



DATE > October 11, 2017

TO > City of Santa Monica Audit Committee

FROM > Moss Adams LLP

SUBJECT > Compensation and Staffing Review – Preliminary Observations

Based on our initial document review, interviews, and data analysis, we formulated a number of observations, which we intend to further investigate to identify potential opportunities for improvements. Many of the observations are based on comparisons with eleven peer cities, which include Anaheim, Beverly Hills, Burbank, Culver City, El Segundo, Glendale, Inglewood, Pasadena, Redondo Beach, Santa Barbara, and Torrance. Additional analysis will focus on understanding different service offerings, service levels, and organizational structures between Santa Monica and peer cities to enable appropriate comparisons.

PRELIMINARY OBSERVATIONS

WAGE AND BENEFIT SETTING PROCESS

- 1. Labor environment:** 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 5 and 10 labor groups; 6 was the most common number of groups (in a total of 4 cities). Some labor groups in the City described challenges in engaging members and filling officer positions. The City and labor groups report having a positive relationship, which enables both sides to pursue their interests in a way that is based on mutual respect and communication.
- 2. Compensation Negotiations:** At the onset of contract 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. 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. Using the information gathered by both parties, the City and labor representatives negotiate memorandum of understanding (MOU) terms related to compensation, working conditions, and, on occasion, other benefits. This is a standard bargaining process that follows California State Laws and regulations of the Public Employee Relations Board.
- 3. Benefit Negotiations:** 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, workers' compensation, overtime, retirement, and other benefits typically does not fall within citywide umbrella agreement MOUs.

STAFFING AND SERVICE LEVELS

- Staffing and Service Delivery Philosophy:** Santa Monica's City Council has historically determined 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, including tree trimming, custodial, refuse, and legal services. In FY 2016-17, Santa Monica had 2,257 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 2016-17, Santa Monica budgeted \$327,319,123 in personnel costs in comparison to the peer city average of \$203,719,094.
- Total Operating Budget:** Santa Monica's total operating budget is slightly 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. While other cities experienced a decline in revenues that led to cuts in staffing levels, personnel costs, and operating costs beginning in FY 2009-2010, Santa Monica's staffing and service levels remained stable, which may explain some 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. The table provide below presents peer city budget comparisons for FY2016-17 in descending order of operation cost. ¹

¹ Santa Barbara and El Segundo were not included in the table because personnel costs were not readily available in budget documents.



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	2,257	\$327,319,123	\$498,610,310	65.6%
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%

3. **Additional Services:** Santa Monica operates in a unique environment that provides a wide range of services to individuals beyond its residents. Because Santa Monica has a high level of tourism and more employers in the city than most cities of comparable size, Santa Monica's typical daytime population swells to double or triple its approximately 92,000 residents. 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. The following table lists the three least common city services offered by Santa Monica and their rate of occurrence in the 11 peer cities:

SANTA MONICA			PEER CITIES OFFERING SIMILAR SERVICES (#)
SERVICE	OPERATING BUDGET (FY2016)	FTEs (FY2016)	
Cemetery	\$2,021,520	8.1	0
Airport	\$9,171,310	37.9	2
Pier/Waterfront	\$18,469,223	25.3	3

4. **Departmental Service and Staffing Levels:** Cities reflect a variety of organizational structures, although most departments share some core functions. Each department will be evaluated on a collection of key performance indicators related to core functions that demonstrate workload, efficiency, and effectiveness in relation to the peer cities. Example KPIs are included in Appendix A. Additionally, the operating cost, staffing levels, contractual services budgets, and potential unique attributes of individual departments will be included in the service analysis. For



example, Santa Monica’s City Manager’s Office includes divisions and functions that are unique among peer cities, such as the Office of Emergency Management, the Office of Sustainability and the Environment, and the Office of Pier Management. We anticipate presenting preliminary observations related to this analysis at the November 2017 audit committee meeting.

WAGES AND BENEFITS

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

- The GCC data does not consistently distinguish between or separate between full- and part-time employees.
- There is not a timely way to validate the accuracy of the data.

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

1. **Employee Expenses:** 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. The following table summarizes these observations using compensation data from the GCC for FY 2015-16.

SECTOR	CITY COMPARISON	WAGES*	HEALTH BENEFITS	RETIREMENT
Miscellaneous Employees	Santa Monica	67%	14%	19%
	Peer City Average	71%	11%	18%
Police	Santa Monica	62%	9%	29%
	Peer City Average	63%	8%	29%
Fire	Santa Monica	67%	11%	23%
	Peer City Average	66%	8%	29%

