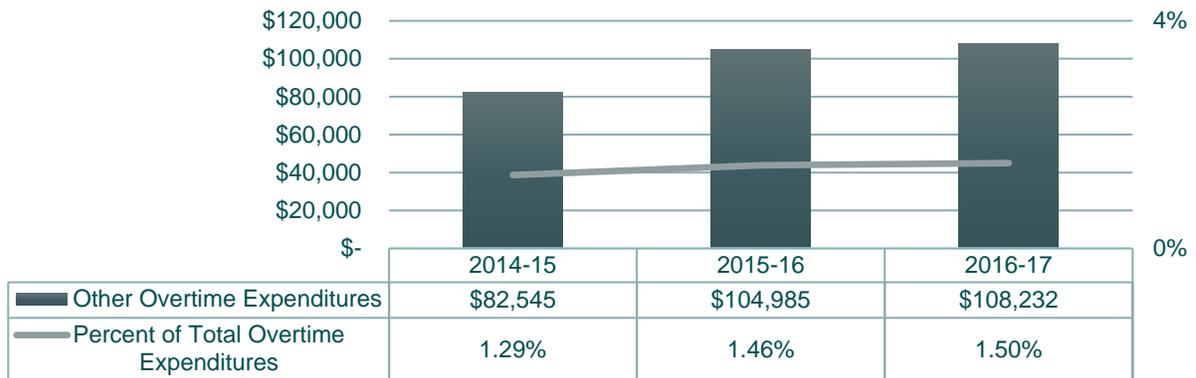
## ADDITIONAL CITY EVENTS

Santa Monica hosts the Twilight Concert Series and the final leg of the Los Angeles Marathon. As noted earlier, these events result in significant public safety overtime; however, overtime expenditures deriving from these events are paid through other City funds and do not appear in SMFD’s reported overtime expenditures.

Santa Monica hosted 10 concerts on the pier each summer between FY 2014 and FY 2016, and the concerts grew significantly in popularity. In FY 2016, the City estimated between 15,000 and 20,000 people attended each summer concert. The SMFD provides emergency and medical services to concertgoers. Overtime expenditures related to the Twilight Concert Series increased over the study period due to high attendance. Public safety overtime for the concerts is paid through the City’s general fund.

Exhibit 78

### Twilight Concert Series Overtime Expenditures

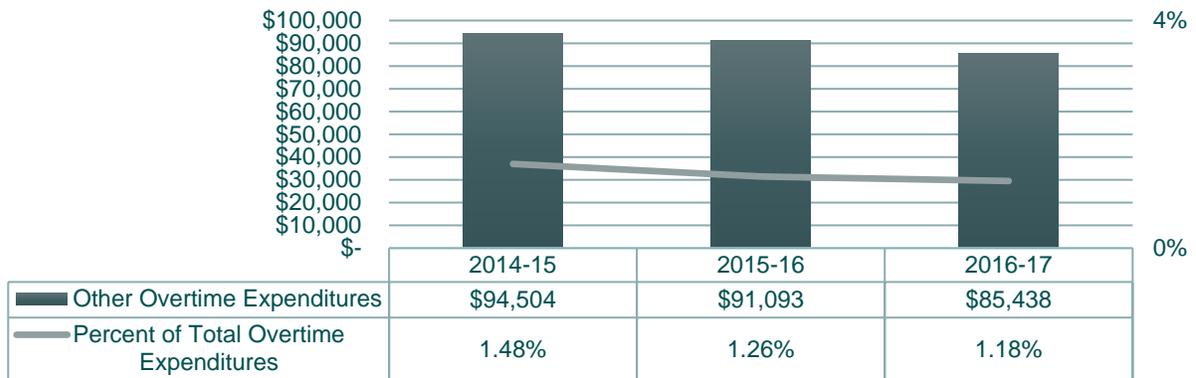


Santa Monica also hosts the final three miles of the Los Angeles Marathon each March; an estimated 25,000 runners participated in 2017. The SMFD provides emergency and medical services to runners and spectators. The overtime incurred to provide a public safety presence at the marathon is fully reimbursed by the marathon.



Exhibit 79

### Los Angeles Marathon Overtime Expenditures



### BREAKEVEN ANALYSIS

Overtime hours and compensation is driven by an insufficient number of staff to fulfill service level expectations of the community. It is a common practice among public safety agencies to use overtime to help fill service gaps. The majority of overtime could be eliminated if the SMFD increased staffing levels to a level likely to exceed the current budgeted amounts. However, increasing staffing levels to reduce overtime expenditures would likely significantly increase the Department’s overall operating expenditures and ultimately the cost of providing fire and emergency medical services.

Overtime pay is calculated as 1.5 times an employee’s regular-rate salary and does not have an impact on the employee’s retirement or medical costs. In FY 2017, the City spent 33.3% of a firefighter’s total cost of employment on health and retirement benefits. When the Department hires a new employee, the City has to pay these additional costs in benefits. The cost of benefits often makes hiring an employee more expensive than paying an existing employee to work overtime.

To determine if it is more cost-effective to hire additional staff or fulfill service level requirements or continue paying overtime, we analyzed hourly rates for overtime eligible positions. Our analysis compared the hourly rate of a new employee, including retirement and medical costs, to the hourly rate paid for overtime using 2016 GCC compensation data. Exhibit 80 summarizes the results of this analysis. Appendix A: Wages and Benefits Comparison Methodology contains a description of the methodology used for this analysis and additional data elements.

Exhibit 80

		MINIMUM	MEDIAN	MAXIMUM
Battalion Chief	Fully Burdened Rate	\$100.99	N/A – Not Enough Data	\$101.24
	Overtime Rate	\$94.66	N/A – Not Enough Data	\$98.25
	Percent Difference of Overtime Rate & Fully Burdened Rate	-6.3%	N/A – Not Enough Data	-3.0%



Fire Captain	Fully Burdened Rate	\$83.01	\$93.29	\$100.53
	Overtime Rate	\$75.33	\$91.15	\$100.91
	<b>Percent Difference of Overtime Rate &amp; Fully Burdened Rate</b>	<b>-9.3%</b>	<b>-2.3%</b>	<b>0.4%</b>
Fire Engineer	Fully Burdened Rate	\$65.44	\$79.17	\$84.40
	Overtime Rate	\$63.41	\$76.10	\$83.09
	<b>Percent Difference of Overtime Rate &amp; Fully Burdened Rate</b>	<b>-3.1%</b>	<b>-3.9%</b>	<b>-1.6%</b>
Firefighter	Fully Burdened Rate	\$44.76	\$66.34	\$71.41
	Overtime Rate	\$43.99	\$64.44	\$76.04
	<b>Percent Difference of Overtime Rate &amp; Fully Burdened Rate</b>	<b>-1.7%</b>	<b>-2.9%</b>	<b>6.5%</b>

The results of this analysis show that the hourly overtime rate for an existing employee is estimated to cost 9.3% less to 6.5% more than the hourly rate of a new full-time employee, depending on the position and step level of the employee.



# APPENDIX A: WAGES AND BENEFITS COMPARISON METHODOLOGY

## A. DATA SOURCE

### STATE CONTROLLER'S OFFICE'S GOVERNMENT COMPENSATION IN CALIFORNIA

The State Controller's Office's (SCO) Government Compensation in California (GCC) website initially collected government compensation data as a component of the financial transaction reports from cities, counties, and special districts, but in 2014 the Legislature explicitly authorized the SCO to collect compensation data and required this data be published on its website. In August 2017, Moss Adams downloaded the available compensation data files for city employee compensation in California from fiscal years 2012 through 2016. The information presented is posted as submitted by each reporting public employer. The SCO notes that it is not responsible for the accuracy of this information.

### ECONOMIC RESEARCH INSTITUTE (ERI)

ERI provides robust salary, cost-of-living, and executive compensation survey data through multiple databases comprised of data collected from thousands of salary surveys. Analysis is conducted on wages by geographic area, size of company, years of experience, and industry. Data values are automatically updated to match market movement rates, which allows for historical and future modeling.

Data inputs for creating position profiles included:

- Industry: All Industry Aggregate
- Location: Santa Monica, CA
- Operating Cost: \$507,991,516
- Median of Base Pay (regular plus special pay)

## B. DATA ANALYSIS

In order to provide a more thorough review of Santa Monica's total employee costs and the overall compensation, including comparison against the identified peer cities, Moss Adams reviewed the data and the reported departments, and in good faith standardized the departments to better match Santa Monica's structure. Limited data cleanup was also conducted on position titles (e.g., changing "Admin Analyst" to match "Administrative Analyst" and "Dir" to "Director") to better facilitate the peer position analysis.

Over 103,000 lines of data were imported into PowerBI, a data visualization tool, to analyze five years of compensation data from the GCC across the identified peer cities. PowerBI allowed Moss Adams to provide a more in-depth look across all compensation categories and peer cities over the past five years. Calculations were made on this data in order to calculate average costs for cash compensation, benefits, and retirement (see glossary for equations).



In order to better compare full-time positions (and filter out positions that were reported as vacant or temporary), the GCC data was filtered to remove any position with reported Regular Pay less than the minimum salary classification amount for that position. Positions such as “City Temporary Worker” and “Intern” were also excluded from this analysis.

## C. LIMITATIONS OF THE DATA

The GCC does not provide a systemized way to distinguish between or separate full- and part-time positions, or between employees in transition (new hires; promoted employees; retired employees). There is no timely way to validate the accuracy of the data.

Cities that report many zero or low amounts of regular pay (e.g., Santa Barbara) may be skewing the overall averages and percentiles.

## D. GLOSSARY

- **Average (Mean):** The sum of two or more values divided by the total number of values.
- **Base Pay:** The sum of regular pay and special pay (such as incentive and bonus pay), not including overtime or lump-sum payments.
- **Cash Compensation:** The sum of regular pay and overtime pay.
- **Deferred Compensation Plan:** The dollar amount paid by the employer toward the employee's defined contribution/deferred compensation plan. This includes 401(a), (b), (k), 403(b), and 457 plans.
- **Defined Benefit Plan Contribution:** A portion of the total contribution paid by the employer towards the defined benefit plan for the year, which sometimes includes payment toward the unfunded liability. The defined benefit plan contribution is paid directly to the employer sponsored retirement plan and is not a part of the employee's compensation for that calendar year. The amount of retirement benefits paid to an employee upon retirement are determined using a formula, based in part on an employee's age at retirement, final average salary, and length of service. Cities, counties, and special districts began reporting this data starting with 2011.
- **Employee's Retirement Cost Covered:** The dollar amount paid by the employer toward the employee's share of pension costs.
- **Health/Dental/Vision Contribution:** The dollar amount paid by the employer toward the employee's health, dental, and/or vision care plans.
- **Lump-Sum Pay:** The dollar amount paid to the employee for one-time cash outs (such as paid excess vacation and sick leave).
- **Max Classification Salary:** The maximum annual salary as reported by the local government for the particular classification. Position listings on this site do not distinguish between full-time and part-time employees.
- **Median:** The middle value in a series of values laid out in numerical order – the middle point of a data set.
- **Min Classification Salary:** The minimum annual salary as reported by the local government for the particular classification. Position listings on this site do not distinguish between full-time and part-time employees.
- **Overtime Pay:** The dollar amount paid to the employee for working more than normal hours.



- **Position:** The job title provided by the employer. Position listings on this website do not distinguish between full-time and part-time employees.
- **Regular Pay:** The dollar amount paid to the employee for working regular hours. GCC data does not distinguish between full-time and part-time employees.
- **Retirement Total Cost:** The summing of Defined Benefit Plan Contribution, Deferred Compensation Plan, and Employee's Retirement Cost Covered, as defined above.
- **Special Pay:** The dollar amount paid to the employee for any special pay not reported as regular pay, overtime pay, or lump-sum pay (such as car allowances, meeting stipends, special pay, bonus pay, etc.).
- **Total Compensation:** Total payroll wages reported by the employer on a W-2. Amounts listed may include regular pay, overtime, cash payments for vacation and sick leave, and bonus payments. Position listings on the GCC site do not distinguish between full-time and part-time employees.
- **Total Retirement and Health Cost:** Amount paid by the employer toward the employer sponsored retirement plan plus health, dental, and/or vision benefits for the employee and dependents. This amount sometimes includes payments toward the unfunded liability of the employer sponsored retirement plan.
- **Total Wages:** The sum of all wages paid by a city.



## APPENDIX B: PEER BENCHMARKING METHODOLOGY

More than 130 positions across the cities from each department and/or division were identified for comparison of Santa Monica compensation to peer cities, based on commonality between cities. Positions that may be common across multiple departments (e.g., Administrative Assistant) are grouped together for a holistic view. Positions were categorized through a review of city organization charts, budgets, and job descriptions. At the department level, the hierarchy for position levels matches Santa Monica nomenclature (e.g. City Clerk to Assistant City Clerk to Deputy City Clerk).

Cash compensation was compared across eleven cities, which include Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Pasadena, Redondo Beach, Santa Barbara, and Torrance. Cash compensation data includes regular pay, overtime pay, and special pay (excluding lump sum payments) in FY 2016. The data was sourced from employee W-2 compensation data that cities are required to report to the California SCO. Appendix A: Wages and Benefits Comparison Methodology provides a detailed methodology and other notes on the data used in this analysis. Employees who only worked a portion of the year are excluded from this analysis because their compensation falls below the minimum base pay for their positions, which would skew the data down.

Over 60 positions were selected for comparison to the private sector. Private sector cash compensation data is sourced from ERI compensation databases, based on the factors identified in the data notes provided in Appendix A: Wages and Benefits Comparison Methodology. ERI compensation position reports are customized by factors including geography (including cost-of-living); organizational size (complexity of organization); and reflect an industry-neutral aggregate (all-industry average).

The public and private-sector workforces differ in several significant ways that limit the value of comparing compensation between the two sectors. A larger portion of government employees work in professional occupations, which generally require more formal training or experience. Partly because of that difference, the average age of government employees is substantially higher than that of private-sector employees. Additionally, the greater concentration of employees in professional occupations also means that they are more likely to have a bachelor's degree. According to the Congressional Budget Office, while the average wages of government workers with a bachelor's degree or less exceeded the average wages of their private-sector counterparts, public-sectors employee with higher degree earned 24% less per hour, on average, than similar workers in the private sector.<sup>108</sup>

- **25th Percentile:** the point at which 25% of cash compensation values are lower.
- **Median (50th Percentile):** the middle value of cash compensation.
- **75th Percentile:** the point at which 25% of cash compensation values are higher.
- **Peer Average:** the average (mean) value of cash compensation.

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<sup>108</sup> Source: Congressional Budget Office. "Comparing Compensation of Federal and Private-Sector Employees 2011 to 2015." Congressional Budget Office, U.S. Congress. Apr. 2017. <[www.cbo.gov](http://www.cbo.gov)>.



## APPENDIX C: PEER CITY PENSION FORMULAS

CITY	EMPLOYEE TYPE	HIRE DATE	BENEFIT FORMULA	BENEFIT VESTING SCHED.	RET. AGE	MO. BENEFITS AS % OF COMP.	EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE
Santa Monica	Miscellaneous	>7/1/2012	2.7% @ 55	5 years	50-55	2.7%	8%	19.36%
		7/1/2012-12/31/2012	2.0% @ 55	5 years	50-62	1.43-2.42%	7%	19.36%
		1/1/2013+	2% @ 62	5 years	52-67	1-2.5%	6.25%	19.36%
	Police	>12/31/2012	3% @ 50	5 years	50	3%	9%	42.32%
		1/1/2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	12.75%	42.32%
	Fire	>12/31/2012	3.0% @55	5 years	50-55	2.4-3.0%	9%	32.21%
1/1/2013		2.7% @ 57	5 years	50-57	2.0-2.7%	11.25%	32.21%	
Anaheim	Miscellaneous	>2013	2.7% @ 55	5 years	50-55	2.70%	8%	26.37%
		2013+	2% @ 62	5 years	52-65	2%	6.75%	26.37%
	Police	>2013	3% @ 50	5 years	50	3%	9%	35.47%
		2013+	2.7% @ 52	5 years	52-57	2.7%	12.75%	35.47%
	Fire	>2013	3% @ 50	5 years	50	3%	9%	38.10%
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	11.25%	38.10%
Beverly Hills	Miscellaneous	>2013	2.5% @ 55	5 years	50-55	2.0-2.5%	8%	18.78%
		2013+	2% @ 62	5 years	52-67	1.0-2.5%	6.25%	18.78%
	Safety	>2013	3% @ 50	5 years	50	3%	9%	41.34%
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	12%	41.34%



CITY	EMPLOYEE TYPE	HIRE DATE	BENEFIT FORMULA	BENEFIT VESTING SCHED.	RET. AGE	MO. BENEFITS AS % OF COMP.	EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE
Burbank	Miscellaneous	>2013	2.5% @ 55	5 years	50-55	2.0-2.7%	8%	16.53%
		2013+	2% @ 62	5 years	52-67	1.0-2.5%	6.75%	16.53%
	Police	>2013	3% @ 50	5 years	50	3%	9%	33.03%
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	12.75%	33.03%
	Fire	>2013	3% @ 55	5 years	50	3%	9%	20.01%
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	11.25%	20.01%
Culver City	Miscellaneous	>7/1/2011	2.5% @ 55	5 years	50-55	2.0-2.5%	8%	19.06%
		7/1/2011-12/31/2012	2% @ 60	5 years	50-63	1.092%-2.418%	7%	19.06%
		1/1/2013+ (Prior PERS)	2% @ 60	5 years	50-63	1.092%-2.418%	7%	19.06%
		1/1/2013+ (New to PERS)	2% @ 62	5 years	52-67	1.0-2.5%	6.25%	19.06%
	Police	>7/1/2011	3% @ 50	5 years	50-55	3%	9%	39.231%
		7/1/2011-12/31/2012	3% @ 55	5 years	50-55	2.4-3.0%	9%	39.231%
		1/1/2013+ (Prior PERS)	3% @ 55	5 years	50-55	2.4-3.0%	9%	39.231%
		1/1/2013+ (New to PERS)	2.7% @ 57	5 years	50-57	2.0-2.7%	12.25%	39.23%
	Fire	>7/1/2011	3% @ 50	5 years	50-55	2.4-3.0%	9%	39.231%



CITY	EMPLOYEE TYPE	HIRE DATE	BENEFIT FORMULA	BENEFIT VESTING SCHED.	RET. AGE	MO. BENEFITS AS % OF COMP.	EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE
		7/1/2011-12/31/2012	3% @ 55	5 years	50-55	2.4-3.0%	9%	39.231%
		1/1/2013+ (Prior PERS)	3% @ 55	5 years	50-55	2.4-3.0%	9%	39.231%
		1/1/2013+ (New to PERS)	2.7% @ 57	5 years	50-57	2.0-2.7%	12.25%	39.23%
El Segundo	Miscellaneous	>1/1/2013	2% @ 55	5 years	50-55	1.4-2.4%	7%	17.73%
		2013+ Classic	2% @ 60	5 years	50-60	1.1-2.4%	7%	17.73%
		2013+ New to PERS	2% @ 62	5 years	52-62	1.0-2.5%	7%	17.73%
	Safety	>10/6/2012	2% @ 50/55	5 years	50	2.4-3.0%	9%	46.60%
		2013+ Classic	3% @ 55	5 years	50-55	2.4-3.0%	9%	46.60%
		2013+ New to PERS	2.7% @ 57	5 years	50-57	2.0-2.7%	9%	46.60%
Glendale	Miscellaneous	>1/1/2011	2% @ 55	5 years	50-55	2.0-2.5%	0.0-3.0%	17.829%
		1/1/2011-12/31/2012	2% @ 55	5 years	50-63	1.426-2.418%	0.0-3.0%	17.892-20.892%
		2013+	2% @ 62	5 years	52-67	1.0-2.5%	0.0-3.0%	17.892-20.392%
	Safety	>1/1/2011	3% @ 50	5 years	50-55	3%	3.5-3.75%	41.34%
		1/1/2011-12/31/2012	3% @ 55	5 years	50-55	2.4-3.0%	3.5-3.75%	34.538-34.788%



