

Council Questions/Comments and Staff Responses Report for April 22, 2013

as of April 22, 2013 at 9:07am

CONSENT AGENDA:

Alderman: Rob Fazzini

Item 6F: Analysis of Bid for Demolition of Buildings at 401 S. Prairie and 514 N. Howard

Question/Comment: In the Recommendation/Motion section the amount is \$79,979, while in the Background section the amount is \$70,979. Which is the correct amount being recommended?

Staff Response: The correct amount is \$70,979. The City Clerk will put out an Addendum.

Alderman: Rob Fazzini

Item 6H: Analysis of bid results for interior painting at the Police Department

Question/Comment: Why was the budgeted amount more than 50% under the accepted bid amount? Should we review this under budgeting in a similar manner to cost overrun on a project?

Staff Response: The original budgeted amount was for two floors. The bid was proposed with options to maximize the use of the dollars available. When the second option pushed the total substantially over the budgeted amount, additional funds were directed from the police budget to cover the difference in cost.

Alderwoman: Karen Schmidt

Item 6H: Analysis of bids results for interior painting at the Police Department

Question/Comment: Just one question, regarding 6H (painting at BPD): this is well over estimated costs. I understand the value of having everything painted at once, but question going that much over anticipated budget. Also, I am not clear, is this quote for labor only or labor and paint?

Staff Response: The original budget amount (\$50,000) was for two floors of the Police Department. The bid was proposed with options to maximize the use of dollars available. When the second option pushed the total substantially over the budgeted amount, additional funds were directed from the police budget to cover the difference in cost. Otherwise the project would have been limited to the original bid plus option 1. The bid covers the cost of labor and paint.

Alderman: Rob Fazzini

Item 6I: Analysis of RFP results for Property Condition Assessment at 40 selected City Facilities

Question/Comment: There was an explanation why the second lowest bidder was accepted, but there was no explanation as to why the lowest bidder was deemed unacceptable. What were the specific reasons the lowest bidder was not accepted?

Staff Response: Under the City's RFP policy it is very clear that price is not the overriding concern when selecting a contractor. After reviewing all of the proposals staff believed the lowest proposal did not provide the detail and specifications the second bidder provided. Additionally, the extra information provided detailing the final deliverable from the second bidder provided additional insight to the final project. Given the difference in price, staff felt the second bidder provided a better value.

Alderman: Jim Fruin

Item 6I: Analysis of RFP results for Property Condition Assessment at 40 selected City Facilities

Question/Comment: I question the value of an outside assessment, when (1) we are already in these buildings every day, (2) have staff on board to provide building evaluations and (3) we have made recent upgrades/improvements to several of these buildings. To me, this seems like a duplication of existing knowledge.

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Staff Response: While there is staff in some of these buildings most days, there is not sufficient staffing to specifically address all of 40 buildings in all of the areas staff is assessing. Most of the work that has been done to repair these buildings has been reactive in nature. This detailed assessment plan will provide staff an opportunity to proactively budget for major repairs and provide the necessary funding for regular maintenance.

Alderman: Rob Fazzini

Item 6J: Professional Engineering Services Contract with Foth Infrastructure and Environment, LLC for Maizefield Avenue Combined Sewer Overflow (CSO) Elimination

Question/Comment: Who were the three bidders not identified with their fee proposals? Were they not identified because the Professional Services Quality Based Selection does not require a fee proposal?

Staff Response: On the last page of the Council Memo Attachment, the list of three bidders selected to be interviewed was provided. The Local Government Professional Services Selection Act (50 ILCS 510/0.01 *et seq.*) prohibits formal or informal submission of verbal or written estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation. The selection is based entirely on qualifications.

Alderman: Rob Fazzini

Item 6K: Professional Engineering Services Contract with Maurer-Stutz for HoJo Pump Station Gravity Sewer Feasibility Study

Question/Comment: Same question as in 6J. Why was the budget for this expense approximately 65% under the accepted bid amount? Should we view this under budgeting in a similar manner to a cost overrun on a project?