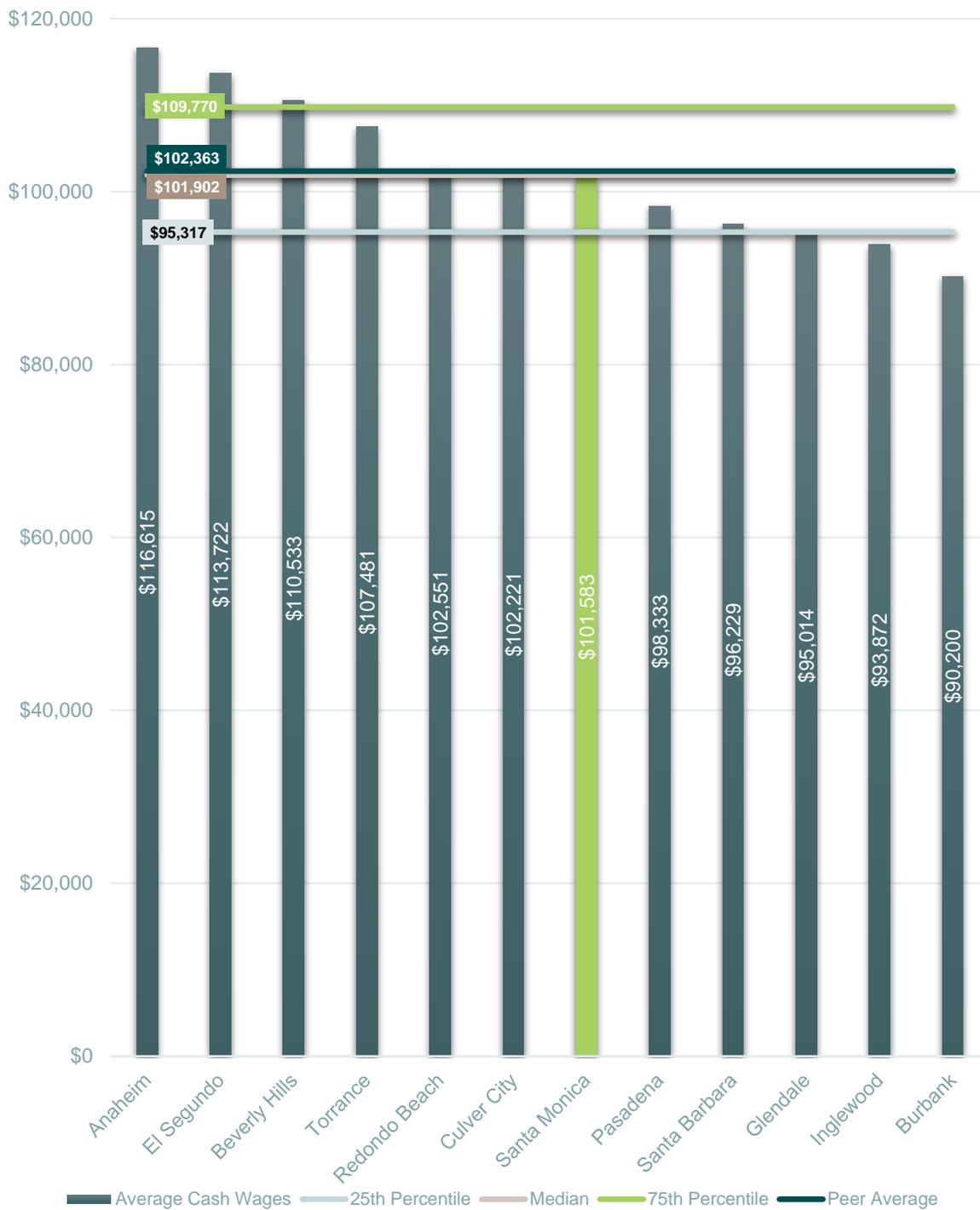
**Does not include overtime*

2. **Wage and Benefit Comparison:** The GCC data shows that Santa Monica’s total cost of cash wages averaged an estimated \$101,870 per paid, full-time position. The chart and table provided below show the average of total cash wages (regular pay, overtime pay, and other pay - not including payout, health benefits, or retirement costs) across all peer cities in 2016, as well as the quartiles of the average of all peer cities.

- **25th Percentile:** the value below which 25 percent of total cash wages falls
- **Median (50th Percentile):** the middle value of total cash wages
- **75th Percentile:** the value above which 75 percent of total cash wages falls
- **Peer Average:** the average value of total cash wages



2016 AVERAGE CASH WAGES BY CITY





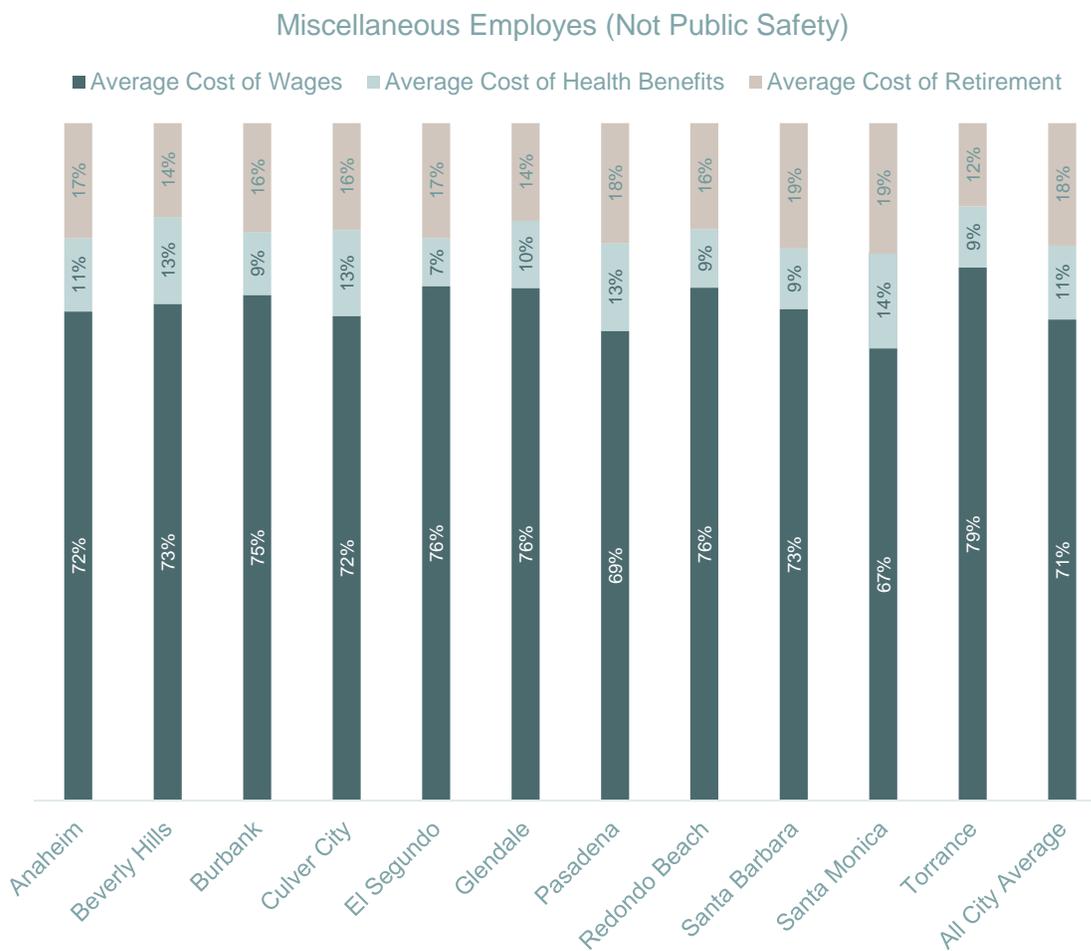
The table provided below presents the detailed percentile and average total cash wage data by each city, across all departments listed in descending order of average wages.