CITY	EMPLOYEE TYPE	HIRE DATE	BENEFIT FORMULA	BENEFIT VESTING SCHED.	RET. AGE	MO. BENEFITS AS % OF COMP.	EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	3.5-3.75%	34.538-34.788%
Inglewood	Miscellaneous	>2013	2.5% @ 55	5 years	50	2.0-2.5%	8%	18.3%
		2013+	2% @ 62	5 years	52	1.0-2.5%	8%	18.3%
	Safety	>2013	3% @ 50	5 years	50	2.4-3.0%	9%	35.06%
		2013+	2% @ 57	5 years	50	1.426-2.0%	9%	35.06%
Pasadena	Miscellaneous	>2013	2.5% @ 55	5 years	50	2.0-.25%	7.97%	17.38%
		2013+		5 years				
	Safety	>2013	3% @ 55	5 years	50	2.4-3.0%	9%	27.22%
		2013+	5 years					
Redondo Beach	Miscellaneous	>5/1/2012	2% @ 55	5 years	50-63	1.426-2.418%	7%	18.18%
		5/1/2012-12/31/2012	2% @ 60	5 years	50-63	1.092-2.418%	7%	18.18%
		2013+	2% @ 62	5 years	52-67	1.0-2.5%	6.5%	18.18%
	Safety	>5/1/2012	3% @ 50/55	5 years	50-55	2.4-3.0%	9%	48.06%
		5/1/2012-12/31/2012	3% @ 55	5 years	50-55	2.4-3.0%	9%	48.06%
		2013+	2.7% @ 57	5 years	50-57	2.0-2.7%	11.25%	48.06%
Santa Barbara	Miscellaneous	>2013	2.7% @ 55	5 years	50	2.0-2.7%	8%	24.73%
		2013+	2% @ 62	5 years	52	1.0-2.5%	6.75%	24.73%
	Police	>2013	3% @ 50	5 years	50	3%	9%	35.96%



CITY	EMPLOYEE TYPE	HIRE DATE	BENEFIT FORMULA	BENEFIT VESTING SCHED.	RET. AGE	MO. BENEFITS AS % OF COMP.	EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE
	Fire	2013+	2.7% @ 57	5 years	50	2.0-2.7%	12.75%	25.96%
		>2013	3% @ 50	5 years	50	3%	9%	36.92%
		2013+	2.7% @ 57	5 years	50	2.0-2.7%	12.75%	36.92%
Torrance	Miscellaneous	>2013	2% @ 55	5 years	50-55	2.0%	7%	15.18%
		2013+	2% @ 62	5 years	52-65	2%	6.75%	15.18%
	Police	>2013	3% @ 50	5 years	50	3%	9%	54.05%
		2013+	2.7% @ 52	5 years	50-57	2.7%	12.75%	54.05%
	Fire	>2013	3% @ 50	5 years	50	3%	9%	46.70%
		2013+	2.7% @ 57	5 years	50-57	2.7%	11.25%	46.70%



## APPENDIX D: BENEFITS OFFERED

CITY	MEDICAL	DENTAL	VISION	EAP	DISABILITY	LIFE INSURANCE	FSA	RHS	457	WELLNESS PROGRAM	COMMUTE
Santa Monica	X	X	X	X	X	X	X	X	X		X
Anaheim	X	X	X	X	X	X	X	X	X	X	X
Burbank	X	X	X	X	X	X	X	X	X	X	
Beverly Hills	X	X	X	X	X	X	X	X			
Torrance	X	X	X	X	X	X	X	X	X		X
Culver City	X	X	X	X	X	X	X	X			
Pasadena	X	X	X	X	X	X	X	X	X	X	X
Glendale	X	X	X	X	X	X	X	X	X	X	
Inglewood	X	X	X	X	X	X	X	X	X		
El Segundo	X	X	X	X	X	X	X	X	X		
Santa Barbara	X	X	X	X	X	X	X	X	X	X	X
Redondo Beach	X	X	X	X	X	X		X	X		
# Peers	11	11	11	11	11	11	10	11	9	5	5



# APPENDIX E: PEER CITY DEMOGRAPHIC AND ECONOMIC DATA

		SANTA MONICA	ANAHEIM	BEVERLY HILLS	BURBANK	CULVER CITY	EL SEGUNDO	GLENDALE	INGLEWOOD	PASADENA	REDONDO BEACH	SANTA BARBARA	TORRANCE
Population <sup>109</sup>	Population	92,987	351,043	34,871	105,368	39,691	17,063	201,020	11,095	140,881	69,494	91,930	148,495
	Square miles	8.41	50.92	5.71	17.34	5.11	5.46	30.45	9.07	22.97	6.20	21.10	20.48
	Persons per square mile	11,057	6,894	6,107	6,077	7,767	3,125	6,602	1,313	6,133	11,209	4,357	7,251
	Daytime population (employment)	126,600	352,302	68,476	136,692	59,850	62,172	196,152	101,727	173,396	55,147	105,766	170,104
	Daytime population (employment + visitors) <sup>110</sup>	169,592	431,831	96,967	160,601	-	67,799	204,105	-	193,086	62,197	127,432	192,040
City Government <sup>111</sup>	Operating cost	\$507,991,516	\$1,743,524,375 <sup>112</sup>	\$448,119,185	\$659,018,444 <sup>113</sup>	\$220,109,311	\$123,109,311	\$819,533,134 <sup>114</sup>	\$103,192,627	\$690,440,000 <sup>115</sup>	\$83,875,745	\$355,141,316	\$299,328,883
	FTEs	2,293	1,929	951.7	1422.5	691.7	330	1579	Unavailable	2024	439	1,030	1498.7
	Net Pension Liability	\$386,760,127	\$383,378,000	\$202,469,000	\$275,441,000	\$143,401,863	\$109,933,608	\$430,182,000	\$227,011,005	\$386,000,000	\$129,892,979	\$249,860,418	\$374,022,800
	Operating cost per capita	\$5,463	\$4,967	\$12,851	\$6,254	\$5,546	\$7,215	\$4,077	\$8,668	\$4,901	\$1,207	\$1,207	\$2,016
	Operating cost per FTE	\$221,540	\$903,849	\$470,862	\$463,282	\$318,215	\$373,011	\$519,020	Unavailable	\$341,189	\$191,061	\$191,061	\$199,726
	FTEs per 10,000 residents	246.6	54.9	272.9	135	174.3	193.4	78.6	Unavailable	143.6	63.2	63.2	100.9
Housing and Economics <sup>116</sup>	Median household income	\$76,580	\$60,752	\$97,327	\$66,076	\$81,189	\$85,727	\$52,574	\$42,044	\$72,402	\$105,145	\$66,017	\$79,549
	Median home price	\$1,030,500	\$431,400	\$1,727,600	\$586,200	\$632,000	\$784,800	\$619,200	\$335,000	\$628,000	\$736,100	\$846,400	\$638,700
	Median rental cost	\$1,593	\$1,374	\$1,928	\$1,409	\$1,655	\$1,575	\$1,296	\$1,103	\$1,372	\$1,751	\$1,514	\$1,473
	Percent owner-occupied homes	26.1	27.9	24	26.1	25.6	22.9	27.1	30.1	43.6	49.9	39.9	55.1

<sup>109</sup> 2010 Census Data

<sup>110</sup> Population (also referred to as Resident Population) is the number of people who live in each city according to the 2014 US Census. Daytime Population is calculated for each city by taking Total Population (Table B01003 of 2014 US Census); adding the Worker Population (B08604); subtracting Workers who work in place of residence (B08008); subtracting Workers who work outside place of residence (B08008); and then adding an approximation for tourism (annual visitor numbers sourced from Visitor Bureaus or City Economic Development Departments, as available, divided by 365).

<sup>111</sup> Data collected from FY 2017 budget documents.

<sup>112</sup> Includes electric utility.

<sup>113</sup> Includes electric utility.

<sup>114</sup> Includes electric utility.

<sup>115</sup> Includes electric utility.

<sup>116</sup> 2010 Census Data



# APPENDIX F: POLICE OVERTIME SUMMARY

The table below presents the GCC data for Police Departments in each city, showing what percentage each component - regular pay, special pay, and overtime pay – represents of cash compensation.





OVERTIME DRIVER	FY 2014-15		FY 2015-16		FY 2016-17	
	\$	%	\$	%	\$	%
Los Angeles Marathon*	\$122,434.11	1.73%	\$121,770.33	1.66%	\$120,082.37	1.40%
Twilight Concert Series*	\$232,518.88	3.29%	\$240,313.50	3.27%	\$471,760.65	5.50%
Films and special events	\$410,529.47	5.80%	\$354,806.70	4.83%	\$381,586.94	4.45%
Special details	\$1,188,214.53	16.79%	\$1,404,402.14	19.13%	\$1,411,599.47	16.46%
Workload requirements	\$2,179,164.97	30.80%	\$2,735,157.05	37.26%	\$3,314,644.22	38.64%
Holiday overtime pay	\$382,156.62	5.40%	\$360,593.44	4.91%	\$327,089.71	3.81%
Court appearances	\$424,810.89	6.0%	\$407,295.13	5.55%	\$397,694.46	4.64%
Extension of shift	\$328,820.51	4.65%	\$380,537.99	5.18%	\$419,760.02	4.89%
Shortage of personnel	\$1,286,682.49	18.18%	\$1,235,100.08	16.82%	\$1,481,278.40	17.27%
Other	\$520,731.15	7.36%	\$101,549.22	1.38%	\$251,712.24	2.93%
<b>Total</b>	<b>\$7,076,063.62</b>	<b>100%</b>	<b>\$7,341,525.58</b>	<b>100%</b>	<b>\$8,577,208.48</b>	<b>100%</b>

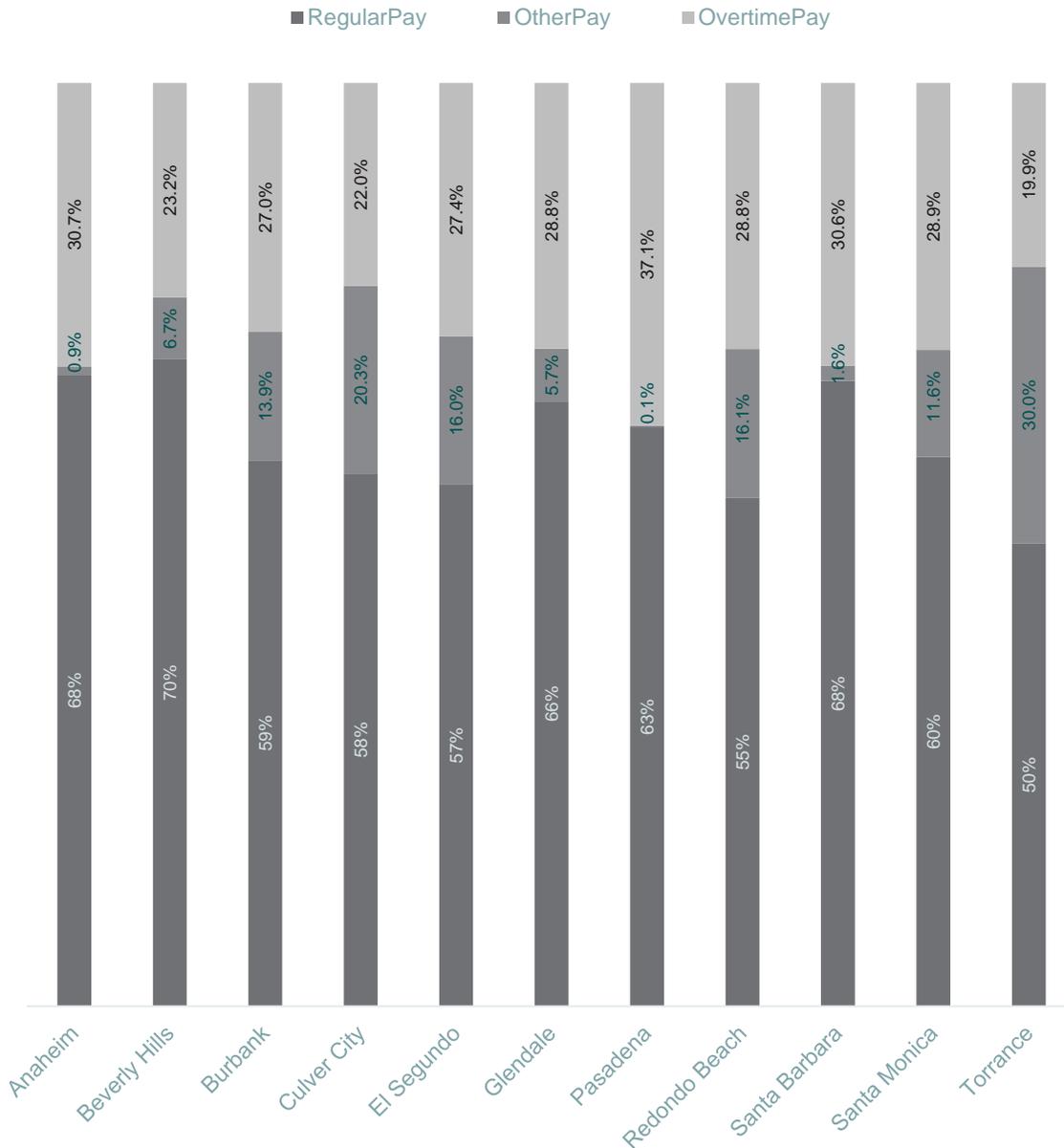
\*Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime budget.



# APPENDIX G: FIRE OVERTIME SUMMARY

The table below presents the GCC data for Fire Departments in each city, showing what percentage each component - regular pay, special pay, and overtime pay – represents of cash compensation.

### Fire Department Components of Cash Compensation by Peer City





OVERTIME DRIVER	FY2014-15		FY2015-16		FY2016-17	
	\$	%	\$	%	\$	%
Los Angeles Marathon*	\$94,503.86	1.48%	\$91,092.87	1.26%	\$85,438.23	1.18%
Twilight Concert Series*	\$82,545.35	1.29%	\$104,984.81	1.46%	\$108,231.76	1.50%
Reimbursed external events	\$377,640.10	5.91%	\$966,798.30	13.42%	\$360,391.00	4.98%
City events and special assignments	\$151,104.28	2.36%	\$105,101.69	1.46%	\$86,065.66	1.19%
Vacancies	\$1,051,086.40	16.44%	\$1,174,846.40	16.31%	\$1,003,009.28	13.86%
Sick leave	\$796,511.25	12.46%	\$921,385.39	12.79%	\$1,204,851.12	16.65%
Vacation leave	\$1,400,244.89	21.90%	\$1,581,791.89	21.96%	\$1,855,498.28	25.64%
Other leave	\$132,542.28	2.07%	\$195,715.21	2.72%	\$310,719.32	4.29%
Training	\$766,977.34	11.99%	\$679,546.94	9.43%	\$806,954.24	11.15%
Workers' compensation	\$493,490.84	7.72%	\$993,048.60	13.78%	\$375,999.32	5.20%
Other	\$1,047,955.65	16.39%	\$389,867.58	5.41%	\$1,038,193.78	14.35%
<b>Total</b>	<b>\$6,394,602.21</b>	<b>100%</b>	<b>\$7,204,179.68</b>	<b>100%</b>	<b>\$7,235,351.99</b>	<b>100%</b>

\*Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime budget.



## APPENDIX H: BREAK-EVEN ANALYSIS

Using 2016 GCC compensation payroll data, we filtered out the over-time related positions in Public Safety (Police and Fire) with cash compensation less than the position's classification minimum salary, in order to remove less than full time positions. We then selected the payroll data for the positions that represented the minimum, median, and maximum values for each group, based on individual cash compensation. Using this spread of data provides an approximation of what the range of costs are associated with a full time employee (FTE).

Base pay costs – a combination of regular pay and “PERS-able” special pay - is the basis for the overtime hourly rate calculation, and excludes overtime paid. The “Estimated Regular Pay Rate” is calculated by dividing the position's base pay by the average annual hours worked (2,080 for Police; 2,912 for Fire). This became the hourly rate that we used to calculate an approximation of the position's typical overtime rate range – regular salary rate times one and a half.

Total compensation costs represent the costs associated with employees above and beyond cash compensation, including lump-sum payments, total retirement costs, and total health benefit costs (including vision & dental). Similarly, the “Estimated FTE Hourly Rate” was calculated by dividing this total compensation cost by the average annual hours worked (2,080 for Police; 2,912 for Fire), in order to allow for a comparison against the calculated overtime rate. For more detailed information on the overall approach and data methodology, please see Appendix A: Wages and Benefits Comparison Methodology.



## A. POLICE

### POLICE SERGEANT

POLICE SERGEANT <sup>117</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Regular Salary	\$111,809	\$134,916	\$140,407
Special Pay	\$23,181	\$33,099	\$50,483
Base Pay Total Cost <sup>118</sup>	<b>\$134,990</b>	<b>\$168,015</b>	<b>\$190,890</b>
Lump-Sum Pay	\$194	\$17,255	\$6,279
Total Retirement Costs	\$74,488	\$92,200	\$99,961
Health Vision Dental Costs	\$8,367	\$9,098	\$21,263
Benefits Total Cost	<b>\$82,855</b>	<b>\$101,298</b>	<b>\$121,224</b>
Total Compensation Costs <sup>119</sup>	<b>\$218,039</b>	<b>\$286,568</b>	<b>\$318,393</b>
Estimated FTE Hourly Rate <sup>120</sup>	\$104.83	\$137.77	\$153.07
Estimated Regular Pay Rate <sup>121</sup>	\$64.90	\$80.78	\$91.77
Overtime Comparison – Police Sergeant			
2016 Overtime Paid	\$11,604	\$62,985	\$64,053
Overtime Hourly Rate <sup>122</sup>	\$97.35	\$121.16	\$137.66
Percent Difference of Cost for Overtime from FTE <sup>123</sup>	-7.1%	-12.1%	-10.1%

<sup>117</sup> There were 29 GCC positions used in this analysis

<sup>118</sup> Does not include overtime costs

<sup>119</sup> Does not include overtime costs

<sup>120</sup> Total compensation cost divided by 2,080

<sup>121</sup> Regular Salary + Special Pay Divided by 2,080

<sup>122</sup> Regular Rate multiplied by 1.5

<sup>123</sup> Overtime rate minus full employee rate, divided by full employee rate



## POLICE OFFICER

POLICE OFFICER <sup>124</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Regular Salary	\$94,104	\$101,003	\$101,484
Special Pay	\$4,110	\$23,187	\$41,335
Base Pay Total Cost <sup>125</sup>	<b>\$98,214</b>	<b>\$124,190</b>	<b>\$142,819</b>
Lump-Sum Pay	\$411	\$3,425	\$8,316
Total Retirement Costs	\$44,714	\$69,184	\$71,707
Health Vision Dental Costs	\$21,263	\$21,263	\$21,263
Benefits Total Cost	<b>\$65,977</b>	<b>\$90,447</b>	<b>\$92,970</b>
Total Compensation Costs <sup>126</sup>	<b>\$164,602</b>	<b>\$218,062</b>	<b>\$244,105</b>
Estimated FTE Hourly Rate <sup>127</sup>	\$79.14	\$104.84	\$117.36
Estimated Regular Pay Rate <sup>128</sup>	\$47.22	\$59.71	\$68.66
Overtime Comparison – Police Officer			
2016 Overtime Paid	\$27,086	\$7,514	\$88,425
Overtime Hourly Rate <sup>129</sup>	\$70.83	\$89.56	\$102.99
Percent Difference of Cost for Overtime from FTE <sup>130</sup>	-10.5%	-14.6%	-12.2%

<sup>124</sup> There were 135 GCC positions used in this analysis

<sup>125</sup> Does not include overtime costs

<sup>126</sup> Does not include overtime costs

<sup>127</sup> Total compensation cost divided by 2,080

<sup>128</sup> Regular Salary +Special Pay Divided by 2,080

<sup>129</sup> Regular Rate multiplied by 1.5

<sup>130</sup> Overtime rate minus full employee rate, divided by full employee rate



## B. FIRE<sup>131</sup>

### BATTALION CHIEF

BATTALION CHIEF <sup>132</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Regular Salary	\$180,815	N/A – not enough data <sup>133</sup>	\$183,576
Special Pay	\$2,956	N/A – not enough data	\$7,164
Base Pay Total Cost <sup>134</sup>	<b>\$183,771</b>	<b>N/A – not enough data</b>	<b>\$190,740</b>
Lump-Sum Pay	\$18,443	N/A – not enough data	\$10,524
Total Retirement Costs	\$67,579	N/A – not enough data	\$68,439
Health Vision Dental Costs	\$24,291	N/A – not enough data	\$25,115
Benefits Total Cost	<b>\$91,870</b>	<b>N/A – not enough data</b>	<b>\$93,554</b>
Total Compensation Costs <sup>135</sup>	<b>\$294,084</b>	<b>N/A – not enough data</b>	<b>\$294,818</b>
Estimated FTE Hourly Rate <sup>136</sup>	\$100.99	N/A – not enough data	\$101.24
Estimated Regular Pay Rate <sup>137</sup>	\$63.11		\$65.50
Overtime Comparison – Battalion Chief			
2016 Overtime Paid	\$45,531	N/A – not enough data	\$58,353
Overtime Hourly Rate <sup>138</sup>	\$94.66	N/A – not enough data	\$98.25
Percent Difference of Cost for Overtime from FTE <sup>139</sup>	-6.3%	N/A – not enough data	-3.0%

<sup>131</sup> Excludes the Administration and Training divisions from this analysis

<sup>132</sup> There were 2 GCC positions used in this analysis

<sup>133</sup> One of the four possible positions was a Captain for most of the year so special pay included bonuses not given to Battalion Chiefs; a second did not work a full year.