Staff Response: On the last page of the Council Memo Attachment, the list of the three bidders selected to be interviewed was provided. The Local Government Professional Services Selection Act (50 ILCS 510/0.01 *et seq.*) prohibits formal or informal submission of verbal or written estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation. Staff makes every attempt to review and adjust estimates as projects are moved from one fiscal year to another.

Alderman: Rob Fazzini

Item 6L: Extension of Contract with Midwest Fiber, current provider of Single Stream Processing for two (2) years

Question/Comment: Should the revenue projection methods be refined in order to more closely approximate the actual revenue experienced in the future? The \$100,000 projection does not relate very closely to the \$29,477 actual revenue received.

Staff Response: The single stream commodity chart presented in the Council Memo demonstrates the wide fluctuations within the single stream recycling market. Projections are based upon discussions with Midwest Fiber and other industry information. There are not any other revenue projection methods that staff is currently aware of.

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Alderman: Rob Fazzini

Item 6O: Intergovernmental Agreement with County of McLean for Shoulder Maintenance

Question/Comment: In the second paragraph of the Background section the second line the words “they do” should be “it does.”

Staff Response: Staff has noted this grammar change.

Alderman: Rob Fazzini

Item 6P: Compensation Agreement with Arthur J. Gallagher Risk Management Services, Inc.

Question/Comment: What were the specific reasons that the only local company from Normal that bid was rejected?

Staff Response: Mid-America does not have (or did not demonstrate) other municipal clients/experience needed to place coverage and service the City. Both Gallagher and Mesirow have a significant number of municipal clients. This experience is key to placing the most cost effective insurance program. Previous experience with Mid-America showed a lack of direct access to key insurance markets that ended up costing the City additional money. Mid-America needed to access Safety National, the sole source for excess worker’s compensation coverage, via a wholesale broker that ended up costing the City \$40,000 annually. Both Gallagher and Mesirow have direct access to Safety National. Mid-America also has limited resources to support the City, they do not have experienced claims staff (experienced with sophisticated public officials cases) and do not have staff that has loss control experience. Both Gallagher and Mesirow have experienced staff positions in loss control/safety support.

Alderman: Rob Fazzini

Item 6R: Review of Executive Session Minutes from 1995-2013

Question/Comment: Should there be further explanation regarding the reasoning for not releasing some information based primarily on timing constraints for implementing the required catch up rather than having it seem that we are avoiding transparency?

Staff Response: The Council met in Executive Session on April 8, 2013 to review the Minutes listed as Exhibit A to the Resolution. An article appeared in the April 12th edition of the Pantagraph. This article noted the staff reductions and increased service demands, (FOIA, various meetings of the Council, Liquor Commission, etc.). The Open Meetings Act requires that the Council meet biannually to review Executive Session Minutes. However, there is no requirement to release Executive Session Minutes. It is true that the City was instructed to review the Executive Session Minutes by the Attorney General's Office in the next sixty (60) days.

Alderman: Rob Fazzini

Item 6S: Resolution to Cede the City of Bloomington’s Allocation of the Private Activity Bonding Cap to the Eastern Illinois Economic Development Authority

Question/Comment: Are we able to retract our resolution after one year or during the three year period from 12-31-13 to 12-31-16 if it becomes feasible for us to use the Private Activity Bonding Cap? I do not have a problem with a one year commitment, but a three year commitment seems too long!

Staff Response: The Resolution on tonight’s Agenda applies only to the 2013 Private Activity Bonding Cap. The references to 2016 and the years between now and 2016 apply to the possibility of the City receiving a 1 percent transfer fee of \$73,000.00, which may be carried forward to 2016. However, in no

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way is the City allocating the Private Activity Bonding Cap for years other than 2013, which is irrevocable.