2016 AVERAGE CASH WAGES, RANKED BY AVERAGE				
City	25th Percentile	Median	75th Percentile	Average
Anaheim	\$72,998	\$107,669	\$152,723	\$116,615
El Segundo	\$68,317	\$103,685	\$152,151	\$113,722
Beverly Hills	\$71,564	\$96,653	\$141,125	\$110,533
Torrance	\$65,698	\$90,511	\$145,654	\$107,481
Redondo Beach	\$59,223	\$94,803	\$138,579	\$102,551
Peer Cities Average	\$63,148	\$90,028	\$133,903	\$102,363
Culver City	\$63,046	\$82,060	\$133,724	\$102,221
Santa Monica	\$64,414	\$84,129	\$122,303	\$101,583
Pasadena	\$62,149	\$88,142	\$125,970	\$98,333
Santa Barbara	\$62,432	\$87,651	\$120,251	\$96,229
Glendale	\$56,565	\$83,488	\$125,208	\$95,014
Inglewood	\$60,490	\$81,816	\$120,076	\$93,872
Burbank	\$50,880	\$79,732	\$129,070	\$90,200



TOTAL COMPENSATION COMPONENTS

Below is a comparison of the 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Santa Monica and the peer cities, excluding police and fire department positions.²



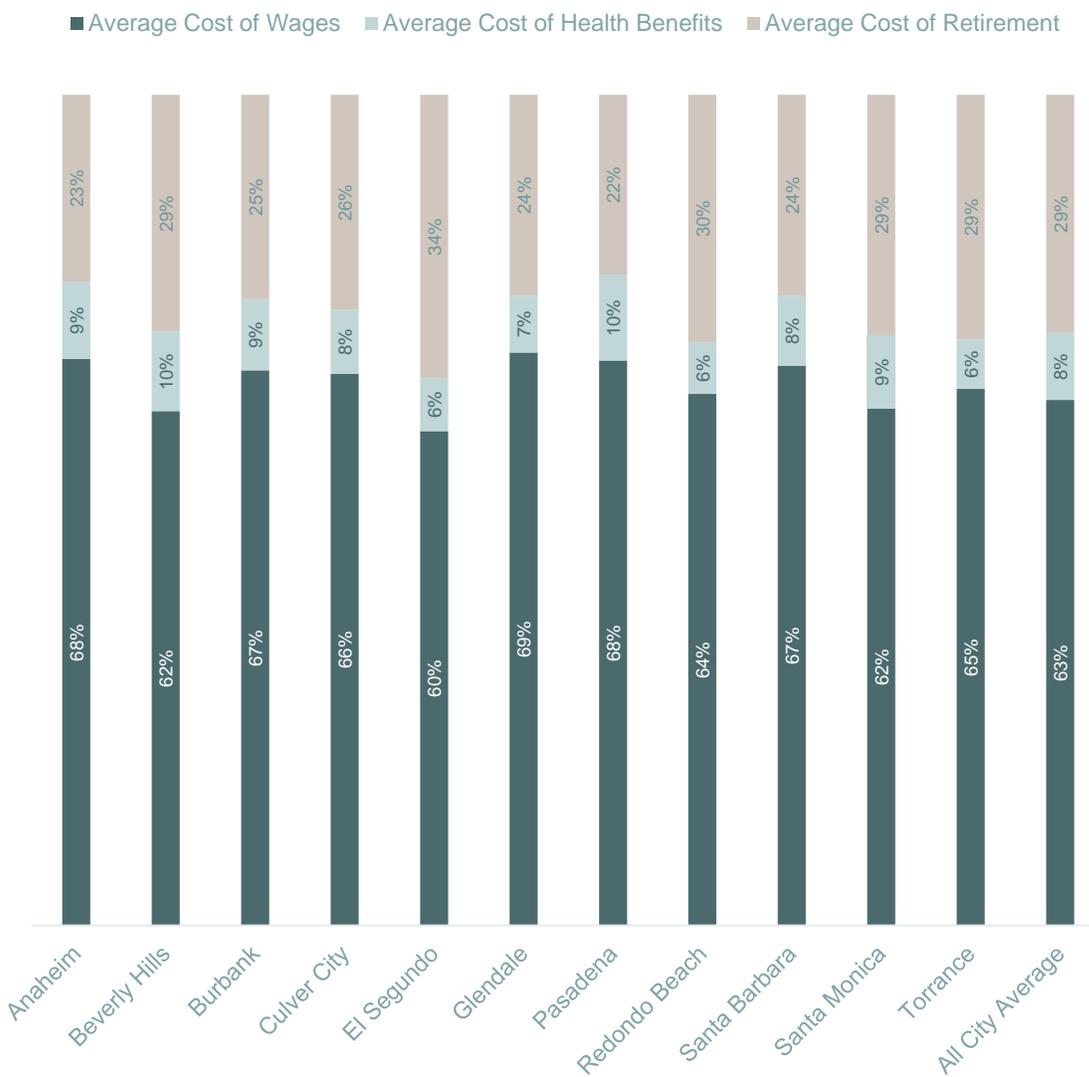
² Inglewood data requires additional validation and is not included in this chart.