<sup>134</sup> Does not include overtime costs

<sup>135</sup> Does not include overtime costs

<sup>136</sup> Total compensation cost divided by 2,912

<sup>137</sup> Regular Salary + Special Pay Divided by 2,912

<sup>138</sup> Regular Rate multiplied by 1.5

<sup>139</sup> Overtime rate minus full employee rate, divided by full employee rate



## FIRE CAPTAIN

FIRE CAPTAIN <sup>140</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Regular Salary	\$135,967	\$145,152	\$154,569
Special Pay	\$10,273	\$31,808	\$41,337
Base Pay Total Cost <sup>141</sup>	<b>\$146,240</b>	<b>\$176,960</b>	<b>\$195,906</b>
Lump-Sum Pay	\$11,197	\$8,250	\$2,577
Total Retirement Costs	\$55,482	\$62,165	\$65,428
Health Vision Dental Costs	\$28,820	\$24,291	\$28,820
Benefits Total Cost	<b>\$84,302</b>	<b>\$86,456</b>	<b>\$94,248</b>
Total Compensation Costs <sup>142</sup>	<b>\$241,739</b>	<b>\$271,666</b>	<b>\$292,731</b>
Estimated FTE Hourly Rate <sup>143</sup>	\$83.01	\$93.29	\$100.53
Estimated Regular Pay Rate <sup>144</sup>	\$50.22	\$60.77	\$67.28
Overtime Comparison – Fire Captain			
2016 Overtime Paid	\$81,177	\$57,507	\$78,348
Overtime Hourly Rate <sup>145</sup>	\$75.33	\$91.15	\$100.91
Percent Difference of Cost for Overtime from FTE <sup>146</sup>	-9.3%	-2.3%	0.4%

<sup>140</sup> There were 23 GCC positions used in this analysis

<sup>141</sup> Does not include overtime costs

<sup>142</sup> Does not include overtime costs

<sup>143</sup> Total compensation cost divided by 2,912

<sup>144</sup> Regular Salary + Special Pay Divided by 2,912

<sup>145</sup> Regular Rate multiplied by 1.5

<sup>146</sup> Overtime rate minus full employee rate, divided by full employee rate



## FIRE ENGINEER

FIRE ENGINEER <sup>147</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Base Salary	\$103,031	\$123,030	\$123,030
Special Pay	\$20,071	\$24,714	\$38,270
Base Pay Total Cost <sup>148</sup>	<b>\$123,102</b>	<b>\$147,744</b>	<b>\$161,300</b>
Lump-Sum Pay	\$2,178	\$2,997	\$291
Total Retirement Costs	\$41,713	\$50,977	\$55,886
Health Vision Dental Costs	\$23,561	\$28,820	\$28,291
Benefits Total Cost	<b>\$65,274</b>	<b>\$79,797</b>	<b>\$84,177</b>
Total Compensation Costs <sup>149</sup>	<b>\$190,554</b>	<b>\$230,538</b>	<b>\$245,768</b>
Estimated FTE Hourly Rate <sup>150</sup>	\$65.44	\$79.17	\$84.40
Estimated Regular Pay Rate <sup>151</sup>	\$42.27	\$50.74	\$55.39
Overtime Comparison – Fire Engineer			
2016 Overtime Paid	\$53,717	\$93,555	\$82,476
Overtime Hourly Rate <sup>152</sup>	\$63.41	\$76.10	\$83.09
Percent Difference of Cost for Overtime from FTE <sup>153</sup>	-3.1%	-3.9%	-1.6%

<sup>147</sup> There were 23 GCC positions used in this analysis

<sup>148</sup> Does not include overtime costs

<sup>149</sup> Does not include overtime costs

<sup>150</sup> Total compensation cost divided by 2,912

<sup>151</sup> Regular Salary + Special Pay Divided by 2,912

<sup>152</sup> Regular Rate multiplied by 1.5

<sup>153</sup> Overtime rate minus full employee rate, divided by full employee rate



## FIREFIGHTER

FIRE FIGHTER <sup>154</sup>			
COMPENSATION	MIN	MEDIAN	MAX
Regular Salary	\$87,261	\$91,164	\$98,156
Special Pay	-\$1,854	\$33,945	\$49,464
Base Pay Total Cost <sup>155</sup>	<b>\$85,407</b>	<b>\$125,109</b>	<b>\$147,620</b>
Lump-Sum Pay	\$2,089	\$11,636	\$402
Total Retirement Costs	\$30,964	\$44,543	\$41,528
Health Vision Dental Costs	\$11,882	\$11,882	\$18,406
Benefits Total Cost	<b>\$42,846</b>	<b>\$56,425</b>	<b>\$59,934</b>
Total Compensation Costs <sup>156</sup>	<b>\$130,342</b>	<b>\$193,170</b>	<b>\$207,956</b>
Estimated FTE Hourly Rate <sup>157</sup>	\$44.76	\$66.34	\$71.41
Estimated Regular Pay Rate <sup>158</sup>	\$29.33	\$42.96	\$50.69
Overtime Comparison – Fire Fighter			
2016 Overtime Paid	\$53,700	\$83,919	\$85,484
Overtime Hourly Rate <sup>159</sup>	\$43.99	\$64.44	\$76.04
Percent Difference of Cost for Overtime from FTE <sup>160</sup>	-1.7%	-2.9%	6.5%

<sup>154</sup> There were 39 GCC positions used in this analysis

<sup>155</sup> Does not include overtime costs

<sup>156</sup> Does not include overtime costs

<sup>157</sup> Total compensation cost divided by 2,912

<sup>158</sup> Regular Salary + Special Pay Divided by 2,912

<sup>159</sup> Regular Pay Rate multiplied by 1.5

<sup>160</sup> Overtime rate minus full employee rate, divided by full employee rate



## APPENDIX I: HIGHEST COMPENSATED CITY EMPLOYEES

CITY		HIGHEST PAID EMPLOYEE	SECOND HIGHEST PAID EMPLOYEE	THIRD HIGHEST PAID EMPLOYEE	FOURTH HIGHEST PAID EMPLOYEE	FIFTH HIGHEST PAID EMPLOYEE
Santa Monica	Title	City Manager	City Attorney	Police Chief	Fire Captain – Suppression	Deputy City Attorney
	Cash Compensation	\$341,131	\$315,707	\$309,287	\$309,287	\$306,583
New York <sup>161</sup>	Title	Administrative Engineer	Captain Deputy Inspector	Pension Investment Advisor	Supervisor Ship Carpenter	Chief Actuary
	Cash Compensation	\$672,309	\$355,861	\$332,081	\$282,772	\$278,886
Los Angeles <sup>162</sup>	Title	Chief Port Pilot II	Port Pilot II	Chief Port Pilot II	Port Pilot II	Fire Captain II
	Cash Compensation	\$570,840	\$490,010	\$476,710	\$467,110	\$457,300
Chicago <sup>163</sup>	Title	Commissioner of Aviation	Superintendent of Police	Mayor	Fire Commissioner	First Deputy Fire Commissioner
	Cash Compensation	\$300,000	\$260,004	\$216,210	\$202,728	\$197,736
Houston <sup>164</sup>	Title	Police Chief	Public Works Director	City Attorney	Deputy Chief Policy Officer	Aviation Director
	Cash Compensation	\$280,000	\$275,000	\$275,000	\$275,000	\$275,000

<sup>161</sup> Source: NYC Open Data

<sup>162</sup> Source: Los Angeles City Controller (Payroll Explorer)

<sup>163</sup> Source: Chicago Data Portal

<sup>164</sup> Source: Texas Tribune Government Salaries Explorer



CITY		HIGHEST PAID EMPLOYEE	SECOND HIGHEST PAID EMPLOYEE	THIRD HIGHEST PAID EMPLOYEE	FOURTH HIGHEST PAID EMPLOYEE	FIFTH HIGHEST PAID EMPLOYEE
Philadelphia <sup>165</sup>	Title	Medical Examiner	Deputy Mayor/Police Commissioner	Deputy Medical Examiner	Mayor	Assistant Medical Examiner
	Cash Compensation	\$268,533	\$240,000	\$238,450	\$218,255	\$216,773
Anaheim	Title	Fire Battalion Chief	Fire Engineer III	City Manager	Fire Fighter III	Fire Captain III
	Cash Compensation	\$333,166	\$326,262	\$301,815	\$295,891	\$282,361
Beverly Hills	Title	Police Officer	Police Sergeant	City Manager	Fire Battalion Chief	Fire Battalion Chief
	Cash Compensation	\$367,918	\$316,176	\$304,646	\$301,365	\$283,153
Burbank	Title	City Manager	Police Chief	Fire Captain	Fire Captain	Police Lieutenant
	Cash Compensation	\$301,095	\$273,549	\$257,756	\$257,068	\$254,880
Culver City	Title	Police Chief	Fire Chief	Assistant Police Chief	City Manager	City Attorney
	Cash Compensation	\$331,958	\$303,156	\$282,353	\$281,890	\$277,324
El Segundo	Title	Fire Captain	Battalion Chief	Fire Captain	Fire Captain	Fire Captain
	Cash Compensation	\$312,748	\$274,610	\$264,671	\$257,242	\$250,515
Glendale	Title	City Manager	Fire Engineer Paramedic	Fire Battalion Chief	Firefighter Paramedic	City Attorney

<sup>165</sup> Source: Open Data Philly



CITY		HIGHEST PAID EMPLOYEE	SECOND HIGHEST PAID EMPLOYEE	THIRD HIGHEST PAID EMPLOYEE	FOURTH HIGHEST PAID EMPLOYEE	FIFTH HIGHEST PAID EMPLOYEE
	Cash Compensation	\$282,881	\$279,793	\$261,752	\$256,098	\$251,526
Inglewood	Title	City Manager	Police Chief	City Attorney	Assistant City Manager	Assistant City Manager-CFO
	Cash Compensation	\$317,227	\$286,733	\$259,809	\$245,354	\$234,584
Pasadena	Title	City Manager	Police Chief	City Attorney	Police Sergeant	Fire Fighter II
	Cash Compensation	\$266,762	\$265,134	\$261,447	\$258,559	\$247,748
Redondo Beach	Title	City Attorney	Firefighter/Paramedic	City Manager	Fire Captain	Fire Captain
	Cash Compensation	\$284,207	\$270,945	\$266,435	\$265,215	\$238,141
Santa Barbara	Title	Police Sergeant	City Admin/Clerk/Treasurer	City Attorney	Assistant City Administrator	Fire Ops Division Chief
	Cash Compensation	\$294,425	\$275,669	\$254,917	\$254,651	\$235,703
Torrance	Title	City Attorney	Police Officer	City Manager	Assistant City Manager	Police Chief
	Cash Compensation	\$330,454	\$306,829	\$300,937	\$282,378	\$274,649



## APPENDIX J: MEDICAL BENEFITS OFFERED

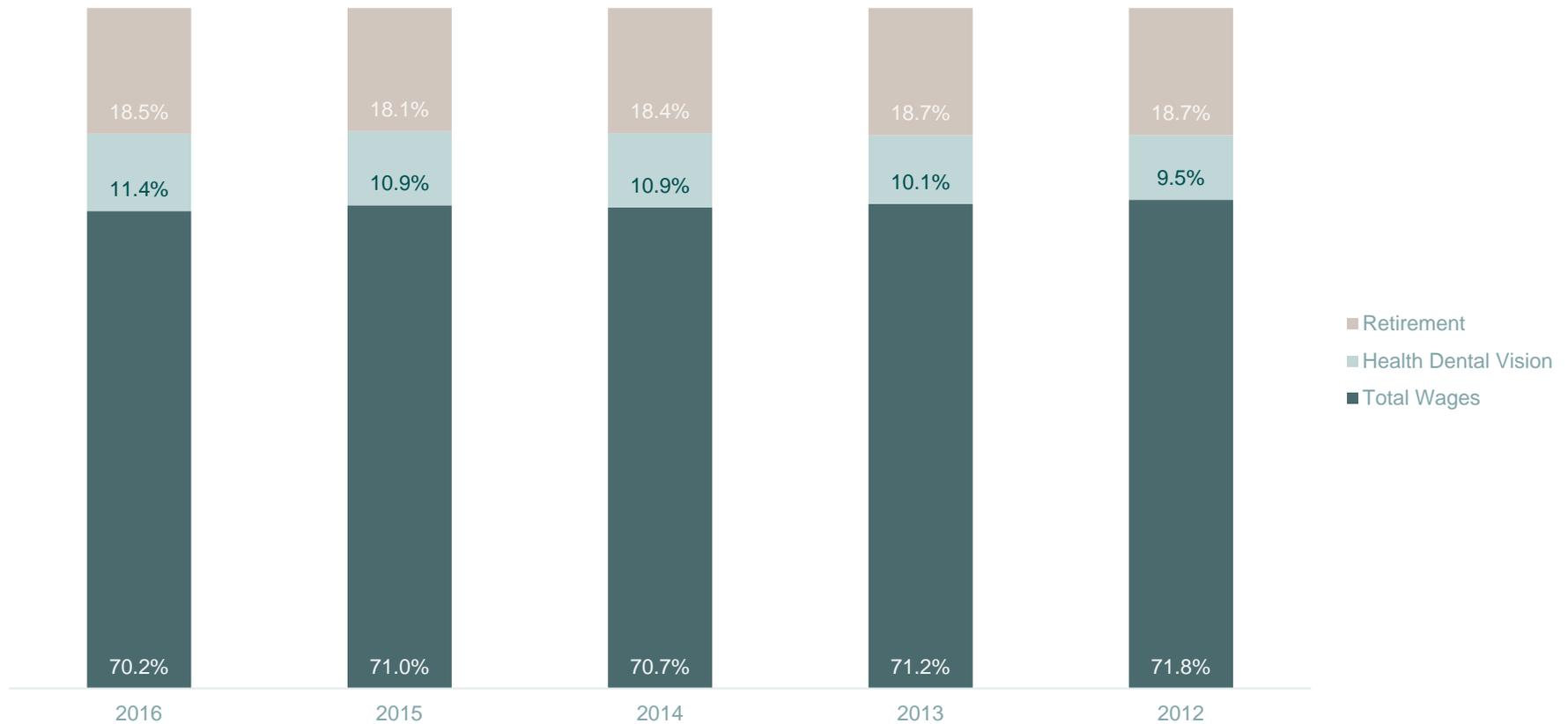
CITY	TYPE OF PLAN		EMPLOYEE ONLY		EMPLOYEE +1		EMPLOYEE +FAMILY	
	Cafeteria	HMO/PPO	Employee Cost	City Cost	Employee Cost	City Cost	Employee Cost	City Cost
Santa Monica		X	\$40-\$74	\$538-\$759	\$79-\$148	\$1,061-\$1,975	\$112-\$193	\$1,494-\$2,567
Peer Average	4	7	\$59-\$281	\$639-\$800	\$142-\$659	\$1,016-\$1,234	\$232-\$974	\$1,265-\$1,538
Anaheim		X	\$60-\$324	\$503-\$1,050	\$121-\$655	\$1,007-\$2,094	\$171-\$942	\$1,425-\$2,949
Burbank		X						
Beverly Hills	X							
Torrance		X	\$22-\$323	\$392	\$44-\$646	\$785	\$57-\$840	\$1,020
Culver City	X			\$732		\$1,271		\$1,584
Pasadena		X						
Glendale		X	\$152-\$196	\$359-\$406	\$403-\$425	\$742-\$1,026	\$573-\$601	\$1,067-\$1,454
Inglewood		X						
El Segundo	X			\$1,200		\$1,200		\$1,200
Santa Barbara		X	\$0	\$485-\$1,019	\$0-\$910	\$955-\$1,110	\$127-\$1,511	\$1,110
Redondo Beach	X			\$800		\$1,150		\$1,450



# APPENDIX K: HISTORICAL WAGE & BENEFITS DATA

Exhibit 81<sup>166</sup>

### Santa Monica - Historical Wage & Benefits



<sup>166</sup> The data presented here is unfiltered/unedited GCC data; the total sum of all reported wage and benefits data in Santa Monica, for the past 5 fiscal years.



Exhibit 82<sup>167</sup>

City	FY 2014			FY 2015			FY 2016		
	Total Wages	Total Benefits	Wages % of Total Comp	Total Wages	Total Benefits	Wages % of Total Comp	Total Wages	Total Benefits	Wages % of Total Comp
<b>Santa Monica</b>	<b>\$194,966,491</b>	<b>\$80,856,728</b>	<b>70.7%</b>	<b>\$213,263,795</b>	<b>\$87,057,335</b>	<b>71.0%</b>	<b>\$215,657,115</b>	<b>\$91,702,375</b>	<b>70.2%</b>
Peer Average	\$109,891,759	\$39,768,956	73.0%	\$114,469,162	\$41,266,831	73.2%	\$118,461,320	\$44,912,922	71.9%
Anaheim	\$209,254,396	\$77,083,865	73.1%	\$221,934,801	\$80,291,009	73.4%	\$238,513,646	\$80,254,667	74.8%
Beverly Hills	\$82,922,874	\$26,389,733	75.9%	\$86,938,081	\$30,719,252	73.9%	\$91,947,252	\$34,410,323	72.8%
Burbank	\$122,337,266	\$37,236,465	76.7%	\$119,070,538	\$38,358,743	75.6%	\$123,541,146	\$41,498,630	74.9%
Culver City	\$57,535,777	\$20,584,564	73.7%	\$63,885,253	\$23,773,624	72.9%	\$64,918,771	\$25,291,980	72.0%
El Segundo	\$31,250,628	\$11,599,542	72.9%	\$32,829,210	\$12,672,278	72.1%	\$30,791,819	\$12,477,534	71.2%
Glendale	\$149,590,930	\$41,776,667	78.2%	\$145,590,040	\$44,690,828	76.5%	\$150,387,512	\$48,502,946	75.6%
Inglewood	\$52,510,233	\$36,743,810	58.8%	\$51,798,194	\$28,593,847	64.4%	\$54,880,327	\$43,301,202	55.9%
Pasadena	\$162,138,309	\$57,157,338	73.9%	\$167,963,631	\$59,028,493	74.0%	\$171,745,544	\$66,204,639	72.2%
Redondo Beach	\$40,210,276	\$15,045,891	72.8%	\$46,949,449	\$16,178,804	74.4%	\$45,545,311	\$16,593,559	73.3%
Santa Barbara	\$91,164,811	\$33,352,784	73.2%	\$95,725,340	\$32,647,218	74.6%	\$97,517,327	\$32,260,855	75.1%
Torrance	\$124,819,111	\$39,400,081	76.0%	\$127,681,617	\$41,190,544	75.6%	\$136,090,067	\$46,456,359	74.6%

<sup>167</sup> The data here is unfiltered/unedited GCC data; the total sum of all reported wage and benefits data by city, for the past 3 fiscal years.



# APPENDIX L: PERFORMANCE DATA METHODOLOGY

Burbank, Culver City, Glendale, Pasadena, Torrance, and Santa Barbara provided responses to the voluntary survey used to collect performance data. Information in the performance data tables is limited to cities participating in that specific department's survey to provide appropriate comparisons. For each data element, the average, minimum, and maximum of available peer responses is provided to show typical amounts as well as the range of variation.