REGULAR AGENDA:

Alderman: Judy Stearns

Item 7A: An Ordinance Establishing the Salary for the City Manager and Make Retroactive Salary Adjustments and an Employment Agreement between the City of Bloomington and City Manager David A. Hales

Questions/Comments: Is there any legal reason why Mr. Hales could not work without a contract for any period of time? Once the contract for Mr. Hales is in place, would the new Mayor and Council be able to vote to change that contract in any way? I am under the impression that they could not change the contract.

Corporation Counsel Response: In answer to the first question, the state statutes permit, but does not require, a municipality to enter into a contract with a City Manager. As a matter of fairness, there are three major issues.

1. In the contract about to expire, the City Council promised to conduct periodic reviews of the City Manager's performance and to make adjustments to the City Manager's salary on that basis. The City Council failed to do so, and to defer the issue to a new City Council would require three elected officials with only second-hand knowledge of the City Manager's performance to either evaluate his performance, or to require him to forego any increases at all for the last four years.
2. Deferring the City Manager's contract to a new City Council deprives the City Manager of the benefit of the severance provisions of the old agreement in the event of termination while a contract was not in effect. Again, while this may be legal, Corporation Counsel does not believe it is fair to the City Manager.
3. It will have wasted the time the current City Council has spent in carefully evaluating the performance of Mr. Hales.

Answering your second question, the incoming City Council would not be able to alter a current contract with the City Manager unless both parties agreed to do so voluntarily.

Alderman: Rob Fazzini

Item 7B: Text Amendment to Chapter 6. Alcoholic Beverages, BASSETT Training Ordinance

Question/Comment: Should the motion allow for certain exception like a provider that has training, policies and procedures in place that are as thorough as or more stringent than BASSETT training requirements with the Liquor Commission reviewing a licensee's program for purposes of such an exemption?

Staff Response: Under current state law, training programs such as BASSETT are required to be certified by the Illinois Liquor Control Commission. So long as the Liquor Commission takes care to designate training programs which are state-certified, then by definition it will use providers which are as thorough as or more stringent than BASSETT training. An employer has the ability to apply to the state to attend a certified training at a cost of \$250. This is another option beyond having the Manager attend a BASSETT certified class in the community.

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Alderman: Rob Fazzini

Item 7D: Alternative A: A Managed Competition Statement establishing the goals, proposed benefits, principles, and process of administration. Alternative B: Improved Delivery of City Services Statement

Question/Comment: Should we not have two more possible Alternatives as follows:

- Alternative C: The City Council has two primary responsibilities relative to Managed Competition. First, there is the obligation to current city employees to provide adequate equipment and job training to be able to perform their jobs as efficiently as possible. Second, there is the fiduciary responsibility to insure that city funds are spent wisely, which includes checking outside sources for performance of certain functions performed by city employees with serious consideration to quality of service not just price plus consideration of equipment cost if the service needs to be brought back to city employees.
- Alternative D: No written Managed Competition policy.

Staff Response: Mayor Stockton and City Manager Hales met to discuss alternatives and felt that the two on tonight's agenda were sufficient. Aldermen may propose additional alternatives during the meeting.

Alderman: Steven Purcell

Item 7D: Alternative A: A Managed Competition Statement establishing the goals, proposed benefits, principles, and process of administration. Alternative B: Improved Delivery of City Services Statement

Question/Comment: Attached is the information from September 2009 that I originally used when I first researched managed competition as a way to cut costs but still deliver services. I visited Glenview and spoke with their Village Manager for more information. There is a one page overview plus the 13 page detailed case study. I think you will find the information helpful in regards to our discussions Monday night. I am still supportive of looking at ways to address the sustainability of our current city services with the resources we have available and I think this is worth taking a serious look at before discussing Monday night.

Alderwoman: Judy Stearns

Item 7D: Alternative A: A Managed Competition Statement establishing the goals, proposed benefits, principles and process of administration. Alternative B: Improved Delivery of City Services Statement

Question/Comment: When did Managed Competition last appear on a Council Meeting Agenda?