POLICE DEPARTMENT COMPENSATION COMPONENTS

Below is a comparison of the average 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Police Departments. ³

Police Department - Components of Total Compensation by Peer City



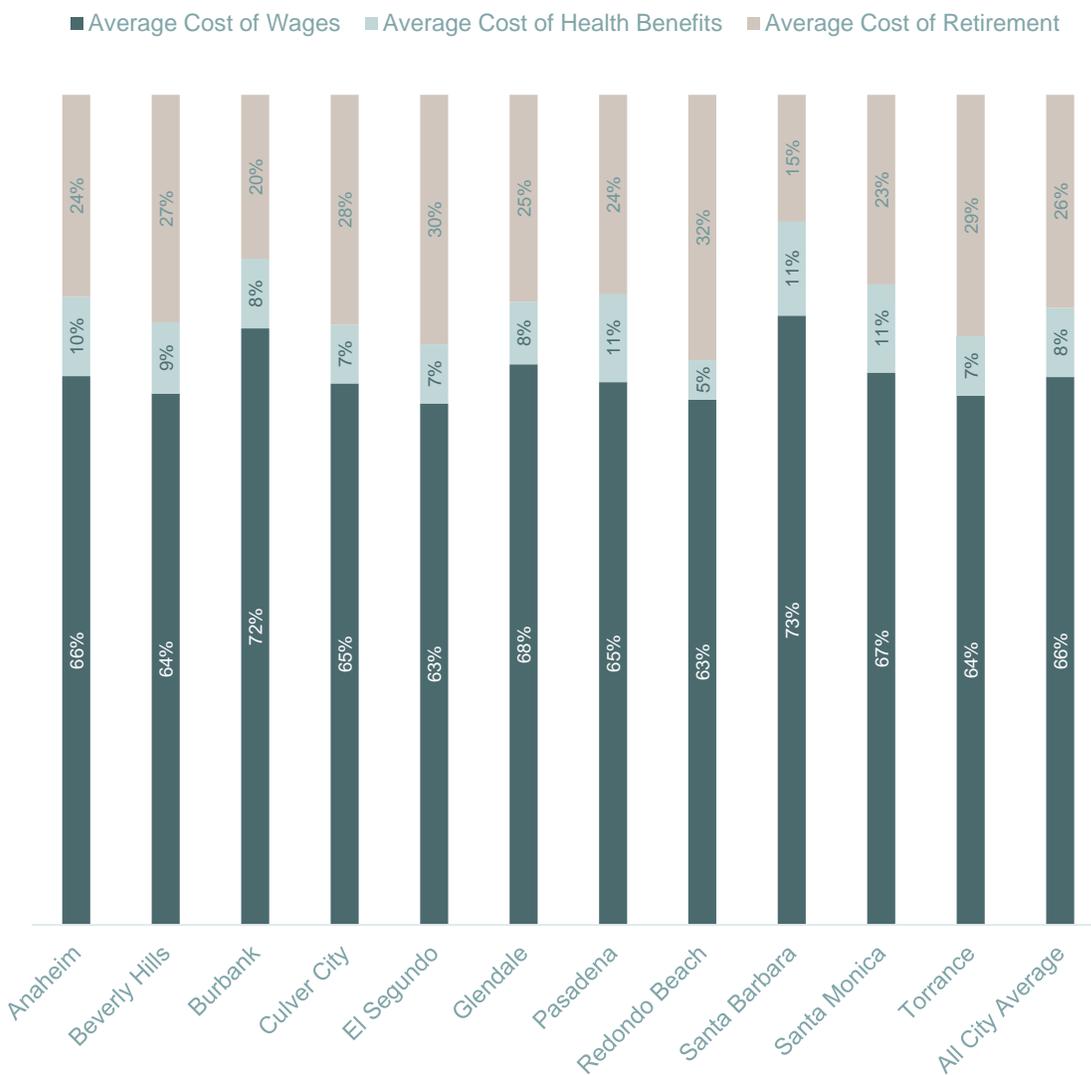
³ Inglewood data requires additional validation and is not included in this chart.