Performance data includes:

- Workload and outcome measure data provided by the City of Santa Monica (the City) and peers
- Operating cost and FTE data
- Key performance indicators

There are many variables that impact comparison between cities, including operating budgets, community priorities, level of outsourcing, geography, and departmental organization. Governments utilize many different methods to provide different levels and types of service. The following performance indicator analysis is an attempt to compare similar services across cities using industry standard data. As such, not all services are included in the analysis. Some departments provided additional activity data to better communicate the extent of the other work they perform. Every effort was made to standardize services and performance data based on Santa Monica's organization structure.

To compare operating efficiency, each department is measured by operating cost per capita and per FTE; internal service departments are also measured by operating cost per City FTE. In addition, Santa Monica's daytime population increases to 250,000 including workers and visitors, which impacts the level of effort that is required to deliver service.

The comparison of peer city median cash compensation by department represents the median of all position levels' cash compensation (regular, other, and overtime) within the respective departments reported to the GCC for fiscal year 2016. Positions titles, departments, and divisions were somewhat standardized after reviewing city organizational charts, job descriptions, and city budgets in order to create more comparable groupings to increase the relevancy of conducting a comparison between departmental services and individual positions. Positions with cash compensation reported as less than the position's published minimum annual salary range were removed in order to better compare and analyze annual full-time compensation data.

Unless otherwise noted, all wage, FTE, budget, and performance data is fiscal year (FY) 2016-17.



Written Comment

## Natalie Acosta

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**From:** Laurence Eubank <laurence.eubank@gmail.com>  
**Sent:** Wednesday, April 4, 2018 1:07 PM  
**To:** Natalie Acosta  
**Subject:** Re: Audit Subcommittee Meeting - April 17th

Natalie:

Please add the item below to the April 17th agenda:

\*\*\*\*

Compensation Study Advisory Committee member Eubank proposes the following resolution for discussion and voting by members of the Advisory Committee, and, if deemed appropriate by the Chair of the Audit Committee, also members of the Audit Committee:

The Ad Hoc Compensation Study Advisory Committee members, appointed by the City Manager and affirmed by the City Council, shall continue in their positions to undertake the specific task of examining strategies and alternatives for acceleration of retiring the City's unfunded pension liability; such material to be codified in a report to the City Council no later than December 31, 2018;

Further, as the ad hoc committee is dedicated only to the above specific task, the committee shall not be subject to the Brown Act and limits on communication between members.

\*\*\*\*\*

Many thanks, all best

Laurence

On 3 April 2018 at 10:59, Natalie Acosta <[Natalie.Acosta@smgov.net](mailto:Natalie.Acosta@smgov.net)> wrote:

Hi Laurence,

As soon as possible, but no later than Thursday afternoon. We plan to post by the end of this week.

Thank you,

**Natalie Acosta**

Executive Administrative Assistant

City of Santa Monica | Finance Department

1717 4<sup>th</sup> St., Suite 250 | Santa Monica, CA 90401

(310) 458-8283

**From:** Laurence Eubank [mailto:[laurence.eubank@gmail.com](mailto:laurence.eubank@gmail.com)]

**Sent:** Tuesday, April 3, 2018 10:52 AM

**To:** Natalie Acosta <[Natalie.Acosta@SMGOV.NET](mailto:Natalie.Acosta@SMGOV.NET)>

**Subject:** Re: Audit Subcommittee Meeting - April 17th

I want to add an agenda item to the next meeting. What is the cut-off date by which I need to get it to you, please?

On 3 April 2018 at 08:51, Natalie Acosta <[Natalie.Acosta@smgov.net](mailto:Natalie.Acosta@smgov.net)> wrote:

Good morning committee members,

The next Audit Subcommittee meeting is scheduled for Tuesday, April 17<sup>th</sup> at 6:00 p.m. At this meeting, Moss Adams will be presenting the final compensation study report and we will be discussing the City's plan to implement recommendations. As a reminder, we need a quorum of each committee in order to call the meeting to order, which means at least 4 members of the advisory committee must be present. Please let me know whether or not you are able to attend as soon as possible.

Thank you,

**Natalie Acosta**

Executive Administrative Assistant

City of Santa Monica | Finance Department

1717 4<sup>th</sup> St., Suite [250](#) | [Santa Monica, CA 90401](#)

(310) 458-8283

## Natalie Acosta

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**From:** Homa Mojtabai  
**Sent:** Tuesday, April 10, 2018 7:41 AM  
**To:** Natalie Acosta  
**Subject:** Please add to the Compensation Committee agenda  
**Attachments:** Comments.pdf

Hi Natalie,

I've pulled together comments on the compensation study that I would like to submit for the committee's consideration next week. Please see attached.

Thank you!

Best,  
Homa Mojtabai

## 1. **Potential disproportionate impact on underrepresented employee groups**

Given the continued discussion on wage and pension freezes, it's important that the city examine average compensation by (at a minimum) race/ethnicity and gender in order to ensure that underrepresented groups are not disproportionately impacted by any proposed freezes. According to the 'Draft Compensation Study in Brief' document distributed at the February 28, 2018 meeting, Santa Monica “has the highest median cash compensation for management positions.” It is therefore also important to review the breakdown of race and gender by agency shop representation to understand representation throughout the org chart.

The conversation around diversity and inclusion in the public sector is gaining urgency, and now is the time for Santa Monica to demonstrate its innovative and forward-thinking DNA.

Below are two examples of work being done in this area:

- UCLA has launched a 'Workforce Profile' dashboard that examines staff breakdowns, including by race and gender (<https://equity.ucla.edu/bruinx-dashboards/staff/>).
- A local government professional organization, Engaging Local Government Leaders, is launching a diversity dashboard focused exclusively on local government (<http://elgl.org/diversity-dashboard/>)

## 2. **City employee parking and impact on parking availability/prices**

Parking in Santa Monica is a scarce resource, and Council is considering raising parking rates for the general public in order to manage demand and availability. As free and subsidized parking is part of City employee compensation, city employee parking policies should be reviewed and discussed by the Compensation Committee.

Some general questions to explore:

- What is the average number of spaces used by City employees commuting to Santa Monica and how does this impact availability to downtown visitors?
- What is the lost revenue / impact of offering free or subsidized employee parking?
- What reward programs are in place for employees who take transit and carpool to work? How can these rewards be increased to support alternative methods of transportation?

## 3. **Increased Transparency of equity adjustments (raises), position changes, and Santa Monica Personnel Board actions**

The first key recommendation in the Draft Compensation Study in Brief is to 'enhance awareness and understanding of personnel costs.' Santa Monica can increase transparency by including additional information (especially definitions of civil service terminology) alongside proposed equity adjustments and classification changes. Also, the decisions of the Personnel Board have a major impact on employee compensation. The available Personnel Board agendas provide little detail and there is not a clear connection between budget actions approved by Council and Personnel Board decisions.

For example, on February 13, 2018 Council approved a number of personnel actions under item 8, raising the following questions:

- New Classifications and Salary rates in Attachment B – only step 5 (max) of the proposed

compensation numbers were included, but there was no data on the amount of increase for each classification, or the justification for the changes.

- A number of personnel changes were included in Attachment C. Notes at the bottom were brief. One justification reads: “Clean-up from review of Confidential Unrepresented Employees Unit.” What's the clean up? What did the review say? What changes were made and why? The clean up review documentation could be included and attached to the staff report.

Regarding the Personnel Board, I would like to see justifications and proposed changes included with all classification requests for approval. Currently, only the classification title is included in the agenda and minutes of Personnel Board meetings. Not only does this information increase transparency, but it allows stakeholders to identify trends in classification changes and opportunities for improved efficiency and personnel management.

Finally, on page 69 of the Draft Compensation Study Report there is reference to 21 classification and compensation studies completed by the City. Since the City is going to considerable effort to complete these classification and compensation studies, can the reports be made available? Ideally, additional information and compensation analysis would come from outside sources, either outside consultants or comparison with industry benchmarks as well as from internal studies.

## Natalie Acosta

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**From:** Denise Anderson-Warren  
**Sent:** Thursday, April 12, 2018 6:03 PM  
**To:** Natalie Acosta  
**Subject:** FW: Joint meeting of the Audit Subcommittee and the Compensation Study Advisory Committee, 4/17/2018.

**From:** Tricia Crane [mailto:1triciacrane@gmail.com]

**Sent:** Thursday, April 12, 2018 5:35 PM

**To:** Tony Vazquez <Tony.Vazquez@SMGOV.NET>; Pam OConnor <Pam.OConnor@SMGOV.NET>; Sue Himmelrich <Sue.Himmelrich@SMGOV.NET>; Elizabeth VanDenburgh <Elizabeth.VanDenburgh@SMGOV.NET>; Greg Morena <Greg.Morena@SMGOV.NET>; Ted Winterer <Ted.Winterer@SMGOV.NET>; Terry O'Day <Terry.Oday@smgov.net>; Glean Davis <Glean.Davis@SMGOV.NET>; Councilmember Kevin McKeown <Kevin.McKeown@SMGOV.NET>; Rick Cole <Rick.Cole@SMGOV.NET>

**Cc:** Denise Anderson-Warren <Denise.Anderson-Warren@SMGOV.NET>

**Subject:** Joint meeting of the Audit Subcommittee and the Compensation Study Advisory Committee, 4/17/2018.

To: City Council and Audit Subcommittee members  
From: The Board of Northeast Neighbors  
Re: Compensation Committee

Dear Members of the City Council and the Council Audit Committee,

It was wise of City Council to assemble a resident Compensation Study Advisory Committee as an ad hoc support to the Audit Subcommittee during the crafting of the independent study conducted by Moss Adams. We request that you invite residents on the ad hoc Compensation Committee to continue their work as a newly constituted advisory committee that is unhampered by the Brown Act open meeting requirements.

Residents are concerned about the City's unfunded pension liability of \$461 million as well as mounting pension costs.

In Santa Monica's city government, costs for pensions are predicted to jump 23 percent within five years, playing a big role in the looming budget deficits also being forecast.

Members of the Compensation Committee have served the City well by speaking with neighborhood associations about the Moss Adams study and the work the City is doing to address the pension burden.

We feel strongly that it is important for the City to allow this resident committee to continue their work as a newly constituted Compensation Committee, one that is not encumbered by the Brown Act.

This new structure will allow the Advisory Committee to meet and brainstorm as a task-oriented group whose goal it is to provide fresh ideas and a resident perspective for the benefit of the Audit Subcommittee as it works to assist our City in addressing the pension crisis.

Thank you.

The Board of Northeast Neighbors

*City Clerk: Please include this letter in the record as Public Comment for the April 17, 2018 Joint meeting of the Audit Subcommittee and the Compensation Study Advisory Committee.*

Agenda Item 3b.

Review and Discuss the City's Implementation Plan  
(presented by Gigi Decavalles-Hughes, Director of Finance)



## IMPLEMENTATION PLAN

The City has prepared a plan to guide implementation of the recommendations provided in the Compensation and Staffing Review. The implementation plan includes:

Suggested priority (high, medium, or low)

Difficulty to implement (high, medium, or low)

Responsible departments

Suggested timing

Whether the work can be performed internally or using external resources

A range of potential costs of externally resourced projects, depending on the level of City staff involvement and scope of services



#	RECOMMENDATION	PRIORITY	EFFORT LEVEL	RESPONSIBILITY	TIMELINE: FY 18-19				RESOURCE	ESTIMATED COST	
					Q1	Q2	Q3	Q4			
1	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.	High	Moderate	HR and Finance					Internal	N/A	Staff will develop new and fine-tune existing online resources that clearly explain the components of employee compensation. This will include the addition of a summary page to the current Pension Overview slide deck, creating additional links to the slide deck from the City's home page and Human Resources Department webpage, and clearer links to an existing open data portal providing a breakdown of salaries by employee, and collective bargaining group memoranda of understanding. In addition, staff will develop a webpage showing a breakdown of employee benefits.
2	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.		High	HR, City Manager's Office, and City Council					Internal or External	\$5,000 to \$15,000 for external facilitation	Human Resources will gather input from stakeholders and then develop a formal compensation philosophy to present to City Council for adoption. This philosophy will then guide the development of a compensation policy.
3	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.	High	Moderate	HR					Internal	N/A	Human Resources is discussing additional compensation methodology training for staff involved in compensation studies so they will be prepared to use medians and percentiles for future studies. Additionally this will be negotiated with bargaining units if needed.
4	Continue to take steps whenever possible to mitigate the financial threat that pension liability places on the City.	High	Moderate	Finance					Internal and External	N/A	Staff will continue its policy of making expedited paydowns of its unfunded liability as well as investigating alternative ways to decrease its liability, such as shorter amortization schedules or establishing a trust fund dedicated to



#	RECOMMENDATION	PRIORITY	EFFORT LEVEL	RESPONSIBILITY	TIMELINE: FY 18-19				RESOURCE	ESTIMATED COST	
					Q1	Q2	Q3	Q4			
											pension costs. Pending Council's direction, management proposes to develop a fiscal responsibility philosophy that will provide parameters for budgeting, program development and labor negotiations.
5	Evaluate options to stabilize per-employee health care costs.	High	High	HR					Internal	N/A	Staff is already conducting analysis of alternative service delivery methods, although a full evaluation of options, and their implementation, will require more than one year due to the length of memorandums of understanding with collective bargaining groups.
6	Consider staggering labor contracts and expanding the duration of all contracts to multiple years reduce the burden of negotiations on the City.	Medium	Moderate	HR					Internal	N/A	Currently there are 9 contracts that will expire in June of 2020. One will expire in June of 2019 and one that is currently being negotiated will likely be a 3 year contract with an expiration in 2021. The City will evaluate whether current three year contracts should be extended another year to more evenly stagger the contracts. This could potentially lessen the burden of negotiations.
7	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.	Medium	Moderate	HR and City Manager's Office					Internal	N/A	The last Charter change related to civil service rules was in 2006. Other changes have been made to the municipal code, with major changes taking place in 2007 and more minor ones subsequently. The City will review the municipal code and Charter this summer for changes, with an anticipation that Charter changes could go to the voters during an appropriate major election and municipal code changes could be proposed during the next round of labor negotiations or as a separate negotiation if applicable.



#	RECOMMENDATION	PRIORITY	EFFORT LEVEL	RESPONSIBILITY	TIMELINE: FY 18-19				RESOURCE	ESTIMATED COST	
					Q1	Q2	Q3	Q4			
8	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.	High	High	Finance and City Manager's Office					Internal	N/A	Pending Council's direction, management proposes to develop a fiscal responsibility philosophy to be adopted by Council, and extend financial forecasting from 5 to 10 years as part of the next biennial budget process, beginning this summer. The City is in the process of transitioning to a performance management model for its planning and therefore budgeting, with the next biennial budget focusing on reallocation of resources towards their best use, and establishment of baseline measures to capture program effectiveness going forward.
9	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 careers.	High	High	HR					Internal	N/A	Higher step placements are already reviewed individually to determine feasibility and with new state laws regarding disclosure of salary this will be more challenging, however, an analysis of step placement will be conducted on each job offer above Step 1. The City will continue to expand and review the Santa Monica Institute, which is the internal training venue for City staff. These are open to all employees and are not limited necessarily by someone's position.
10	Implement an evaluation framework to assess the lifecycle costs of proposed new programs and services, and evaluate outsourcing options where applicable.	High	High	Finance and City Manager's Office					Internal or External	\$15,000 to \$35,000 for framework development facilitation	As noted in response to Recommendation 7, staff will extend its program cost and revenue projections from 5 to 10 years and will transition to a performance management model in order to understand the effectiveness of services and service delivery methods in leading the City towards target outcomes.
11	Continue initiatives already underway to develop a strategic plan, comprehensive	Medium	High	City Manager's Office and Finance					Internal	N/A	Staff will continue to transition to a performance management model based on the Framework for a Sustainable City



#	RECOMMENDATION	PRIORITY	EFFORT LEVEL	RESPONSIBILITY	TIMELINE: FY 18-19				RESOURCE	ESTIMATED COST	
					Q1	Q2	Q3	Q4			
	performance indicators, and leverage the City's data for decision-making.										of Wellbeing. The Framework is structured around 6 outcomes and metrics supporting them. Supporting the outcomes are the City's 5 Strategic Goals and department activities and projects and their correlating metrics. The framework will serve as the guide for the FY 2019-21 Biennial Budget process, as departments find ways to reallocate resources towards projects that will contribute to Framework outcomes.
12	In accordance with best practices, continue to evaluate police staffing levels and use of overtime.	Medium	Moderate	Police and HR					Internal	N/A	Staff will continue to review staffing needs and evaluate whether these needs are best met using existing staff or overtime.
13	In accordance with best practice, conduct a staffing study to evaluate on-duty staffing demand, staffing levels, and use of overtime.	Medium	Moderate	Fire and HR					Internal and External	\$50,000 to \$100,000	Staff will continue to review staffing needs and evaluate whether these needs are best met using existing staff or overtime. Additionally, a Standard of Cover evaluation is being contemplated as part of the FY 2018-20 CIP budget. This evaluation would consider items such as staffing.



Agenda Item 4.

Internal Audit Status Report  
(presented by Moss Adams, LLP)



**Date:** April 17, 2018  
**To:** City of Santa Monica Audit Subcommittee  
**From:** Mark Steranka  
**Subject:** Internal Audit Status Report November 16, 2017 through April 15, 2018

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**MEMORANDUM**

**Accounts Receivable Review**

- **Schedule:** completed
- **Activities for This Period:** Present final report to the Audit Subcommittee.
- **Activities for Next Period:** none
- **Issues:** none

**Compensation Review**

- **Schedule:** completed
- **Activities for This Period:** Present final report to the Audit Subcommittee.
- **Activities for Next Period:** Present final report to the City Council.
- **Issues:** none

**Policies and Procedures Validation:**

- **Schedule:** ongoing
- **Activities for This Period:** Reviewed materials provided by City and validated findings.
- **Activities for Next Period:** Review materials provided by City and validate findings.
- **Issues:** none

**Supervisor Training:**

- **Schedule:** completed
- **Activities for This Period:** Recorded webinar (<https://youtu.be/-4fhFUcRUaI>).
- **Activities for Next Period:** none
- **Issues:** none

**P-Card Internal Controls Testing**

- **Schedule:** April through June 2018
- **Activities for This Period:** Initiated project.
- **Activities for Next Period:** Perform document review and field work.
- **Issues:** none

#### Fleet Efficiency Study

- Schedule: completed
- Activities for This Period: Delivered report to the City.
- Activities for Next Period: Finalize review with the City and present final report to the Audit Subcommittee.
- Issues: none

#### Big Blue Buss Overtime Study

- Schedule: March through May 2018
- Activities for This Period: Initiated project and reviewed documents.
- Activities for Next Period: Perform field work.
- Issues: none

Agenda Item 5.

Receive Internal Audit Report on Billing and Accounts Receivable  
(presented by Moss Adams, LLP)



MOSSADAMS

REPORT

FOR

# CITY OF SANTA MONICA

Billing and Accounts Receivable Review

**February 8, 2018**

Moss Adams  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
206-302-6500



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# I. SUMMARY

## SCOPE AND METHODOLOGY

To provide the City with additional assistance related to the billing and accounts receivable opportunities for improvement identified during Moss Adams’ Internal Controls Review. In particular, we will focus on opportunities to improve controls related to timeliness of invoices, completeness of billing, and collection of AR. In some instances, elements of revenue collection are also addressed as they relate to billing and collections.

To conduct our review, we performed the following steps:

- Compiled a list of fees, fines, charges for services, and taxes based on the City’s current adopted schedule with additions based on input from Revenue Division staff.
- Performed a preliminary survey to determine the number of different methods through which fees, fines, or charges for services are applied.
- Conducted a comprehensive survey to understand the different manners through which fees, fines, and charges for services are applied.
- Gathered information for an inventory of systems used for billing and AR and determined their key controls.
- Conducted interviews and walkthroughs with selected individuals.