Staff Response: January 14, 2013.

Prepared by: Barbara J. Adkins, Deputy City Manager



Beyond “Business As Usual”: A Case Study

How one Illinois village saved millions—and improved services for its citizens

The Problem

Too often, local governments go about “business as usual” for years, even when they could get a better deal for the same or better level of service. Recently, many communities have started questioning their “business as usual” routine as it becomes increasingly clear that repeatedly raising taxes to generate additional revenue is not politically tolerable—or sustainable—and cannot support the growing cost of government. Local governments hitting this tipping point, and others on the path to it, need to change the way they operate or face total financial collapse.

Our Solution

In order to survive financially and provide the services and quality residents expect, municipalities throughout Illinois must adopt new guiding principles and best practices. Five years ago, the Village of Glenview recognized this reality. By establishing and following the principles and best practices listed below, Glenview’s public servants have achieved tremendous cost-saving and quality-driven results:

- *Long-range planning for budgeting and programming.*
- *Defining core competencies.* What is the local government designed to do and what does it do well? For what purpose does it exist?
- *Ongoing, in-depth analysis of programs, services, and processes.* Management must ask: Do programs make sense? On what basis were program standards established? Are service levels appropriate for the needs

of the customer (in the Village’s case, the community/residents)? What are the true costs involved? Is the service necessary? Is this the best way to provide this service?

- *An organizational structure that flows out of organizational goals.* Staffing levels, service delivery methods, positions and department structure must be justified in terms of the organizational objectives achieved.

- *Cost-efficient service provision that doesn’t compromise quality.*

Why This Works

If it had not changed course from “business as usual,” the Village of Glenview would be facing budget deficits in excess of \$10 million per year, or approximately 20% of the Corporate Fund budget. Without the ability to raise revenues of this magnitude, the Village would have likely needed to make deep cuts (reductions and eliminations) to services.

Today, because the Village made these changes, it is financially solvent, cost-efficient, and continually strives for high quality services at the best price. Unlike before, the Board of Trustees can now generally know a year ahead of time what the future might hold and uses that information to guide prudent decision-making. Also, following new guidelines and principles enables the Village to provide timely, meaningful information and feedback to its ultimate customers: the residents and taxpayers it serves.

Municipalities across Illinois need to follow the Village of Glenview’s lead and establish these best practices and principles as guidelines, and by doing so, put themselves on a winning, cost-effective and quality-driven track. “Business as usual” may be costing taxpayers far more than they realize. It’s time to make a change.

Learn more at illinoispolicy.org



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Overview

Historically, public sector agencies have operated on a fairly standard model, one that relies primarily on in-house staff providing a traditional range of services (which varies based on the governmental unit), supported by a steady stream of tax revenue and various fees. In recent years, however, many communities have begun to question this approach, as it is becoming clear that simply increasing property and sales taxes to generate additional revenue is not politically tolerable – or necessarily sustainable -- and may not be relied upon to support the growing cost of government.

Additionally, in Illinois, there are over 6,800 separate governing bodies, including many that overlap the same geographic area, further exacerbating this challenge. At the Village of Glenview, new Board priorities coupled with reduced opportunities for revenue growth, increasing personnel costs, and a challenging economic environment has prompted management to change the way it does business. In order to continue providing the services its residents expect, the Village has chosen to adopt a number of new guiding principles and best practices. These include:

- **Long-range planning for budgeting and programming.**

- **Defining core competencies.** What is the organization designed to do and what does it do well? For what purpose does it exist?

- **Ongoing, in-depth analysis of programs, services, and processes.** Management must ask: do programs, services, and processes make sense? On what basis were program standards established? Are service levels appropriate for the needs of the customer (in the Village’s case, the community/residents)? What are the true costs involved? Is the service necessary? Is this the best way to provide this service?