FIRE DEPARTMENT

Below is a comparison of the average 2016 health benefits, retirement costs, and cash compensation as a percentage of total compensation for Fire Departments.⁴

Fire Department - Components of Total Compensation by Peer City



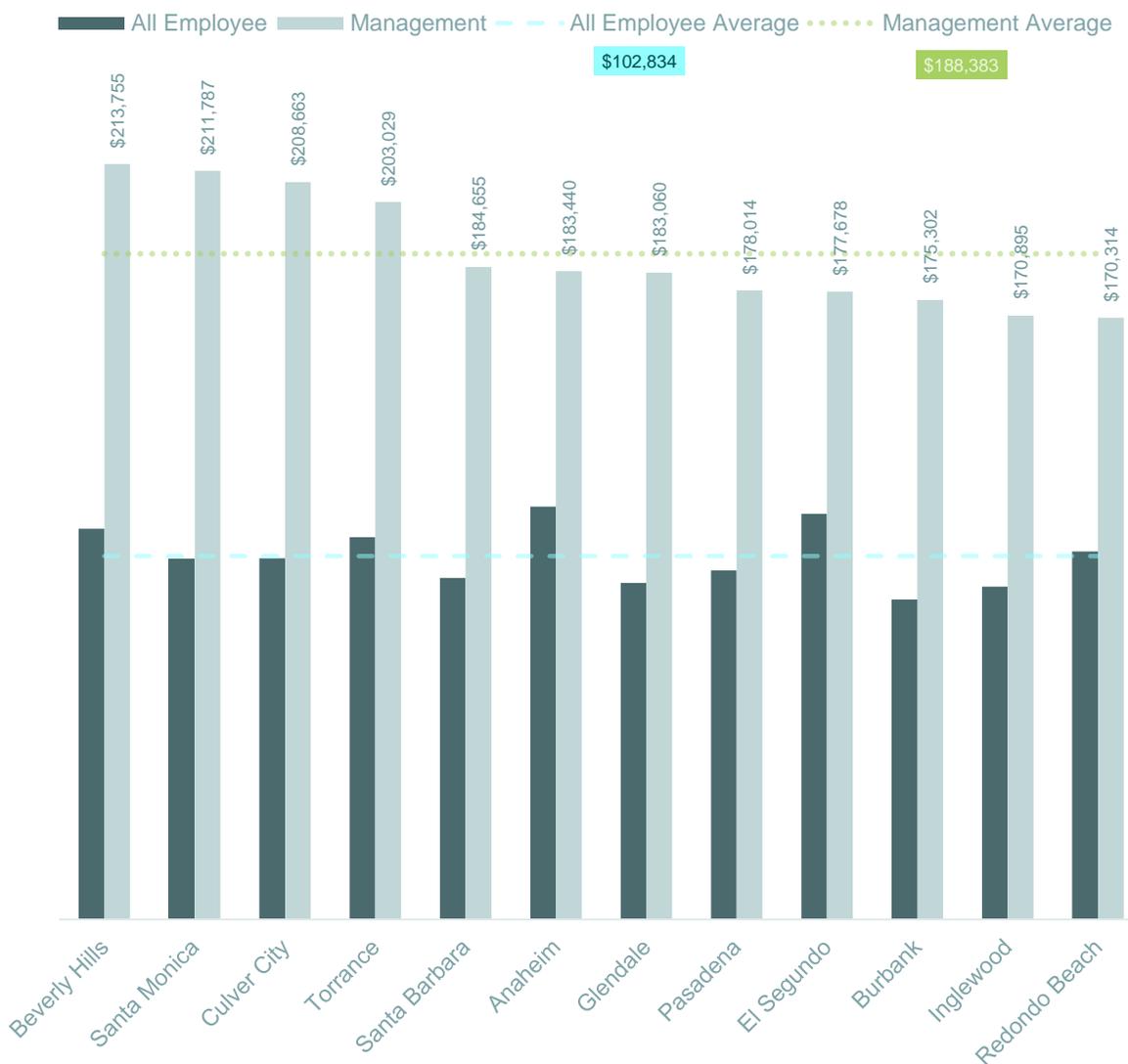
⁴ Inglewood is not represented on this chart because the City has contracted Fire Services.