## RESULTS

The following table shows a summary of the billing systems inventory:

SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
<b>Accela</b>	<ul style="list-style-type: none"> <li>• City Clerk</li> <li>• Fire – Fire Prevention</li> <li>• Planning and Community Development – Building and Safety</li> <li>• Code Enforcement</li> <li>• Planning Division</li> <li>• Parking Operations</li> <li>• Public Works – RRR</li> <li>• Civil Engineering</li> <li>• Water</li> <li>• OSE</li> <li>• Street Services</li> <li>• Public Landscape</li> </ul>	\$14,195,876
<b>ActiveNet</b>	<ul style="list-style-type: none"> <li>• Community and Cultural Services</li> </ul>	\$3,596,298
<b>ActiveNet POS</b>	<ul style="list-style-type: none"> <li>• Planning and Community Development – Parking Operations</li> <li>• Police – Records</li> </ul>	\$1,615,032



SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
<b>ANOMS</b>	<ul style="list-style-type: none"> <li>Public Works – Airport</li> </ul>	\$50,321
<b>Chameleon</b>	<ul style="list-style-type: none"> <li>Police – Animal Control</li> </ul>	\$224,043
<b>Chevin FleetWave, EJWard FuelView, and Excel</b>	<ul style="list-style-type: none"> <li>Public Works – Fleet Maintenance<sup>1</sup></li> </ul>	\$11,382,492
<b>False Alarm and Registration Billing System</b>	<ul style="list-style-type: none"> <li>Police – Records</li> </ul>	\$326,881
<b>FinancialForce Accounting Engine</b>	<ul style="list-style-type: none"> <li>Information Systems</li> </ul>	\$1,924,776
<b>Hansen 8 Work Order System</b>	<ul style="list-style-type: none"> <li>Public Works – Water</li> </ul>	\$8,007
<b>HAPPY and LOCCS<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Housing and Economic Development Department</li> </ul>	\$2,702,747
<b>HDL Prime</b>	<ul style="list-style-type: none"> <li>Finance – Revenue Division</li> <li>Public Works – Water</li> </ul>	\$34,065,405
<b>IPS DMS</b>	<ul style="list-style-type: none"> <li>Planning and Community Development – Parking Operations</li> </ul>	\$15,600,000
<b>MACCS</b>	<ul style="list-style-type: none"> <li>Public Works – Cemetery</li> </ul>	\$1,648,496
<b>NorthStar</b>	<ul style="list-style-type: none"> <li>Public Works – RRR</li> <li>Water</li> <li>Fire</li> </ul>	\$67,168,418
<b>Polaris</b>	<ul style="list-style-type: none"> <li>Library</li> </ul>	\$313,446
<b>QuickBooks</b>	<ul style="list-style-type: none"> <li>Finance - Revenue</li> <li>City Manager - CityTV</li> <li>Housing and Economic Development – Farmer's Market<sup>3</sup></li> <li>Big Blue Bus- Transit Finance and Administrative Services<sup>4</sup></li> </ul>	\$62,634,698
<b>YARDI Voyager</b>	<ul style="list-style-type: none"> <li>Public Works – Airport</li> <li>Housing and Economic Development – Administration</li> </ul>	\$23,975,282
<b>Manual Process</b>	<ul style="list-style-type: none"> <li>Community and Cultural Services: Excel</li> <li>Planning and Community Development – Mobility and Traffic Management: No System</li> <li>Planning and Community Development – Parking Operations: Microsoft Access</li> <li>Public Works RRR: No System</li> </ul>	\$2,968,698

<sup>1</sup> All billings from Fleet Maintenance are directed to internal City departments.

<sup>2</sup> Systems dictated by the granting agency.

<sup>3</sup> Departments and divisions that use QuickBooks do not use the same version or have access to the same information.

<sup>4</sup> Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
<b>Third Party</b>	<ul style="list-style-type: none"> <li>• Public Works – Airport Vector Systems</li> <li>• Planning and Community Development – Parking Operations: SP Plus</li> <li>• Public Works – Civil Engineering: Film LA</li> <li>• Fire: AmeriCare</li> <li>• Police: Conduent</li> </ul>	\$54,815,144

The following table provides a summary of the observations related to key controls and the relevant systems:

KEY CONTROL	OBSERVATION NO.
System	1, 2
User Access	3, 4
Fee Schedule	5, 6, 7
Fee Adjustment	8
Void, Delete, Credit, and Adjust Overdue Balances	3, 4
Monitoring Billing	9, 10
Monitoring AR and Other Activities	11
Written Guidance	12, 13
System Administration	14
Audit Trail	15



## II. SCOPE AND METHODOLOGY

### OBJECTIVE

To provide the City with additional assistance related to billing and accounts receivable opportunities for improvement identified during Moss Adams' Internal Controls Review. In particular, we will focus on opportunities to improve controls related to timeliness of invoices, completeness of billing, and collection of AR.

### METHODOLOGY

- We conducted a preliminary survey to determine the number of different methods through which fees, fines, or charges for services are applied.
- We conducted a comprehensive survey to understand the different manners through which fees, fines, and charges for services are applied.
- We collected the following information for an inventory of systems used for billing and AR:
  - Department
  - Division
  - Charges for services and fees
  - Fines and penalties
  - Billing system
  - Key individuals involved in billing
  - Summary of the billing process
  - Key individuals involved in Accounts Receivables
  - Summary of the Accounts Receivables process
- We collected information about the following key controls:
  - Billing reconciliation process (completeness, timeliness)
  - System user access
  - Fee schedule
  - Fee adjustment
  - Void
  - Credit
  - Refund
  - Delete transactions and/or bills transactions
  - Bills
  - Audit trail
  - Monitoring billing
  - Monitoring other activities
  - Monitoring AR
- We conducted interviews and walkthroughs with selected individuals including the following:



- Finance Department – Financial Operations
  - Accounting Manager
  - Accountant II
  - Accounts Payable Supervisor
- Finance Department – Revenue Division
  - Business License Administrator
  - Billing and Collections Administrator
  - Billing and Collections Supervisor
  - Billing Specialists (3)
- Planning and Community Department – Building and Safety Division
  - Revenue Operations Assistant
  - Lead Assistant Analyst
  - Permit Services Administrator
- PCD – Parking Operations Division
  - Traffic and Parking Manager
  - Parking Administrator
  - Principal Admin Analyst
- Public Works – RRR Division
  - Business Supervisor
- Community and Cultural Services
  - Community Recreation Specialist



### III. BILLING SYSTEM INVENTORY

To strengthen controls related to billing and accounts throughout the City, we compiled a list of the various systems or methods used for recording revenue as well as the associated annual revenue.

DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
<b>System: Accela</b>		
City Clerk	<ul style="list-style-type: none"> <li>• Domestic partner</li> <li>• Document certification</li> <li>• Flash drive copy</li> <li>• Passport execution</li> <li>• Passport photo</li> <li>• Passport overnight postage</li> <li>• Public Records Act copies</li> <li>• City Charter copy</li> <li>• Lobbyist (registration, renewal, and amendment)</li> <li>• Election filing</li> <li>• Financial disclosure statements</li> <li>• Election precinct maps</li> <li>• Late Fees</li> <li>• Penalties</li> </ul>	\$64,439
Fire – Fire Prevention	<ul style="list-style-type: none"> <li>• Plan review</li> <li>• Fire sprinklers – NFPA</li> <li>• Private hydrant system</li> <li>• Fire pump installation and spec high pile storage &amp; sprinkler system combination</li> <li>• Fire alarms</li> <li>• Annual fees</li> <li>• Tents and canopies</li> <li>• Miscellaneous services</li> <li>• Reinspections</li> <li>• False alarm</li> </ul>	\$1,475,364
Planning and Community Development – Building and Safety	<ul style="list-style-type: none"> <li>• Architectural and structural plan review</li> <li>• Mechanical plan review</li> <li>• Electrical plan review</li> <li>• Plumbing plan review</li> <li>• Miscellaneous plan check</li> <li>• Inspection</li> <li>• Reinspection</li> <li>• Miscellaneous Fees</li> </ul>	\$7,081,943

<sup>5</sup> The annual dollar amount associated with each fee type was self-reported by most divisions using the financial management system. In some cases, dollar amounts were provided using the respective departments' and divisions' billing systems.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Planning and Community Development – Code Enforcement	<ul style="list-style-type: none"> <li>• Noise ordinance – after hours permit</li> <li>• Residential Bldg. Report – code compliance review</li> <li>• Late fees, fines, penalties</li> <li>• Other: enforcement cost recovery</li> </ul>	\$148,000
Planning and Community Development – Planning Division	<ul style="list-style-type: none"> <li>• Administrative approval</li> <li>• Alcohol exemption, appeals</li> <li>• Architectural review board</li> <li>• Certificate of compliance</li> <li>• Certificate of economic hardship</li> <li>• Coastal approval in concept</li> <li>• Conditional use permit</li> <li>• Deed restriction</li> <li>• Demolition permits</li> <li>• Development agreement</li> <li>• Development review permit</li> <li>• Fence modification</li> <li>• Subdivision map</li> <li>• General plan amendment</li> <li>• Designation</li> <li>• Lot line adjustment</li> <li>• Modification</li> <li>• Minor use permit</li> <li>• Occupancy permit</li> <li>• Permit extension – administrative</li> <li>• Pre-submittal</li> <li>• Shared parking permit</li> </ul>	\$1,113,747
Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> <li>• On-street parking meter rentals – citywide</li> </ul>	\$600,000
Public Works – RRR	<ul style="list-style-type: none"> <li>• Construction and demolition waste management plan</li> <li>• Construction and demo permit</li> <li>• Solid waste enclosure plan check</li> <li>• Construction and demolition</li> </ul>	\$359,859



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Public Works – Civil Engineering	<ul style="list-style-type: none"> <li>• Crane permit</li> <li>• Final map</li> <li>• Landscape and irrigation plan check</li> <li>• Site drainage</li> <li>• Lot line adjustment</li> <li>• Certificate of compliance</li> <li>• Miscellaneous reviews</li> <li>• Right of way research/inquiries</li> <li>• Street improvement inspections</li> <li>• Outdoor dining inspection</li> <li>• Permit renewal</li> <li>• Plan check review</li> <li>• Review of legal easements</li> <li>• Tentative map</li> <li>• Tiebacks</li> <li>• Urban runoff mitigation plan</li> <li>• Use of public property permit</li> <li>• Utility excavation permit</li> <li>• Wireless facility permit</li> <li>• Blanket utility permit</li> <li>• Newsrack permit</li> </ul>	\$730,245
Public Works – Water	<ul style="list-style-type: none"> <li>• Water service install</li> <li>• Water meter downsize</li> <li>• Fire service install</li> <li>• Wastewater capital facility</li> <li>• Water Capital Facility</li> <li>• Storm dye test</li> <li>• Storm drain connect of existing box</li> <li>• Storm drain pipe installation/connection</li> <li>• Storm drain saddle installation</li> <li>• Sewer reinspection</li> <li>• Sewer saddle connection</li> <li>• Sewer lateral inspection</li> <li>• Sewer cap</li> <li>• Moved meter</li> <li>• Industrial waste discharge variance request</li> <li>• Fire hydrant relocation, installation, and flow test</li> </ul>	\$2,403,030
Public Works – OSE	<ul style="list-style-type: none"> <li>• Landscape &amp; irrigation on-site inspection fees</li> <li>• Urban runoff mitigation on-site inspection fees</li> </ul>	\$43,610



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Public Works – Street Services	<ul style="list-style-type: none"><li>• Sidewalk removal</li><li>• Driveway removal</li><li>• Curb and gutter removal</li><li>• Concrete alleys</li><li>• Asphalt removal</li><li>• Asphalt cement overlay</li><li>• Parkway removal and hauling</li><li>• Miscellaneous saw cuts</li><li>• Tie-Ins to existing asphalt or concrete</li><li>• Conduit-only repair or relocation</li><li>• Pull box and conduit relocation</li><li>• Provision of power – electrical for promenade special event</li></ul>	\$25,000
Public Works – Public Landscape	<ul style="list-style-type: none"><li>• Preliminary review</li><li>• Standard and complex plan check tree – removal, protection, and replacement</li><li>• Miscellaneous review – plan checks, revisions, permit renewals, or excess plan checks</li><li>• Construction inspection and monitoring work authorized near city trees</li><li>• Verify existing tree conditions, administrative costs – urban forester</li></ul>	\$150,639
<b>Total:</b>		<b>\$14,195,876</b>



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
<b>System: ActiveNet</b>		
Community and Cultural Services	<ul style="list-style-type: none"> <li>• Miles playhouse production</li> <li>• Civic auditorium rentals</li> <li>• Miles playhouse</li> <li>• Contract classes</li> <li>• Community gardens rentals</li> <li>• Rec-park building rental</li> <li>• Rent/prop – Kec</li> <li>• Memorial Park gym user</li> <li>• Softball leagues</li> <li>• Basketball leagues</li> <li>• Volleyball leagues</li> <li>• Airport park drop in program</li> <li>• Adult soccer league</li> <li>• Field concession and storage</li> <li>• Field permits</li> <li>• SAMOHI field rental</li> <li>• SAMOHI track rental</li> <li>• Commercial instr. use</li> <li>• Commercial instr. app.</li> <li>• Event administration</li> <li>• Event permit</li> <li>• Neighbor notification</li> <li>• Day use (pool, fitness room, rentals, classes, product sales)</li> <li>• 415 PCH parking</li> </ul>	\$3,596,298
<b>Total:</b>		<b>\$3,596,298</b>
<b>System: ActiveNet POS</b>		
Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> <li>• Permits – Residential Parking Program (RPP)</li> <li>• Returned check</li> </ul>	\$1,300,000
Police – Records	<ul style="list-style-type: none"> <li>• 30-day vehicle impound</li> <li>• Audiotape copy</li> <li>• Boot removal</li> <li>• Crime analysis/research</li> <li>• Fingerprinting</li> <li>• Photos</li> <li>• Record</li> <li>• Vehicle impound and release</li> <li>• Videotape copy</li> </ul>	\$315,032
<b>Total:</b>		<b>\$1,615,032</b>



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
<b>System: ANOMS</b>		
Public Works – Airport	<ul style="list-style-type: none"> <li>Noise abatement violation</li> <li>Late fees</li> <li>Fines</li> </ul>	\$50,321
<b>Total:</b>		<b>\$50,321</b>
<b>System: Chameleon</b>		
Police – Animal Control	<ul style="list-style-type: none"> <li>Adoptions</li> <li>Dog license</li> <li>Boarding</li> <li>Impound</li> <li>Airport park permit</li> <li>Owner surrender</li> <li>Trap rental</li> <li>Late fines</li> <li>Penalties</li> </ul>	\$224,043
<b>Total:</b>		<b>\$224,043</b>
<b>System: Chevin FleetWave, EJWard FuelView, and Excel</b>		
Public Works – Fleet Maintenance <sup>6</sup>	<ul style="list-style-type: none"> <li>Proceeds</li> <li>Future replacements</li> <li>Fuel dept. usage – CNG and regular fuel</li> <li>Fuel station replacement – city yards and beach</li> <li>Other revenue – miscellaneous</li> <li>Vehicle maintenance</li> <li>Enhancement purchases</li> </ul>	\$11,382,492
<b>Total:</b>		<b>\$11,382,492</b>
<b>System: False Alarm and Registration Billing (FAB)</b>		
Police – Records	<ul style="list-style-type: none"> <li>Alarm registration fee</li> </ul>	\$326,881
<b>Total:</b>		<b>\$326,881</b>
<b>System: FinancialForce Accounting Engine</b>		
Information Systems	<ul style="list-style-type: none"> <li>CityNet fiber optic – lit fiber</li> <li>Dark fiber and digital inclusion</li> </ul>	\$1,924,776
<b>Total:</b>		<b>\$1,924,776</b>
<b>System: Hansen 8 Work Order System</b>		
Public Works – Water	<ul style="list-style-type: none"> <li>Damaged water meter repair</li> <li>Emergency sewage spill response</li> </ul>	\$8,007

<sup>6</sup> All billings from Fleet Maintenance are directed to internal City departments.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
<b>Total:</b>		<b>\$8,007</b>
<b>System: HAPPY and LOCCS<sup>7</sup></b>		
Housing and Economic Development Department	<ul style="list-style-type: none"> <li>Reimbursement of rental assistance and administrative expenses from HUD for the continuum of care grant</li> </ul>	\$2,702,747
<b>Total:</b>		<b>\$2,702,747</b>
<b>System: HDL Prime</b>		
Finance – Revenue Division	<ul style="list-style-type: none"> <li>Downtown assessment and penalty</li> <li>Auto park permit</li> <li>Business license tax</li> <li>Business license and penalty</li> <li>Central Business District assessment</li> <li>Duplicate license and return check processing</li> <li>Fingerprinting</li> <li>Industrial wastewater permit application</li> <li>Main Street assessment and penalty</li> <li>Montana Ave. assessment and penalty</li> <li>Pawnbroker permit</li> <li>Second-hand dealer permit</li> <li>Police permit</li> <li>Pedicab driver permit</li> <li>Operator and vehicle permit</li> <li>Performer permit</li> <li>Itinerant vendor and tobacco retail permit</li> <li>Pico Blvd. assessment and penalty</li> <li>Processing</li> <li>Zoning review – commercial and residential</li> </ul>	\$33,608,529
Public Works – Water	<ul style="list-style-type: none"> <li>Industrial wastewater permit</li> </ul>	\$456,876
<b>Total:</b>		<b>\$34,065,405</b>
<b>System: IPS DMS</b>		
Planning and Community Development – Parking Operations <sup>8</sup>	<ul style="list-style-type: none"> <li>On-street parking meters (citywide)</li> </ul>	\$15,600,000
<b>Total:</b>		<b>\$15,600,000</b>

<sup>7</sup> Systems dictated by granting agency. While the revenue activities performed in these systems is specifically related to grants administration, rather than the billing and collection of fees for service, these systems were included in this review in order to provide high level review of the controls in existence related to these systems and process.