PEER CITIES MANAGEMENT COMPENSATION

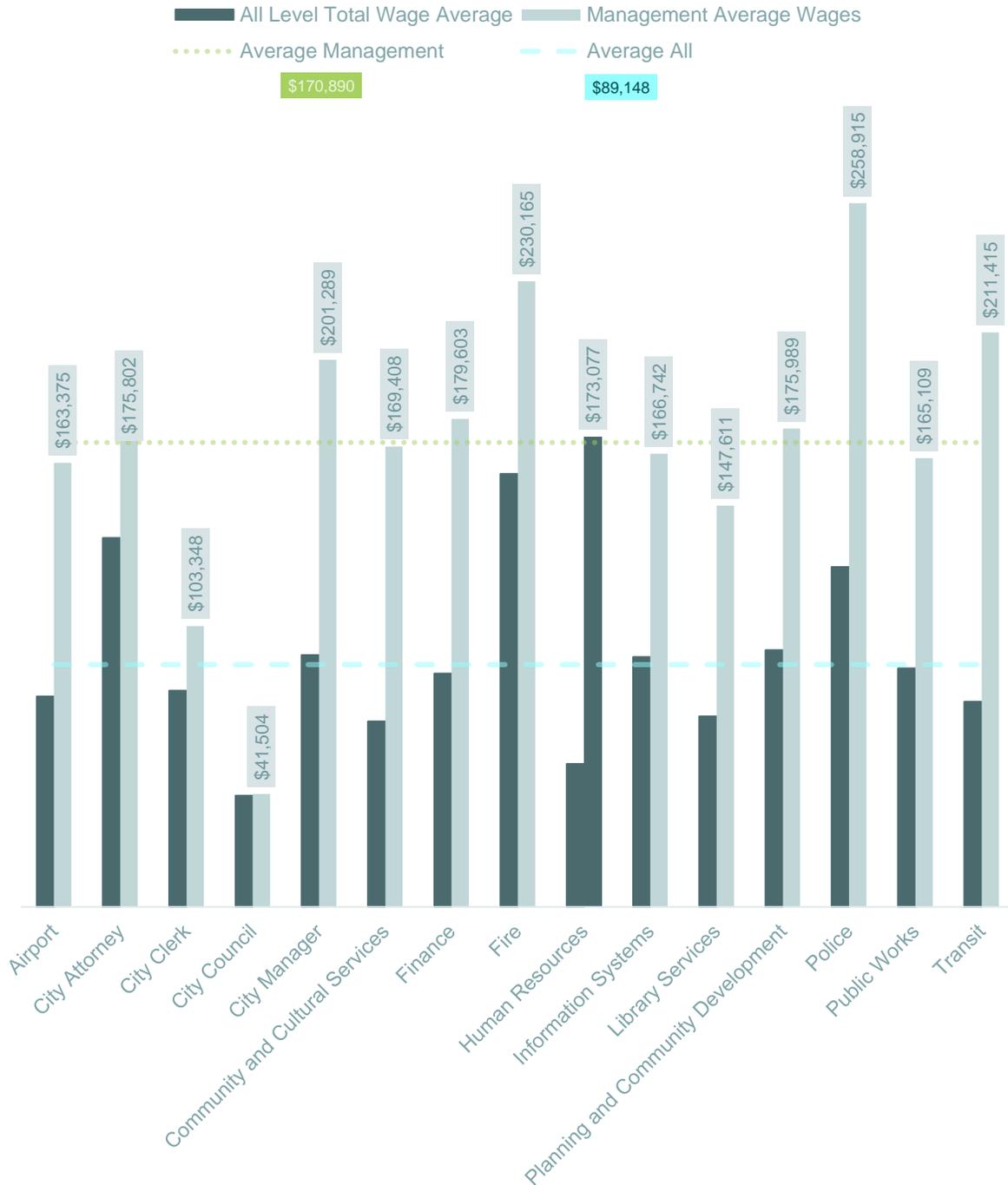
Moss Adams filtered out positions by title to provide an approximate average of executive and director-level compensation averages. Words used to filter by include: Director, Deputy, Chief, City Manager, City Attorney, and Division, among others. These filters allow us to capture positions including chief officers, division managers, and assistant directors.

All Peer Cities Management-Level Average Cash Wages





All Peer City - Management Wages by Department





SANTA MONICA PUBLIC SAFETY OVERTIME

- Drivers of Overtime:** Santa Monica's pier, waterfront, and downtown shopping corridor attract a large number of tourists throughout the year, which necessitates the presence of public safety personnel to ensure the safety of residents and visitors. Santa Monica is a geographically small city that at times has the staffing requirements of a very populous city. Additionally, the City hosts a number of special events that require public safety personnel to be present, such as the Los Angeles Marathon, the Twilight Concert Series, and movie shoots. The City is reimbursed for public safety costs stemming from most special events. Like all police and fire departments, Santa Monica's public safety personnel also incur overtime from typical sources, including training, court appearances, backfilling for constant staffing when a vacancy occurs, and shift extensions. The typical public safety department budget includes a percentage of funds for overtime pay. The tables below show the overtime budgets and expenditures between FY2014 and FY2016 for the Police Department and Fire Department.

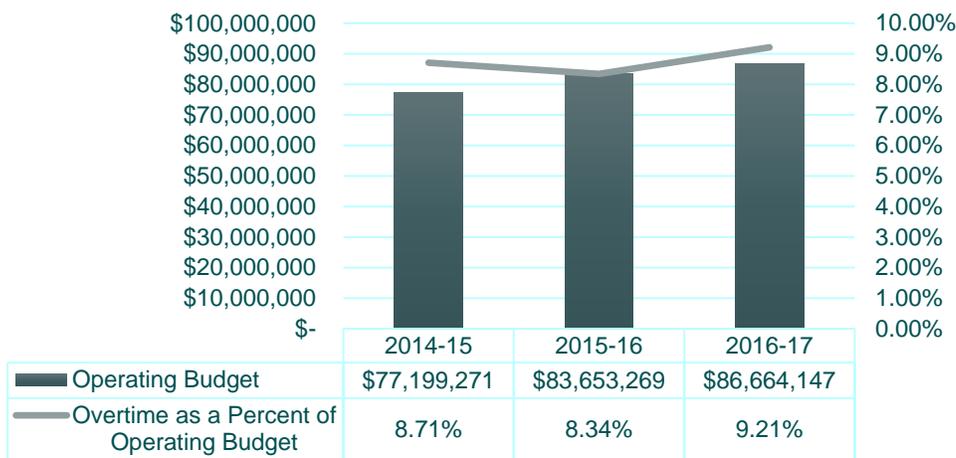
POLICE OVERTIME BUDGET TO EXPENDITURES				
Fiscal Year	Overtime Budget	Overtime Expenditures	Overage	Vacancies
2014-15	\$5,013,621	\$6,721,110	\$1,707,489	24
2015-16	\$5,177,450	\$6,979,441	\$1,801,991	30
2016-17	\$5,277,707	\$7,985,365	\$2,797,658	30

FIRE OVERTIME BUDGET TO EXPENDITURES				
Fiscal Year	Overtime Budget	Overtime Expenditures	Overage	Vacancies
2014-15	\$5,774,665	\$6,217,553	\$442,888	14
2015-16	\$6,244,373	\$7,008,102	\$763,729	12
2016-17	\$6,565,535	\$7,041,682	\$476,147	9

- Police Overtime Utilization:** Police Department overtime expenditures increased by 18.8% (\$1.2 million) between FY 2014-15 and FY 2016-17. Despite this increase, overtime expenditures remained constant at approximately 9% of the Department's total expenditures.



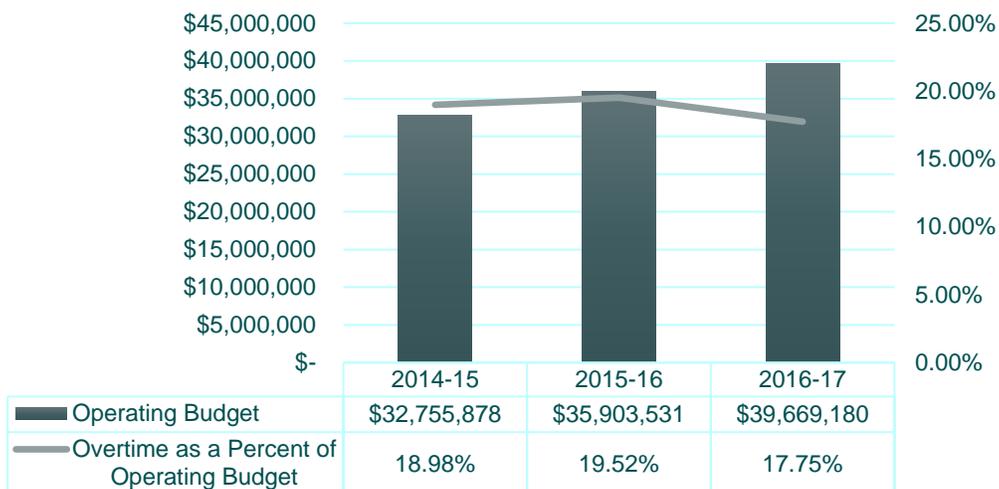
Police Operating Budget and Overtime as a Percent of Operating Budget FY 2014-15 to FY 2016-17



The primary drivers of increased Police Department overtime utilization are workload requirements, shortage of personnel, and special details. Appendix C contains a table summarizing Police overtime expenditures.

- Fire Overtime Utilization:** Fire Department overtime expenditures have increased by 13.3% (\$824,129) between FY 2014-15 and FY 2016-17. Despite this increase, overtime expenditures remained constant at approximately 19% of the Department’s total expenditures (FY 15-16 overtime increased due to wildfire deployments, which are fully reimbursed).

Fire Operating Budget and Overtime as a Percent of Operating Budget FY 2014-15 to FY 2016-17





The primary drivers of increased Fire Department overtime utilization include constant staffing requirements to cover the use of sick leave, vacation leave, workers' compensation, and vacant positions. Appendix D contains a table summarizing Fire overtime expenditures.



APPENDIX A: KEY PERFORMANCE INDICATOR (KPI) EXAMPLES

ATTORNEY'S OFFICE <ul style="list-style-type: none">• Ordinances drafted/reviewed• Lawsuits received and initiated• Lawsuits settled (%)• Total revenues from legal decisions	COMMUNITY AND CULTURAL SERVICES <ul style="list-style-type: none">• Sports teams per capita• Parks maintained• Community events per year• Filming permits issued	FINANCE <ul style="list-style-type: none">• Invoices paid• Payrolls processed• P-card purchases• Solicitations posted
FIRE <ul style="list-style-type: none">• Service calls• Firefighters per capita• Average response time• Inspections per capita	HOUSING AND ECONOMIC DEVELOPMENT <ul style="list-style-type: none">• Section 8 vouchers per capita• Retail and office space vacancy rate• Unemployment rate• Income per capita	HUMAN RESOURCES <ul style="list-style-type: none">• Recruitments• Applications per recruitment• Investigations conducted• Hours of training provided
INFORMATION SERVICES <ul style="list-style-type: none">• Helpdesk tickets per FTE• Workstations• Users	POLICE <ul style="list-style-type: none">• Annual service calls• Officers per capita• Average response time• Crime rate	PLANNING AND COMMUNITY DEVELOPMENT <ul style="list-style-type: none">• Number of licenses issued• Permit fees collected• Non-capital expenditures



APPENDIX B: WAGES AND BENEFITS COMPARISON METHODOLOGY

DATA SOURCE

The State Controller's Office's 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 Controller's Office notes that it is not responsible for the accuracy of this information.

DATA ANALYSIS

In order to provide a more thorough review of Santa Monica's total employee costs and the overall compensation, including 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").

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 Total Cash Wages and Retirement Total Costs (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 Regular Pay column was filtered to remove any position with reported Regular Pay less than the minimum salary classification amount for that position. Additionally, if a city reported no minimum salary for a position, we removed that position data line-item as well.



LIMITATIONS OF THE DATA

- The GCC does not consistently distinguish between or separate full- and part-time positions
- There is no timely way to validate the accuracy of the data
- Cities which report many zero or low amounts of regular pay (e.g., Santa Barbara) may be skewing the overall averages and percentiles.