<sup>8</sup> We recognize that on-street parking meters are not associated with any billing or AR activities. However, this system was included in our review to present a more holistic view of the revenue collection activities performed in the Parking Operations Division. Revenue from parking meters is collected by the Finance Department on behalf of Parking Operations.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
<b>System: MACCS</b>		
Public Works – Cemetery	<ul style="list-style-type: none"> <li>• Mortuary services</li> <li>• Cemetery lot sales</li> <li>• Mausoleum sales</li> <li>• Cemetery miscellaneous</li> <li>• Casket sales</li> <li>• Vault sales</li> <li>• Green Cemetery lot sales</li> <li>• Green Mortuary services</li> <li>• Green Cemetery miscellaneous</li> </ul>	\$1,648,496
<b>Total:</b>		\$1,648,496
<b>System: NorthStar</b>		
Public Works – RRR	<ul style="list-style-type: none"> <li>• Additional pick-up service</li> <li>• Container rental</li> <li>• Curby rental</li> <li>• Event rental/party truck</li> <li>• Kitchen food scrap pail sales</li> <li>• Pressure washing services</li> <li>• Residential Clean-A-Can program</li> <li>• Sale of composting bins</li> <li>• Refuse bins – storage</li> <li>• Recycle lease rental</li> <li>• Garbage/refuse collection</li> <li>• Special pick-ups</li> <li>• State highway cleaning</li> <li>• Other revenue – miscellaneous</li> <li>• Sale of composting bins</li> <li>• Sale of refuse bags</li> <li>• Household hazardous waste</li> <li>• Private hauler annual permit</li> <li>• Private hauler per ton payment</li> <li>• Transfer station – City departments</li> <li>• State recycling program</li> </ul>	\$25,715,308
Public Works – Water	<ul style="list-style-type: none"> <li>• Water meter test</li> <li>• Delinquent water bills tags</li> <li>• Water inspection not identified elsewhere</li> <li>• Temp water service</li> <li>• Same day emergency turn-off</li> <li>• Reestablish delinquent account</li> </ul>	\$40,231,222



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Fire	<ul style="list-style-type: none"> <li>• CUPA administration</li> <li>• Fire commercial and residential inspection</li> <li>• CRTK hazmat inspection</li> <li>• Medical/lab gas</li> <li>• Underground tank permits</li> <li>• Above ground tank program</li> <li>• Late fees</li> </ul>	\$1,221,888
<b>Total:</b>		<b>\$67,168,418</b>
<b>System: Polaris</b>		
Library	<ul style="list-style-type: none"> <li>• Overdue fines</li> <li>• Damaged and lost material processing</li> <li>• Inter-library request</li> <li>• Lost card replacement</li> <li>• Computer session (non-members)</li> <li>• Copy/print</li> <li>• Room rental</li> </ul>	\$313,446
<b>Total:</b>		<b>\$313,446</b>
<b>System: QuickBooks</b>		
Finance -- Revenue	<ul style="list-style-type: none"> <li>• Other revenue – miscellaneous</li> <li>• Swim Center SMC reimbursement</li> <li>• Swim Center – permit groups</li> <li>• Police billable services</li> <li>• Fire false alarm</li> </ul>	1,294,295
City Manager-- CityTV	<ul style="list-style-type: none"> <li>• City staffing</li> <li>• Production personnel</li> <li>• Rental/equipment use</li> <li>• DVD copies</li> </ul>	\$28,426
Housing and Economic Development – Farmer’s Market <sup>9</sup>	<ul style="list-style-type: none"> <li>• Percentage of sales for agricultural products and flat fee for prepared and packaged food vendors</li> <li>• Legislative fee for each day of participation</li> </ul>	\$909,391

<sup>9</sup> Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Big Blue Bus -- Transit Finance and Administrative Services <sup>10</sup>	<ul style="list-style-type: none"> <li>• TDA capital grant</li> <li>• Prop C capital grant</li> <li>• MOSIP capital grant</li> <li>• TDA sales tax operating subsidies</li> <li>• Prop A Disc operating subsidies</li> <li>• Prop C Ops transit security</li> <li>• Prop C BSIP</li> <li>• Prop C Foothill transit mitigation</li> <li>• Measure R operating subsidy</li> <li>• STA sales tax op.</li> <li>• Measure M operating subsidies</li> <li>• Passenger – fare media sales</li> <li>• Passenger – other for various transit programs such as:               <ul style="list-style-type: none"> <li>○ Playa Vista</li> <li>○ UCLA</li> <li>○ SMC</li> <li>○ Access Services (ASI)</li> <li>○ St. John's</li> </ul> </li> <li>• EZ Pass</li> <li>• Rider relief reimbursement from Metro</li> <li>• Future billing – Blue to Business</li> <li>• Advertising</li> <li>• Outside advertising</li> <li>• Bus stop relocation</li> <li>• Community-based charter</li> <li>• Transit store merchandise</li> </ul>	\$60,402,586
<b>Total:</b>		<b>\$62,634,698</b>
<b>System: YARDI Voyager</b>		
Public Works – Airport	<ul style="list-style-type: none"> <li>• Rental and license</li> <li>• Pass-through for utilities</li> <li>• Minimal parking</li> </ul>	\$10,570,611

<sup>10</sup> Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>5</sup>
Housing and Economic Development – Administration	<ul style="list-style-type: none"> <li>• Vendor (carts) rent</li> <li>• Pier leases</li> <li>• Common area maintenance</li> <li>• Bayside district rent</li> <li>• Bayside outdoor dining/sidewalk and Ocean Ave. outdoor dining</li> <li>• Transit Mall outdoor dining</li> <li>• Lease rental</li> <li>• Library Café rental</li> <li>• Bergamot property</li> <li>• Water fund</li> <li>• 1630 17th Street sublease</li> <li>• Beach properties</li> <li>• Beach – Encroachments</li> </ul>	\$13,404,671
<b>Total:</b>		<b>\$23,975,282</b>

SYSTEM	DEPARTMENT/ DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>11</sup>
<b>Manual</b>			
Excel <sup>12</sup>	Community and Cultural Services	<ul style="list-style-type: none"> <li>• 415 PCH concessions</li> </ul>	\$380,189
Excel <sup>13</sup>	Community and Cultural Services	<ul style="list-style-type: none"> <li>• Filming</li> <li>• Filming – parking</li> <li>• Private events</li> </ul>	\$746,653
No System <sup>14</sup>	Planning and Community Development – Mobility and Traffic Management	<ul style="list-style-type: none"> <li>• Workplace transportation plan</li> <li>• Employee trip reduction plan or mobile source emissions reduction credit plan</li> <li>• Late fees</li> </ul>	\$441,085
Microsoft Access <sup>15</sup>	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> <li>• Activations</li> <li>• Film LA base camp</li> <li>• Event parking</li> <li>• Bulk parking purchases</li> </ul>	\$1,150,902

<sup>11</sup> The annual dollar amount associated with each fee type was self-reported by most divisions using the financial management system. In some cases, dollar amounts were provided using the respective departments' and divisions' billing systems.

<sup>12</sup> Revenue is paid based on concessionaires' revenue

<sup>13</sup> All private event invoices and most film and film -related parking invoices are forwarded to FilmLA by sending an invoice generated in Excel and converted to PDF. Last minute bookings for film are invoiced through ActiveNet.

<sup>14</sup> Employers receive notices to comply by submitting their annual plans and the appropriate per employee fee by mail. The current per employee fee is listed in the plan forms. No bill is issued.

<sup>15</sup> Manual invoices are generated through the database and payments are made through the ActiveNet POS system



SYSTEM	DEPARTMENT/ DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) <sup>11</sup>
No System <sup>16</sup>	PW RRR	<ul style="list-style-type: none"> <li>Private hauler annual permit</li> <li>Private hauler per ton payment</li> <li>Private refuse hauler permit</li> </ul>	\$249,869
<b>Total:</b>			<b>\$2,968,698</b>
<b>Third-Party</b>			
Vector Systems	Public Works – Airport	<ul style="list-style-type: none"> <li>Landing</li> <li>Late fees</li> </ul>	\$1,308,531
SP Plus: CARS and HUB (Datapark)	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> <li>Permits – downtown monthly parking</li> </ul>	\$2,600,000
SP Plus: HUB (Datapark), T2, Hi-Tech POS System, Transfirst, and Orbital with Chase PaymenTech	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> <li>Transient parking</li> <li>Parking structures</li> <li>Parking lots</li> <li>Parking garages</li> <li>Main street lots</li> <li>Mid City lots</li> <li>Beach lots, Annenberg, and pier</li> </ul>	\$35,300,000
Film LA <sup>17</sup>	Public Works – Civil Engineering	<ul style="list-style-type: none"> <li>Filming permits</li> </ul>	\$325,099
AmeriCare: RescueNET	Fire	<ul style="list-style-type: none"> <li>Code 2</li> <li>Code 3</li> <li>BLS</li> <li>ALS assessment</li> <li>Pulse oximeter</li> </ul>	\$873,619
Conduent: eTIMS <sup>18</sup>	Police	<ul style="list-style-type: none"> <li>Parking citations penalties</li> <li>Residential parking permit</li> </ul>	\$14,407,895
<b>Total:</b>			<b>\$54,815,144</b>

<sup>16</sup> Haulers receive letters with fee schedule and renewal requirements at the beginning of each fiscal year. It is up to the hauler to participate in this program and become a permitted hauler with the City. The per ton fee is also self-reported by haulers

<sup>17</sup> Proprietary software of the contracted consultant—Film LA—provides a monthly check with an accounting breakdown of all the revenue collected on our behalf.

<sup>18</sup> City has limited access rights to the eTIMS system. Most approvals by the City are done outside the system and carried out by Conduent.



## IV. DETAILED OBSERVATIONS AND RECOMMENDATIONS

NO.	OBSERVATION	RECOMMENDATION
<b>Key Control: System</b>		
1	<p><b>Some billing activities are performed manually outside of any billing software systems.</b></p> <p>Approximately \$2.9 million is billed through manual processes each year. For example, manual invoices are generated in Excel spreadsheets for private events and concessionaires. Similarly, invoices are created manually for certain mobility fees based on per employee counts. Billings that are supposed to be collected through manual processes are more susceptible to error and fraud.</p>	<p><b>Shift all manual billing activities to billing software systems.</b></p> <p>The Revenue Division should work with departments and divisions to implement billing software. For any billing activities that cannot be easily shifted to billing software, the Revenue Division should work with the relevant departments and divisions to implement additional mitigating controls. For example, all manually generated invoices should be reviewed and approved by a secondary individual prior to distribution. Also, supervisors should review manually generated invoices more frequently, such as weekly or monthly, to ensure completeness and accuracy.</p>
2	<p><b>The City uses standalone billing systems that require manual entries into the City's financial management system.</b></p> <p>The City does not utilize the billing module within its current financial management system, JDEdwards. While the City is in the process of implementing a new ERP system, the City does not plan to have decentralized departments utilize the system for billing and AR activities. Instead, the City will continue to use a variety of standalone billing systems that do not interface with City's financial system. While systems that do not interface with the City's financial system are not inherently problematic, it is critical that mitigating controls be in place—such as reviews of all manually transferred information and periodic reconciliations.</p> <p>However, we found shortcomings in the controls related between the billing systems and the City's financial system. For example, the Accela system, which is used for the billing of more than \$14 million a year, is not reconciled to the City's financial system nor are all manual entries into JDEdwards reviewed. We found that Accela daily cash reports are compared by a secondary individual with the cash for deposit. While this review ensures that all revenue recorded in Accela is deposited, the manual entries into the City's financial system are not reviewed by the initiating department to ensure that entries into the general ledger accounts are accurate and complete. We found that this kind of review is missing for information transferred from other systems such as ActiveNet, QuickBooks, and YARDI Voyager.</p>	<p><b>Improve controls related to the manual entry of information into the City's financial system.</b></p> <p>As part of the cash deposit preparation process, the City should require a secondary review of all JDEdwards entries by the originating departments. This review should be clearly described and incorporated into the City's policies and procedures.</p> <p>In addition to recording cash payments in JDEdwards, the City should consider how else activities can and should be reconciled across systems. For example, the City should establish a policy for the treatment of write-offs and tracking outstanding receivables.</p> <p>While Finance currently performs reconciliation activities for certain types of revenue, such as ambulance billing and parking meter receipts, Finance should work with departments to expand their reconciliation activities. For example, the Business License Division should continue its efforts to create a process to perform quarterly and annual reconciliations between HDL and the City's financial system.</p>



NO.	OBSERVATION	RECOMMENDATION
<b>Key Control: User Access</b>		
3	<p><b>Not all access levels are well-defined or appropriately assigned.</b></p> <p>The access levels in certain systems are not well-defined by position. For Accela, there is currently no matrix for access levels. Instead, the system administrator assigns access to users based on their own understanding of their role. This is only modified if a supervisor requests it. Similarly, ActiveNet does not have a formal matrix to guide the assignment of access.</p> <p>Upon review, we found that some systems have the ability to differentiate system access but it appears that access has not been assigned appropriately in all instances—such as ActiveNet. For example, we found that numerous staff members are able to adjust or override fees without the approval of a manager or supervisor. Similarly, we found that one billing specialist has the ability to perform most functions—including billing, adjustment, void and delete, and adjust overdue balances—within the NorthStar Utilities billing system.</p>	<p><b>Formalize the process for administering system access.</b></p> <p>The City should review the assignment of user access and establish access matrices to guide the assignment of access in each billing system. Access to adjusting fees, voiding transactions, deleting transactions, approving credits, and adjusting overdue balances should, ideally be limited to supervisors. In instances when duties cannot be segregated using system controls, mitigating controls, such as requiring secondary approval by a manager or supervisor, should be implemented.</p>
4	<p><b>Some systems do not differentiate levels of access.</b></p> <p>Some billing systems used within the City do not differentiate levels of user access. For example, QuickBooks does not have user access restrictions. All employees are able to adjust or override fees and void and adjust transactions without any mitigating controls. Moreover, although employees are supposed to request approval from the Billing &amp; Collections Administrator for all credit memos, there are no system controls in place to restrict this ability. Although the Billing &amp; Collections Administrator periodically monitors the QuickBooks audit log to determine approval and identify who has created any credit memos, periodic monitoring is not as effective as system controls through access assignments.</p> <p>Other systems also lack system access differentiation - such as the False Alarm and Registration Billing System (FAB), Chameleon, MACCS, YARD! Voyager, and Polaris—and mitigating controls to prevent errors and inappropriate actions.</p>	<p><b>Explore system capabilities to implement different levels of user access or implement mitigating monitoring controls.</b></p> <p>For systems without access restrictions, develop reports to identify fee adjustments, credits, voids, deletions and adjustments to overdue balances. These reports should be monitored regularly by managers and all unsupported activities should be investigated to ensure appropriateness.</p> <p>In the long term, after exploring the functionality of the new financial system's AR module, the City should consider phasing out systems that cannot lack user access differentiation.</p>
<b>Key Control: Fee Schedule</b>		
5	<p><b>Not all fees are approved by the City Council.</b></p> <p>While we found that the vast majority of City fees are approved by the City Council, we found certain fees that are not reviewed and approved by the City Council through resolution. In particular, we found that the ISD fees for fiber optic service are not reviewed and approved by City Council. Additionally, we found that the fees charged by the Fleet Division in Public Works are not reviewed and approved by the City Council. Instead, the Fleet Division has an hourly rate that is developed internally but does not receive additional review.</p>	<p><b>Consider including all fees in the City Council's fee review and approval process or implement an alternate process.</b></p> <p>The City Council should review and approve the ISD charges for service. If the City Council is not the appropriate entity for this review and approval process, the City should develop an alternate review and approval process for these fees.</p> <p>Additionally, the City should consider the review and approval process for its Fleet hourly rate—a fee only charged to internal departments and divisions. For example, the City could have the originating department head and the Finance Director review and approve the fee calculation.</p>



NO.	OBSERVATION	RECOMMENDATION
6	<p><b>Some fees may be outdated.</b></p> <p>Certain City fees and fines are specified within the City's Municipal Code. However, it is more difficult to update the Municipal Code than change fees or fines through the City Council resolution process. As a result, fees within the Municipal Code may not be updated regularly. For example, a \$10 return check processing fee is specified within the City's Municipal Code. This fee is out-of-date and does not reflect the true cost for processing returned checks.</p>	<p><b>Update the Municipal Code to refer to City Council-approved fee resolution.</b></p> <p>The City should consider moving all specific fee and fine amounts to the City Council's approved fee resolution. Additionally, the City should consider revising its Municipal Code regarding returned check fees to deter to state law.</p>
7	<p><b>Not all fee schedules are programmed into billing systems.</b></p> <p>Systems that do not include programmed fee schedules increase the likelihood that fees will be not be assigned accurately or appropriately. Not only do manual processes lack programmed fee schedules, we found that some other systems lack fee schedules such as QuickBooks and ANOMS. We also found that certain divisions use YARDI Voyager without an established fee schedule.</p>	<p><b>Explore the possibility of programing fees into billing systems.</b></p> <p>If fee schedules cannot be programmed, the Revenue Division should work with departments and divisions to implement additional monitoring controls—such as reports that would help identify unusual fees. When considering new billing systems, the City should include programmed fee schedules as a required function.</p>
<p><b>Key Control: Fee Adjustment</b></p>		
8	<p><b>Not all fee adjustments are access-limited or monitored to ensure appropriateness.</b></p> <p>Access to fee adjustments is not adequately restricted in many systems used in the City nor are there mitigating controls in place. For example, in Accela, there is currently no report to show all fee adjustments performed. Additionally, before creating an invoice in Accela, individuals can change the quantity of the permit or upon which the fee is based. For example, prior to issuing an invoice, negative quantities could be entered and thereby cancel out fees. Similarly, within NorthStar, one employee in the Billing and Collections Unit is responsible for the majority of utility billing duties and system controls are not currently in place to prevent unauthorized adjustments. While the employee is supposed to present the supervisor with all billing exceptions or billing adjustments before they are made, no controls are in place to ensure that the supervisor is reviewing a complete list of all exceptions and adjustments.</p> <p>Other systems, such as QuickBooks, Chameleon, ActiveNet, NorthStar, MACCS, and YARDI Voyager, are not configured to limit access to fee adjustments to supervisors or managers nor do the mitigating controls in place detect inappropriate fee adjustments or overrides. Without limits to fee adjustments or overrides, the City does not have adequate assurance that fees are being charged and collected accurately and appropriately.</p>	<p><b>Limit the ability to perform fee adjustments and overrides.</b></p> <p>In instances where this functionality cannot be limited to managers or supervisors, the City should develop and monitor reports to show all fee adjustments and overrides. The City should consider other types of fee manipulations, such as negative quantities, and develop reports to review these occurrences and ensure appropriateness.</p>



NO.	OBSERVATION	RECOMMENDATION
<b>Key Control: Monitoring Billing</b>		
9	<p><b>Monitoring is not performed to ensure complete and accurate assignment of fees.</b></p> <p>The City has not provided guidance to all departments and divisions regarding the monitoring of billing activities. As a result, practices vary across departments and divisions and documentation of these reviews is not consistently maintained. While some departments and divisions reported that they monitor billing processes, these practices vary significantly. For example, the manually generated invoices for private events are reviewed by a secondary individual prior to submission to customers. Similarly, the Transit Fiscal Manager reviews all invoices from QuickBooks for correctness and accuracy prior to distribution.</p> <p>However, the billing activities in other systems are not monitored. For example, in Accela, there is no comprehensive variance analysis being performed to detect whether complete and accurate fees are being charged. Additionally, PCD's lead permit specialist is supposed to verify the plan check fees invoiced, but this review is only done on a sample basis. Similarly, the Police Department does not monitor all of its billing. For example, the Police Department does not compare the number of impounds to the billings for impounds.</p>	<p><b>Implement the recommended monitoring process for billing activities.</b></p> <p>As part of its revision of billing policies and procedures, the Revenue Division should develop standard monitoring practices to oversee billing activities. These practices should include:</p> <ul style="list-style-type: none"> <li>• Variance analysis of fees charged to monitor completeness and accuracy including comparison by time period, fee type, and employee</li> <li>• Reconciliations between inventory or other activity reports and billing records to identify incomplete or inaccurate charges</li> <li>• Reports to identify and review fee adjustments, voids, deleted transactions, and adjusted overdue balances</li> <li>• Documentation of monitoring activities performed</li> <li>• Option to exercise surprise audits</li> </ul> <p>Additionally, the Revenue Division should work with departments who require assistance in implementing stronger controls.</p>
10	<p><b>Waived fees or permits issued without payment may not be detected.</b></p> <p>Some billing systems allow fees to be waived but there are not adequate controls in place to ensure that these are performed appropriately. Within Accela it is possible to change the status of a permit to "waived fees" rather than taking a payment. This would allow PCD staff to print a permit without actually collecting payment first. Similarly, in HDL, staff can waive fees, but, based on current practices, this would not be readily detectable by the Business License Administrator.</p>	<p><b>Increase monitoring of waived fees.</b></p> <p>The City should develop reports in all systems that allow fees to be waived. These reports should be reviewed by managers regularly, such as daily or weekly, to ensure that all waived fees are appropriate and investigate any anomalies.</p>
<b>Key Control: Monitoring AR and Other Activities</b>		
11	<p><b>Not all of the City's outstanding balances are accurately accounted for or actively worked for collection.</b></p> <p>According to our survey results, not all departments and divisions monitor outstanding balances. Some reported that certain systems do not have aging reports such as the Library's Polaris system. Similarly, any billings prepared manually could not be monitored through an aging report.</p> <p>Additionally, when departments refer outstanding AR balances to the Billing and Collections Unit, it is unclear whether or not departments remove these balances from their respective systems. As a result, the outstanding balance may show in both the originating departments' system and the Billing and Collection Unit's Quickbooks system. While this does not pose an issue with the City's current financial system, any future efforts to reconcile the City's billing systems to its financial system would be hampered by this practice.</p>	<p><b>Establish an approach for recording outstanding account balances.</b></p> <p>The City should adopt a consistent approach to tracking outstanding account balances. For example, the Finance Department should decide whether account balances referred to the Billing and Collections Unit will be recorded in QuickBooks only or within both QuickBooks and the departments' system.</p> <p>See <i>Policy and Procedures</i> recommendations.</p>