2016 COUNT OF GCC POSITIONS IN ANALYSIS

Below shows the count of the total number of positions from the GCC data used in the compensation data analysis. *The count of GCC positions is not representative of FTEs or budgeted positions.*

	Anaheim	Beverly Hills	Burbank	Culver City	El Segundo	Glendale	Inglewood	Pasadena	Redondo Beach	Santa Barbara	Santa Monica	Torrance
Airport										40	11	
City Attorney	32		17	7		18	11	22	9	11	39	10
City Clerk	7	5	4	2	1	6	2	10	2		9	6
City Manager	16	13	9	7	4		5	16	2	29	80	129
Community and Cultural Services	169	78	89	29	19	114	68	95	24	105	174	108
Finance	47	34	35	27	11	42	33	53	16	36	64	34
Fire	255	91	123	67	45	208		155	60	106	119	150
Human Resources	37	10	160	7	3	36	6	22	4		21	
Information Systems		28	24	14	3	36	12	113	8		36	
Library Services		33	36		9	46			10	22	51	
Planning and Community Development	134	56	53	183	15	114	41	139	17	54	297	207
Police	540	171	226	141	73	313	210	295	134	167	265	298
Public Works	521	203	436	89	32	492	105	567	88	233	630	174
City Total Positions	1758	722	1212	573	215	1425	493	1487	374	803	1796	1116



GLOSSARY

- **Employee's Retirement Cost Covered:** The dollar amount paid by the employer toward the employee's share of pension costs.
- **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.
- **Health/Dental/Vision Contribution:** The dollar amount paid by the employer toward the employee's health, dental, and/or vision care plans.
- **Other Pay:** The dollar amount paid to the employee for any other pay not reported as regular pay, overtime pay, or lump-sum pay (such as car allowances, meeting stipends, incentive pay, bonus pay, etc.).
- **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.
- **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.
- **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.
- **Retirement Total Cost:** The summing of Defined Benefit Plan Contribution, Deferred Compensation Plan, and Employee's Retirement Cost Covered, as defined above.
- **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 Cash Wages:** The summing of Regular Pay, Other Pay, and Overtime Pay, as defined above.
- **Total Compensation:** Total 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.



APPENDIX C: POLICE OVERTIME SUMMARY

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





OVERTIME DRIVER	FY2014-15	FY2015-16	FY2016-17
Los Angeles Marathon ¹	\$122,434.11	\$121,770.33	\$120,082.37
Twilight Concert Series ¹	\$232,518.88	\$240,313.50	\$471,760.65
Special events and movies	\$410,529.47	\$354,806.70	\$381,586.94
Special details ²	\$1,188,214.53	\$1,404,402.14	\$1,411,599.47
Workload requirements ³	\$2,179,164.97	\$2,735,157.05	\$3,314,644.22
Holiday overtime pay ⁴	\$382,156.62	\$360,593.44	\$327,089.71
Court appearances	\$424,810.89	\$407,295.13	\$397,694.46
Extension of shift	\$328,820.51	\$380,357.99	\$419,760.02
Shortage of personnel ⁵	\$1,286,682.49	\$1,235,100.08	\$1,481,278.40
Other	\$520,731.15	\$101,549.22	\$251,712.24
Total	\$6,721,110.63	\$6,979,441.75	\$7,985,365.46

1 Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime expenditure total.

2 Includes City Hall security, criminal activity, dignitary visits, demonstrations, additional staffing during holidays seasons, etc.

3 Includes additional investigative follow-ups, POST required training (basic, SWAT, mounted), traffic control, traffic accident investigations, and working special task forces with other entities.

4 In accordance with MOU terms, non-sworn personnel who are required to work on a City-observed holiday earn overtime pay for hours worked.

5 Includes use of sick, vacation, and other leave as well as vacancies.



APPENDIX D: FIRE OVERTIME SUMMARY

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





OVERTIME DRIVER	FY2014-15	FY2015-16	FY2016-17
Los Angeles Marathon ¹	\$94,503.86	\$91,092.87	\$85,438.23
Twilight Concert Series ¹	\$82,545.35	\$104,984.81	\$108,231.76
Reimbursed external events ²	\$449,986.92	\$1,052,065.95	\$388,049.74
Special city deployments ³	\$151,104.28	\$105,101.69	\$86,065.66
Vacancies	\$1,051,086.40	\$1,174,846.46	\$1,003,009.28
Sick Leave	\$796,511.25	\$921,385.39	\$1,204,851.12
Vacation Leave	\$1,400,244.89	\$1,581,791.89	\$1,855,498.28
Other Leave	\$132,542.28	\$195,715.21	\$310,719.32
Training ⁴	\$766,977.34	\$679,546.94	\$806,954.24
Workers' Compensation	\$493,490.84	\$993,048.60	\$375,999.32
Other	\$1,129,901.12	\$435,508.37	\$613,712.78
Total	\$6,217,553.00	\$7,008,102.00	\$7,041,682.00

1 Overtime for these events is paid through the City, not through the Department. Therefore, these figures are not included in the Department's overtime expenditure total.

2 Includes movie jobs and Strike Team deployments. Other special deployments are included in the "Other" category.

3 Includes medical services on the beach and fire prevention after-hours investigations.

4 Includes grant reimbursed training, paramedic school training, and training academy instructor costs. Additional internal and external training-related overtime expenditures are included in the "Other" category.