NO.	OBSERVATION	RECOMMENDATION
<b>Key Control: Written Guidance</b>		
12	<p><b>Many of the City’s billing practices are not documented in written policies and procedures.</b></p> <p>The Revenue Division and Financial Operations Division has developed a draft Administrative Instruction for the collection of delinquent accounts. As detailed in the Policy and Procedures section, we reviewed this draft and noted opportunities to improve this citywide guidance. Additionally, we noted that the City does not have policies and procedures that guide the entire billing process – such as the timing that bills need to be prepared.</p> <p>In addition to the lack of citywide guidance, we found that many of the City’s departments and divisions have not documented their own billing practices – such as Business License, Information Technology, Police, Cultural and Community Services, Airport, and Housing and Economic Development. For example, the Business License Division’s billing practices are not documented in writing. Specifically, while it is the Division’s practice to withhold a business license until outstanding debts are paid, this practice is not well documented. Similarly, within CCS, comprehensive policies and procedures for billing do not exist. There is no written guidance related to the monitoring of outstanding balances nor the roles and responsibilities related to them.</p>	<p><b>Document billing practices in policies and procedures.</b></p> <p>The City should revise and adopt its billing and AR policies and procedures. Department or division practices should be documented within department or division policies and procedures. Additionally, all department and divisions should establish roles and responsibilities in writing related to billing and accounts receivable.</p> <p><i>See Policy and Procedures recommendations.</i></p>
13	<p><b>Some important processes, particularly those that cross departments, are not well documented in policies and procedures.</b></p> <p>The Business License Division and Planning Division are both involved in the business license planning review process. The Business License division makes an initial determination and then the information goes to Planning for final review. Based on Planning’s review, additional fees may be added or refunds applied. No policies or procedures are currently in place to guide this process or define the roles and responsibilities of each department or division.</p>	<p><b>Establish written guidance to ensure the consistent performance of this process.</b></p> <p>The Business License Division wrote an initial draft of policies and procedures to direct these practices. The Planning Division and Business License Division should continue to refine this draft and implement written guidance to govern this process.</p>
<b>Key Control: System Administration</b>		
14	<p><b>Adequate segregation of duties is not in place for the administration of all systems.</b></p> <p>In accordance with best practices, system administration duties, such as adding users, deleting users, changing user access, and adjusting the fee schedules, should be assigned to individuals who are not involved in billing practices. It is particularly important that individuals who perform billing activities do not have access to change the fee schedules as well. During our review we found that some individuals currently have responsibilities for both system administration and billing functions. For example, within HDL, the Business License Administrator and Administrative Analyst both have the ability to perform all system administration activities and routinely perform billing activities within the system. Similarly, we found that Airport staff perform billing activities but also have the ability to adjust the fee schedule within YARDI Voyager.</p>	<p><b>Involve other individuals in certain system administration duties to achieve adequate segregation of duties.</b></p> <p>Relevant departments or divisions, including the Business License Division and the Airport Division, should re-assign system administration duties to individuals who do not regularly perform billing duties.</p>
<b>Key Control: Audit Trail</b>		
15	<p><b>Not all billing systems have audit trails.</b></p> <p>Some systems used by the City do not have audit trails – such as ANOMS, Hansen Work Order System, and Chevin FleetWave. Audit trails retain the user name and date that activities are performed within a system. These records serve as an important control because they create accountability for users’ activities.</p>	<p><b>Implement additional controls for systems without audit trails.</b></p> <p>Departments or divisions that use systems without audit trails should institute additional controls. For example, user access should be restricted with all duties adequately</p>



NO.	OBSERVATION	RECOMMENDATION
	<p>For systems where audit trails are considered a mitigating control, it is important that these are not solely used as a deterrent control but also as a detective control. We found some instances in which supervisors and managers do not review audit trail activity. Without periodic reviews of activity, audit trails do not provide loss assurance.</p>	<p>segregated. Additionally, when considering the implementation of new systems, departments and divisions should consider whether the functionality for audit trails exists</p> <p>Additionally, regular review of audit trails should be a requirement included in City policy including the assignment of this responsibility.</p>



## V. ADDITIONAL OBSERVATIONS AND RECOMMENDATIONS

Through the course of our billing and accounts receivable review, we gathered additional information about a variety of billing and accounts receivable related activities pertaining to specific departments and divisions.

NO.	OBSERVATION	RECOMMENDATION
<b>Parking</b>		
1	<p><b>The City may not have adequate assurance that its parking contract is being performed in the most effective manner.</b></p> <p>The City has a contract for the operations of a variety of parking facilities including staff lots, beach lots, and off-street parking which produce more than \$38.5 million annually for the City. The contractor has a range of responsibilities including billing and collections for monthly key cards and staffing various lots and parking structures.</p> <p>The Parking Division does not currently have any access to the contractor's proprietary billing and collections system used for the accounting of monthly parking permits. This lack of system access makes effective oversight more difficult because it prevents the Division from performing independent monitoring on an ongoing basis.</p> <p>The significant revenue associated with the parking operations contract warrants dedicating significant resources to oversight both by the contractor and the City. The City's Parking Division staff recognized the need to enhance the oversight of AR revenue collections and reorganized responsibilities within the existing Division staffing structure to dedicate resources specifically to financial oversight. The contractor hired one additional FTE to address some of the City's concerns. While the Parking Division continues to work with existing staff to review and follow up on all reports in a timely manner, it is unclear whether current resources are sufficient to provide adequate oversight and ensure effective contract performance.</p>	<p><b>Increase oversight of the contractor's performance.</b></p> <p>The City should consider conducting an independent review of the contractor's performance to ensure that revenue is being captured completely and appropriately. Also, the Parking Division should work with the contractor to obtain more complete information about billing activities, revenue collection, and all variance analysis.</p> <p>As part of this independent contract review, the City should evaluate the adequacy of resources dedicated to the oversight of this contract.</p> <p>In the short term, City staff should continue to work with the contractor to obtain some level of "read-only" access to the system. In the long term, City staff should consider modifying the agreement with the contractor to allow for increased access to the systems and/or an adjustment to operations to address this concern.</p>
2	<p><b>The contractor's policies and procedures may not align with the City's policies and procedures.</b></p> <p>The City's Administrative Instruction guideline for collections and write-offs was last updated in 1986. Without citywide guidance for these practices, the Parking Division is unsure whether the contractor's policies and procedures for billing, collections, and write-offs align with the City's practices. Absent this guidance from the City, the Parking Division is not able to provide effective direction for these policies and procedures.</p>	<p><b>Review the contractor's policies and procedures to ensure alignment with City practices.</b></p> <p>Following the revision and adoption of citywide policies regarding billing and collections, the Parking Division should collaborate with the Revenue Division to review the contractor's policies and procedure to verify that they align with the City's practices.</p>
3	<p><b>Not all parking activities are invoiced in a system with adequate controls.</b></p> <p>Invoices for event parking permits are generated from a Microsoft Access database. These invoices can be easily altered by staff and, therefore, the accuracy of these invoices cannot be reasonably assured.</p>	<p><b>Employ a more robust invoicing system for event parking permits.</b></p> <p>The Parking Division should consider utilizing another system for billing these permits that provides greater system control. For example, the Parking Division should explore whether the new financial system can be used for event parking billing</p>



NO.	OBSERVATION	RECOMMENDATION
		and collections. Alternately, the Parking Division should explore whether event parking permits can be added to the POS system.
4	<p><b>Reconciliations are not performed to ensure complete revenue collection.</b></p> <p>Currently, no reconciliation is performed between the invoices created and the revenue collected within the POS system. Similarly, no reconciliation is conducted between the parking hang tag inventory and the billing system. Without such reconciliations, the City does not have adequate assurance of complete and appropriate revenue collection.</p>	<p><b>Implement a reconciliation process for event parking permits.</b></p> <p>To ensure accurate and complete billing is performed, the Parking Division should reconcile the revenue collected within the POS system to the event parking permit invoices in its billing system. Additionally, the Parking Division should periodically compare the hang tag inventory to the invoices for event parking permits.</p>
5	<p><b>Parking operations are not organized within the same division or department.</b></p> <p>As of April 2014, the Parking Division is in PCD. While the Parking Division is responsible for revenue collection related to parking, other departments and divisions are also involved in the process. The meter technicians who service the parking meters and the individuals responsible for signage and markings work for the Public Works Department. The functionality of meters and the appropriateness of signage are critical elements in the collection of parking meter revenue. Additionally, individuals who collect revenue from the meters are overseen by the Finance Department and the individuals who enforce parking rules report to the Police Department. It requires significant coordination to ensure that all of the entities involved in parking operations are working efficiently and effectively.</p>	<p><b>Consider reorganizing parking-related functions to promote greater coordination.</b></p> <p>The City should consider shifting the reporting structure of the meter technicians to the Parking Division. Also, the City should explore other opportunities to improve communication and coordination between all parking-related functions. For example, the Parking Division should work with the Police Department to share more information about parking enforcement deployment on an ongoing basis such as understanding enforcement efforts and ticketing data in different zones throughout the City. Similarly, the Parking Division and Public Works should work together to coordinate signage installation and communicate any installation delays or bottlenecks.</p>
6	<p><b>Not all parking lots have maximum controls to ensure complete revenue collection.</b></p> <p>At beach lots, individuals either gain entry with a parking permit or pay a cashier to enter and place the receipt on the dashboard. There are no controls in place to ensure that cashiers are appropriately charging all individuals for entry. For example, there is no license plate recognition to monitor the incoming vehicles nor is permit usage and discounted entries are monitored to detect unusual variances. Additionally, it is unclear whether any citation issues would be communicated to the Parking Division and its contractor.</p>	<p><b>Explore implementing a revenue collection mechanism at parking lots to incorporate greater controls.</b></p> <p>In the long-term, the Parking Division, as part of an operational assessment of the beach parking lots, should consider various technology options that incorporate greater controls, such as pay-by-plate technology with links to enforcement or pay on foot machines, and consider how these changes will impact the operations of the facilities. In the short-term, the Parking Division should work with its contractor to implement monitoring controls such as permit usage and discounted entry usage.</p>



NO.	OBSERVATION	RECOMMENDATION
7	<p><b>Missing controls cannot ensure complete and appropriate revenue collection for valet parking.</b></p> <p>Annual valet parking permits range from \$50,000 to \$150,000. Despite this significant fee range, there is currently no process in place to ensure that fees are appropriately determined. Without such a process in place, there is a significant fraud risk.</p>	<p><b>Establish controls to ensure appropriate valet fees are charged and collected.</b></p> <p>The Parking Division should implement a process for the robust review of fees on all applications for valet parking permits.</p>
<b>Fleet</b>		
8	<p><b>The Fleet Division has opportunities to improve its billing and revenue collection practices.</b></p> <p>Our review of billing activities in Public Works' Fleet Division revealed some opportunities for improvement. The Fleet Division does not currently bill for all of its staff costs and, as a result, the Fleet Division falls short of complete cost recovery. In particular, the Fleet Division does not bill its staff costs for the labor associated with the development of bid specifications for vehicle purchases. In addition, the Fleet Division has not conducted a recent inventory of parts. Without a full inventory of parts, the Fleet Division does not have assurance that all parts are appropriately accounted for. Additionally, we found that the Fleet Division's billing process has manual elements that are not currently being verified by a secondary individual to provide adequate assurance of accuracy. Specifically, we found that an administrative analyst manually enters vehicle usage data from its FleetWave system reports into a spreadsheet to create bills. These bills are then submitted to Finance and are used for ISF transfers. Prior to submission to Finance, these spreadsheets are not reviewed by a secondary individual. Without additional system controls or secondary review, the accuracy of these calculations is not assured.</p>	<p><b>Develop improved controls to strengthen the Fleet Division's billing and revenue collections practices.</b></p> <p>The Fleet Division is currently in the process of going out to bid for a new asset and work order management system to replace FleetWave and potentially FuelView. The Fleet Division should consider improved controls when considering new systems.</p> <p>Working with Finance, the Fleet Division should implement an inventory process. Additionally, the Fleet Division should perform internal reviews of spreadsheets before submission to Finance.</p>
<b>Planning and Community Development</b>		
9	<p><b>Current recordkeeping practices make tracking difficult across various departments.</b></p> <p>The permits and activities for numerous departments and divisions are recorded within the Accela system and revenue is collected by Planning and Community Development (PCD). While streamlining the collection of this revenue creates convenience for customers, some challenges exist for the various entities involved. For example, the Water Division of Public Works reported some difficulties in matching up the revenue collected in Accela with postings in the City's financial system because entries are made in batches and no individual permit numbers are noted.</p> <p>Additionally, both the RRR Division of Public Works and the Water Division of Public Works reported frustrations with how refunds are recorded. When refunds are issued, they are recorded in the City's financial system. However, refunds are not recorded within Accela.</p>	<p><b>Explore avenues for improving recordkeeping within Accela.</b></p> <p>The Accela System Administrator should consider options for improving recordkeeping within Accela—such as transferring more detailed data into the City's financial system and recording refunds within Accela. The Accela System Administrator should meet with representatives of the different departments and divisions who utilize Accela through PCD and discuss additional opportunities for operational improvements.</p>
<b>Cultural and Community Services</b>		
10	<p><b>Responsibilities related to the monitoring of outstanding account balances are not well defined.</b></p> <p>In Cultural and Community Services (CCS), the System Administrator of the ActiveNet system has access to reports showing the outstanding account balances for all CCS divisions and locations. As part of his role, he has developed reports for each division and location and shown supervisors and managers how to access these reports. However, based on our survey results and interviews, it does not appear that supervisors and managers know that they are responsible for collecting on these accounts and restricting access until accounts</p>	<p><b>Assign responsibilities for monitoring and collecting on unpaid balances and oversight of this activity.</b></p> <p>CCS should document supervisors' and managers' responsibilities for monitoring and collecting unpaid account balances. Also, CCS should provide guidance to all divisions regarding restricting access for</p>



NO.	OBSERVATION	RECOMMENDATION
	are paid. Without clear guidance about responsibilities over uncollected balances and an individual assigned to oversight of this activity, not all outstanding CCS balances are being collected nor is access being appropriately restricted.	individuals or organizations with outstanding account balances. Lastly, CCS should assign the responsibility for overseeing this process and ensuring its performance.



## VI. POLICIES AND PROCEDURES REVIEW

As part of this engagement, we were asked to review the City's draft billing and accounts receivable policy. We reviewed the draft language and compared it to best practices. In a separate document, we provided detailed suggested revisions. In addition to those revisions, we recommend the following changes:

NO.	OBSERVATION	RECOMMENDATION
1	<p><b>No citywide guidance exists to guide the entire billing process.</b></p> <p>The Finance Department has drafted an Administrative Instruction guideline for collecting delinquent receivables citywide. However, this Administrative Instruction guideline does not address billing more holistically. For example, no guidance is in place to specify the timing within which billing needs to be performed. Additionally, the City lacks citywide guidance to address system controls for user access or appropriate mitigating controls. Lastly, direction has not been provided to instruct departments and divisions how to monitor billing activities.</p>	<p><b>Develop written, holistic guidance for the entire billing process.</b></p> <p>The Finance Department should continue to update its draft Administrative Instruction guideline for billing activities. This guidance should include the following elements:</p> <ul style="list-style-type: none"> <li>• Timing for issuing bills</li> <li>• User access for system controls or mitigating controls</li> <li>• Monitoring practices including variance analysis, review of fee adjustments, voids, deletions, credits, and adjusting overdue balances</li> </ul>
2	<p><b>Written guidance does not specify the review of manual journal entries.</b></p> <p>The City's cash handling Administrative Instruction guideline includes procedures for the end-of-day deposit preparation. While the Administrative Instruction guideline does state that receipts must be recorded into the City's financial system, this procedure does not specify who should enter the manual journal entries nor does the procedure state that a secondary individual must review these entries. Because the City's billing systems do not interface with the financial system, it is critical for the City to ensure the accuracy of data entry into the financial system.</p>	<p><b>Revise cash handling policies to address the review of manual journal entries.</b></p> <p>The Revenue Division should complete its update of the cash handling Administrative Instruction guideline to include specific review requirements, such as the following:</p> <ul style="list-style-type: none"> <li>• Require secondary individuals to review manual journal entries in the City's financial system to ensure the accuracy of amounts and general ledger account numbers</li> </ul>
3	<p><b>The City's policies and procedures do not address billing activities performed by third parties.</b></p> <p>More than \$50 million is billed and collected annually through third-party contracts. These contracts range from parking operations to parking citations to airport landing fees and to film permits. While each contract specifies the terms with each vendor, the City does not outline standard practices for departments or divisions working with third-party revenue contracts. Specifically, the City does not clarify who is responsible for monitoring the contractor's billing activities and with what frequency nor does it define practices for ensuring complete revenue collection. Without standardized oversight practices, the City faces an increased chance that oversight will not be appropriately performed.</p>	<p><b>Incorporate guidance about the oversight of third-party vendors' billing activities into the Administrative Instruction guideline.</b></p> <p>The Revenue Division should add language about third-party vendor oversight into the Administrative Instruction guideline including the minimum monitoring frequency for billing and collection activities. Additionally, the City should require departments and divisions to work with the Revenue Division to establish and document vendor-specific oversight practices.</p>



NO.	OBSERVATION	RECOMMENDATION
4	<p><b>Current accounts receivable monitoring and collections activities are inconsistent across departments.</b></p> <p>The City's Administrative Instruction does not provide details to departments and divisions about how accounts receivables should be monitored. As a result, our review revealed that monitoring of receivables is not performed consistently across departments and divisions. In particular, we found that the frequency with which outstanding balances are reviewed varies across departments and divisions. While some departments state that they perform monitoring every several months, other departments review outstanding balances every month. In other instances, it is unclear how much monitoring, if any, is performed. For example, minimal monitoring of outstanding balances is performed within the FAB system for the Police's false alarm program. We also found that many departments and divisions do not document any of the monitoring efforts they perform. Without documentation, it is difficult to verify whether and how often this monitoring is performed. Moreover, there is no citywide policy stating whether the provision of goods or services should be restricted until outstanding balances are resolved.</p> <p>Additionally, the City does not specify the monitoring expectations for outstanding account balances. In particular, while the Administrative Instruction guideline states that departments must refer delinquent receivables to the Billing and Collections Unit within 60 days of the billing due date, not all departments regularly review aging reports. Upon review, we found that not all departments and divisions referred delinquent accounts in a timely manner. The failure to report accounts to the Billing and Collections Unit compromises the Unit's ability to collect outstanding balances.</p>	<p><b>Provide more robust guidance citywide regarding the monitoring of accounts receivable and collections actions.</b></p> <p>In coordination with Financial Operations, the Revenue Division should continue to update its draft Administrative Instruction to include the following:</p> <ul style="list-style-type: none"><li>• Timing for monitoring outstanding balances</li><li>• Documentation of outstanding balance reviews</li><li>• Policy restricting additional goods or services when outstanding balances exist</li></ul> <p>The Revenue Division should develop a process for ensuring that departments and divisions are appropriately referring delinquent receivables to the Billing and Collections Unit.</p>



Agenda Item 6.

FY 18-19 Internal Audit Work Plan  
(presented by Moss Adams, LLP)



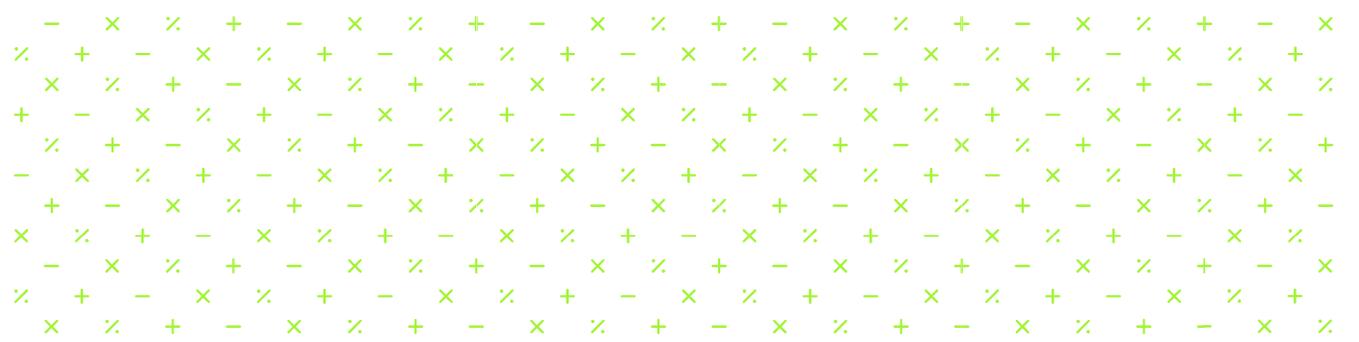
# City of Santa Monica

## FY 18-19 Internal Audit Program

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**Audit Subcommittee Meeting**

**April 17, 2018**



# Overview

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- I. Introduction
- II. Internal Audit Program Components
- III. Internal Audit Program Review
- IV. Internal Audit Considerations
- V. Potential Internal Audit Projects

# I. Introduction

- The City retained Moss Adams to serve as the designated Internal Auditor and conduct projects focusing on:
  - Risks
  - Internal controls
  - Efficiency and effectiveness
  - Best practices
  - Compliance
- Work is being completed under AICPA consultancy standards and the standards from the Institute of Internal Auditors (IIA)



## II. Internal Audit Program Components

Internal Audit

Risks

Internal Controls

Compliance

Performance

**Areas of Focus: accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology**



# III. Internal Audit Program Review

## Project

## Results

- |                                    |                               |
|------------------------------------|-------------------------------|
| • Ambulance Contract Review        | 28 findings & recommendations |
| • Benefits Billing Review          | 13 findings & recommendations |
| • Cash Handling IC Testing         | 21 findings & recommendations |
| • Enterprise Risk Assessment       | 17 risk factors evaluated     |
| • Internal Controls Review         | 42 findings & recommendations |
| • Parking Citation Contract Review | 6 findings & recommendations  |



### III. Internal Audit Program Review (cont.)

#### **Project**

- Bank Reconciliation Support
- External Audit Support
- Accounts Receivable Review
- Compensation Review
- Fleet Efficiency Study
- Big Blue Bus OT Study
- P-Card IC Testing

#### **Results**

Completed

Completed

15 findings & recommendations

13 findings & recommendations

Ongoing

Ongoing

Ongoing



# IV. Internal Audit Considerations – Risk Assessment

<b>Risk Factors*</b>	<b>Potential Mitigating Actions</b>
Asset Management	Condition assessment
Human Capital	Succession planning assessment, recruiting process assessment, labor negotiations
Internal Controls	Internal controls testing
Management	Performance reporting assessment
Planning	Integrated planning & performance reporting assessment
Policies and Procedures	Development, update, and validate
Technology	IT security assessment, penetration testing

\* Risk factors receiving a rating of medium to high.



# IV. Internal Audit Considerations – Internal Controls

Key Controls	Internal Controls Testing
Payroll	
Purchasing & AP	P-Card underway
Monthly Reconciliation	
Grants Management	
Cash Handling	21 findings & recommendations
Accounts Receivable	15 findings and recommendations
Policies and Procedures	Ongoing validation



# IV. Internal Audit Considerations – Departments

Departments	Projects	Departments	Projects
Big Blue Bus	OT, Cash	Housing & Economic Dev.	
City Attorney's Office		Human Resources	Benefits
City Clerk		Planning & Community Dev.	Cash, Parking, AR
City Manager's Office		Police	Cash
Comm. & Cultural Services	Cash, AR	Public Library	
Finance	Various	Public Works	Fleet, AR
Fire	Ambulance		



## IV. Potential Internal Audit Projects

1. *Grants Management Internal Controls Testing*
2. *Parking Operating Contract Review*
3. *Computer Equipment Replacement Internal Service Fund Review*
4. *Print Shop Efficiency Study*
5. *Fire Administration Operations Review*
6. Procurement Internal Controls Testing
7. Payroll Internal Controls Testing
8. Travel Expense Internal Controls Testing
9. Community Programs Efficiency Study
10. Public Works Efficiency Study (not Fleet)
11. Construction Audits
12. City Performance Reporting Review
13. *Ongoing Internal Audit Services*

*Items in italics are recommended*



## IV. Potential Internal Audit Projects

1. **Grants Management Internal Controls Testing:** Test compliance with grants management policies and procedures and compare to best practices (12 weeks)
2. **Parking Operating Contract Review:** Perform a review of the City's parking operations contract for contractor performance and City management (14 weeks)
3. **Computer Equipment Replacement ISF Review:** Assess the assignment, tracking, and replacement of City computers, as well as associated policies and procedures (14 weeks)
4. **Print Shop Efficiency Study:** Assess efficiency and effectiveness of current operating model and compare to peers and best practices (14 weeks)



## IV. Potential Internal Audit Projects

5. **Fire Administration Operations Review:** Conduct an assessment of the efficiency and effectiveness of administration processes and procedures (10 weeks)
6. **Procurement Internal Controls Testing:** Test compliance with procurement policies and procedures and compare to best practices (12 weeks)
7. **Payroll Internal Controls Testing:** Test compliance with payroll policies and procedures and compare to best practices (12 weeks)
8. **Travel Expense Internal Controls Testing:** Test compliance with travel expense policies and procedures and compare to best practices (12 weeks)
9. **Community Programs Efficiency Study:** Conduct an assessment of the efficiency and effectiveness of department operations (14 weeks)



## IV. Potential Internal Audit Projects

10. **Public Works Efficiency Study:** Conduct an assessment of the efficiency and effectiveness of department operations, focusing on a division other than Fleet (14 weeks)
11. **Construction Audits:** Perform initial, mid-point, and/or closeout audits of major city construction projects (6 to 8 weeks each)
12. **City Performance Reporting Review:** Assess performance measures, alignment with City priorities, and reporting effectiveness (12 weeks)
13. **Ongoing Internal Audit Services:** Attend Audit Subcommittee and Council meetings; prepare status reports, manage internal audit program, and prepare FY 19-20 internal audit plan (52 weeks)





The material appearing in this presentation is for informational purposes only and is not legal or accounting advice. Communication of this information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although these materials may have been prepared by professionals, they should not be used as a substitute for professional services. If legal, accounting, or other professional advice is required, the services of a professional should be sought.

Agenda Item 7.

Internal Controls Review Progress Report  
(presented by Gigi Decavalles-Hughes, Director of Finance)



## INTERNAL CONTROLS REVIEW PROGRESS REPORT

Yellow highlighted items have been updated since last report in October 2017

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
RECOMMENDATIONS ADDRESSED THROUGH INTERNAL AUDIT WORK PLANS						
Monthly Reconciliation	1	High	High	Bank Reconciliation	Internal Audit: prepare documentation Finance: create bank reconciliation procedures	<b>Validated.</b> Management has implemented a streamlined methodology and procedures; including streamlining the process between Accounting and Treasury functions. The methodology and process have been incorporated into the updated bank reconciliation desk procedure.
Revenue and Cash	2, 8, 9	High	Moderate	Cash Handling	Internal Audit: update policies and procedures and provide training Finance: implement Internal Auditor recommendations	<b>Validated.</b> Cash handling audit completed. A new Cash Handling Administrative Instruction (AI) incorporating best practices has been completed and validated. Citywide training will be provided in the coming year.
Accounts Receivable	1				Internal Audit: assess A/R, inventory, ambulance billing, fees and invoicing Finance: implement A/R module in new ERP system; complete billing and collections and A/R procedures	<ul style="list-style-type: none"> <li>• <b>Completed.</b> A review of citywide accounts receivable (A/R) functions was completed and an A/R policy was reviewed by the Internal Auditor as part of the A/R review. Internal Auditor will present findings at the April 2018 meeting. <b>Pending ERP System:</b> The ERP will be phased in starting July 1, 2018. The centralized A/R module will be phased in Fall 2018. Financial Operations staff now audits off-site A/R functions, reconciling balances to the general ledger, and provides corrections and training on processes.</li> <li>• <b>Validated.</b> Internal Auditor has completed an audit of the City's ambulance contract, and City staff has developed a reconciliation process. New contract will include prescriptive language on reports and reconciliation requirements that will closely monitor billing, fees and invoicing.</li> <li>• <b>Completed.</b> Staff took on billing functions for fire inspections, the Swim Center, certain Police Department billings, and billings for special events. Staff collected 56% of the total amount of delinquent accounts processed, and the City's collection agency collected about 11% of the amount referred, significantly higher than the collection rate for local government debt collection.</li> </ul>
Revenue and Cash	12, 13	High	High	Accounts Receivable		

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	3					<b>Validated/Completed.</b> Written Counting Room procedures, including internal control practices, are completed, validated and implemented. Further improvements are included in the draft Cash Handling AI. Internal Auditor provided fraud and internal controls training overview in September 2016. Supervisor Handbook has been distributed to all Supervisors. Ethics code has been adopted by Council and an Administrative Instruction was distributed to staff in July 2016.
Training	1	High	Moderate	Fraud and Internal Controls	Perform training	
Revenue and Cash	10	Moderate	Moderate	Internal Controls	Implement Internal Auditor recommendations	<b>Validated/Completed.</b> Cash handling audit completed. A Cash Handling AI is completed and validated. Citywide training will be provided.
RECOMMENDATIONS THAT HAVE DISCRETE TASKS THAT ARE EASILY IMPLEMENTED						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Finalize draft access policies, and distribute and maintain log book	<b>Validated.</b> Counting room security policies and procedures have been distributed to staff and a log book documenting visitor entry is now in use.
Purchasing and A/P	1	High	High	A/P	Disseminate existing policies and procedures, and provide training	<b>Completed.</b> Accounts Payable procedures are complete, along with the User Training Manual. A/P training continues to be provided to staff Citywide.
Revenue and Cash	5	Moderate	High	Cash Transport	Select secure method for cash transport	<b>Completed.</b> There are armored transport pickups at three sites, which represent the majority of cash collected. It is not economical to provide armored car pickup for all the 50 cash collection sites in the City. The Cash Handling AI provides guidance on methods to transport cash.
Revenue and Cash	4	High	Moderate	Storage	Lock cabinets and secure keys, issue permits in sequential order, and reconcile permit system and POS	<b>Validated.</b> Finance has worked with Parking Operations staff to implement improvements, including secure storage of permits and logging of permit numbers. Written procedures have been implemented.
Revenue and Cash	7	Moderate	Moderate	Counting Room	Repair closed circuit monitor, and revise policy	<b>Validated.</b> Counting Room monitor has been repaired and is in working order. Staff has been advised to report inoperable equipment to management. Staff will also be reviewing coverage of cameras to ensure maximum security. A new Treasury Administrator position provides

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						further supervision of the Counting Room operations and equipment needs.
Purchasing and A/P	5	Moderate	Moderate	P-Cards	Provide consistent enforcement	<b>Validated.</b> The purchasing card violation program, which includes penalties, was formalized and distributed to staff in January 2015, and individual department trainings were conducted. Purchasing notifies departments on a monthly basis about outstanding receipts and status of violations. A purchasing card agreement has been signed by all purchasing card users in addition to cardholders to ensure knowledge of the enforcement system.
Revenue and Cash	6	Moderate	Moderate	Counting Room	Ensure policy compliance	<b>Completed.</b> Staff has been reminded of policies regarding use of pocketless smocks in the Counting Room and has been equipped with new pocketless smocks which are being commercially laundered.
Grants Management	1	Moderate	Moderate	Grants	Adopt draft Administrative Instruction	<b>Validated.</b> A Grants Administrative Instruction has been completed.
Revenue and Cash	14	Low	Moderate	Safes	Obtain safe	<b>Completed.</b> Treasury staff sent a notice to all cash handling locations reminding them of the need to store currency (cash/checks) and items of monetary value in secure locations. Completed Cash Handling AI requires departments to have secure storage for cash on site. Going forward, Treasury will perform audits periodically.
Payroll	6	Moderate	Low	Overtime	Track overtime errors, and provide training	<b>Completed.</b> Guidelines have been incorporated in supervisor handbook.
Purchasing and A/P	6	Low	Low	A/P Queries	Document process, and perform monitoring	<b>Validated.</b> Staff is continuing to monitor all warrants to ensure that cumulative vendor limits do not exceed procurement policy parameters. Desk procedures and the A/P User Training Guide have both been updated to reflect the \$10,000 threshold. Procurement staff is monitoring purchase orders and contracts.
Purchasing and A/P	7	Low	Low	Duplicate Payments	Increase frequency of monitoring	<b>Validated.</b> Staff now conducts monthly duplicate payment monitoring rather than quarterly monitoring.
RECOMMENDATIONS TO BE IMPLEMENTED BY THE CITY THAT WILL TAKE TIME TO IMPLEMENT						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	1	High	Moderate	On boarding and off boarding	Perform process development and documentation	<b>Pending ERP System.</b> While current payroll policies and procedures include processes payroll staff can control when notified of an employee's termination (i.e., verification that additional pays have end dates and the appropriate deductions will

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						be taken from the final check), the new ERP system will make it possible to keep track of equipment issued to employees and allow new policies to be implemented, such as deducting the value of outstanding equipment from final paychecks if not returned, and will have better workflow capability to allow the appropriate departments to be notified when key events happen.
Purchasing and A/P	2	High	Moderate	Personnel changes	Perform process development and documentation	<b>Completed.</b> When an employee terminates employment with the City, the purchasing card is one of the items that is retrieved along with other City-issued items (badge, keys, computer, phone). The responsibility to cancel the card has been incorporated in the Purchasing Card policies and procedures.
Purchasing and A/P	3	High	Moderate	P-card review	Perform process development and documentation	<b>Validated.</b> Management believes that responsibility for monitoring the appropriateness of transactions is clearly assigned and stated in the purchasing card policies and procedures and is the approver's responsibility at the department level, rather than the responsibility of Finance staff. There is also a limited restriction on the use of the card for certain purchases (i.e., amusement parks, liquor store purchases, are denied upon initial swipe). Finance is conducting spot audits of pcard transactions as recommended and documented in pcard review procedures.
Purchasing and A/P	4	High	Low	Credit card refunds	Perform process development and documentation	<b>Completed.</b> Cash Handling AI sets out procedures and controls necessary for all refunds.
Accounts Receivable	2	Moderate	Moderate	Billing and Collections	Develop process, policies, and procedures for billing and collections	<b>Nearing completion.</b> Accounts Receivable policies have been completed and reviewed by Internal Auditor. Billing & Collections AI is being drafted.
Revenue and Cash	9	Moderate	Moderate	Cash handling	After cash handling audit, develop program and perform random cash audits	<b>Nearing completion.</b> With the publication of the Cash Handling AI, staff will implement training and perform spot cash audits throughout the City, as required by the Cash Handling AI.
Grants Management	2	Moderate	Moderate	Grants management	Hire dedicated position, develop policies, provide training	<b>Validated.</b> Senior Grants Analyst position has been created and filled. Grants administrative instruction has been completed. Training provided on new federal reporting guidelines to over 50 City staff in January 2016.

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	2	Moderate	Moderate	Pay rate verification	Perform process improvement and documentation	<b>Validated.</b> Finance has a monthly meeting with HR to review / refine roles, responsibilities, process documentation.  HR has created a query to identify pay rates that do not match the agreed upon salary schedules for all job codes. Once the query is run and if it returns data, it is the responsibility of HR staff to make the corrections and notify the employees affected with any potential over or underpayments that may have happened as a result of the incorrect pay rate.
Payroll	3	Moderate	Moderate	Timekeeping	Implement electronic timecards	<b>Nearing completion.</b> To accommodate the submission of e-timecards by staff in remote locations, staff configured the Kronos Mobile module. Staff is continuing to work with the City Attorney's Office to implement electronic timekeeping.
Payroll	4	Moderate	Moderate	Overtime	Perform process improvement and documentation	<b>Completed.</b> Departments are responsible for approving overtime requests and reviewing timecards. In general, employees are to receive advance authorization for overtime and supervisors approve timecards prior to payment. Payroll provides departments with overtime use reports each payday, and runs exception reports as well to capture large paychecks. Guidelines are included in the Payroll policies & procedures and are noted in the Supervisor Handbook, which reminds supervisors of their responsibility to track errors (they receive biweekly overtime reports from payroll) and inform payroll of errors.
Payroll	5	Moderate	Moderate	FLSA	Monitor supplemental timecards	<b>Pending ERP System.</b> While a manual process is in place, the new ERP system will alleviate the requirement for supplemental timecards to calculate FLSA pay.
Payroll	9	Low	Moderate	Timekeeping	Implement random reviews of schedules and timekeeping	<b>Pending ERP System.</b> It is anticipated that the new HR/Payroll system will create efficiencies in a currently cumbersome process that will allow for random audits to be conducted.
Revenue and Cash	15	Low	Moderate	Cash handling	After cash handling audit, analyze need for separate cash tills	<b>Validated.</b> The Cash Handling AI requires each person handling cash to have a separate till. Exceptions must be approved by the Finance Department.
Purchasing and A/P	8	Low	Low	Refunds	Perform process improvement and documentation	<b>Validated.</b> Policy is included in the validated Purchasing Card AI for Pcards, and in the A/P Manual. Refund procedures are also included in the Billing & Collections and Cash Handling AI's for credit cards and all other refunds. Staff and the Internal Auditor are working with

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						the Resource Recovery and Recycling Division to assess the waste deposit refunding process.
<b>RECOMMENDATIONS THAT REQUIRE DOCUMENTATION OF POLICIES AND PROCEDURES</b>						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Develop policy for visitor access	<b>Completed.</b> This has been addressed above.
Citywide and Departmental Policies	1	High	Moderate	Administrative Instructions	Update and revise	<b>Nearing completion.</b> A full set of Finance policies and procedures have been updated and reviewed by the Internal Auditor. The Billing & Collections Administrative Instruction in the next quarter will complete this item.
Payroll	7	Moderate	Low	Timekeeping Review	Develop policy and provide training	<b>Completed.</b> Payroll procedures manual has been completed. Relevant portions of the policy are highlighted in the supervisors' handbook (September 2016).
Payroll	10	Low	Low	Payroll	Document internal procedures	<b>Completed.</b> Payroll procedures manual has been completed.
Citywide and Departmental Policies	2	Low	Low	Department Procedures	Develop and document procedures	<b>Nearing completion.</b> A full set of Finance policies and procedures have been updated and reviewed by the Internal Auditor. The Billing & Collections Administrative Instruction in the next quarter will complete this item.
<b>RECOMMENDATIONS THAT REQUIRE TRAINING</b>						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Purchasing and A/P	1	High	High	A/P review and approval	Conduct training for A/P staff (in departments)	<b>Completed.</b> User training completed in October and November included 52 participants. User Training Guide is completed but always being updated.
Training	2	Low	Low	Fiscal training	Assess gaps and update training	<b>Completed.</b> Council adopted the City's Code of Ethics on November 24, 2015 and the Administrative Instruction was distributed in July 2016. Finance continues to add fiscal training sessions for citywide staff. Additional training will be conducted once policies and procedures are completed.
<b>RECOMMENDATIONS THE REQUIRE CHANGES TO CURRENT TECHNOLOGY</b>						
Revenue and Cash	11	Moderate	Moderate	Point of Sale (POS)	Explore POS features and develop plan for	<b>Pending ERP System.</b>

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
					comprehensive deployment	
Payroll	9	Low	Moderate	Scheduling	Explore additional Kronos capabilities	<b>Continuing.</b> City is exploring cost/benefit of advancing scheduling components within current electronic timekeeping system.

Validated: Verified documented policy, procedure or Administrative Instruction addresses internal controls finding or element of finding.

RELATED TO INTERNAL INITIATIVES ALREADY UNDER DEVELOPMENT	
<b>NEW ERP SYSTEM</b>	
Payroll (2) – Employee pay rates are accurate (cross training HR staff) <i>(response above)</i>	Payroll (3) – City Attorney on Kronos <i>(response above)</i>
Payroll (5) – FLSA monitoring / process <i>(response above)</i>	Payroll (8) – Manual payroll process – update with ERP and build in checks for current manual system. <b>Partially completed-</b> checks for current manual system are implemented.
Accounts Receivable (1) – A/R systems: address through new ERP system and billings / collections procedures <i>(response above)</i>	
<b>TRAINING ACADEMY</b>	
Payroll (4) – Overtime approval and documentation. Include in supervisor handbook. <i>(response above)</i>	Payroll (6) – Timekeeping review / responsibilities. Included in Payroll policies and procedures. Will include in supervisor handbook. <i>(response above)</i>
Payroll (7) – Supervisor role in FLSA, other labor laws (overtime eligibility, etc.). Will include in supervisor handbook. Overtime procedures included in Payroll policies and procedures. <i>(response above)</i>	Training (1) – Waste, abuse, fraud, abuse training. Will engage auditors to provide short training / video to supervisors during supervisor training. Ethics policy in development. <i>(response above)</i>

Pending Final Review: Documented policy, procedure, or Administrative Instruction is pending final review by the City Attorney’s Office and/or the City Manager’s Office, before it is reviewed by Internal Auditor.