- **An organizational structure that flows out of organizational goals.** Staffing levels, service delivery methods, positions and department structure must be justified in terms of the organizational objectives achieved.

- **Cost-efficient service provision** that doesn’t compromise quality.

This piece will examine the impetus behind this change and detail the specific changes Village management has made over the past four and a half years. It will outline some of the challenges Glenview has faced in making these changes and describe possible steps other public sector agencies could take to follow a similar path.

Glenview’s innovation served as a paradigm shift in governance. And, indeed, such a paradigm shift may become less of an option and increasingly a necessity as gaps between available revenues and growing expenses become more common across the country.

*The Village of Glenview collaborated with **Kate Campaigne Piercy**, Director of Government Reform, to produce a comprehensive case study about the successes Glenview has achieved by implementing and following its best practices and guiding principles.*

The Village of Glenview

Glenview, founded in 1899, is a home rule municipality on Chicago’s North Shore. The 13.82 square mile community is relatively affluent; median family income for its 46,000 residents is \$120,598.¹ Glenview residents tend to be well educated and have high expectations regarding the level of public services they should receive.

Glenview operates under a council-manager form of government. The Village President and six Trustees are elected at-large (i.e. they do not represent particular wards or areas of the Village) for four-year terms; elections are held every two years with alternating slates for four of the positions and the remaining three positions. The President, with the concurrence of the Trustees, appoints the Village Manager, who is responsible for implementing Board policies and handling day-to-day operations carried out by seven departments. As is the case with most municipal government, these operations focus on its core competencies:

- **Public health and safety.** Fire and police services, emergency dispatch services, and enforcement of health and safety codes are examples.
- **Maintenance of public infrastructure.** Repairing local streets and sidewalks, snow plowing, and street sweeping are examples.
- **Community-wide planning and development.** Determining density of structures or the mix of retail, residential, recreational and industrial uses in any given area, for example.
- **Provision and maintenance of water, sewer and sanitary systems.**
- **Intergovernmental cooperation.** Working with the county or state to improve services for residents.

Currently, the Village employs 296 full time employees (FTEs); its 2009 Adopted Budget includes \$213.4 million in uses – \$99.6 million for operations and maintenance; \$2.3 million

for capital outlay; \$47.0 million for debt service; \$20.9 million for capital projects; and \$43.6 million for fund transfers. Within these expenses, the Village’s Corporate Fund, containing the primary expenses for the operational departments, was established at \$53.3 million.

Impetus for Change

A number of factors drove change at the Village of Glenview, but the original impetus came from the Village’s elected officials.

Board of Trustees

In the early 2000s, the Village was emerging from nearly a decade of intense focus on planning and development initiatives in response to the 1993 Base Realignment and Closure (BRAC) decision to shutter the former Glenview Naval Air Station. Glenview’s then-Board of Trustees began turning their attention back to core services and determined the Village needed to overhaul its day-to-day operations, budgeting practices, and “corporate climate” in order to begin planning for sustainability.

A fiscally conservative group, most of whom worked in the private sector, they believed that many of the best business principles and practices they had successfully used in the private sector should be considered – and might benefit Glenview. **The bottom line for the Board was: What are our residents getting for their money?** They believed in some cases, tax dollars could be spent more efficiently and that the Village wasn’t operating efficiently in all areas. Among other things:

- The Village tended to operate on a “that’s how we’ve always done it” philosophy and did not have strong business cases to support current service levels.
- Technology was way behind the curve – internal IT staff did not have the knowledge or experience to manage the necessary, large-scale improvements to eliminate inefficiencies.
- Although Village finances were very strong based on long-standing, conservative,

The bottom line for the Board was: What are our residents getting for their money?

financial practices, few clear, written financial or budget policies existed.

- Village staff did not carry out any long-range financial planning for operations, although 5-year planning for capital improvements had been established for over a decade.
- Personnel policies were 20 years old.
- Some Village funds were operating in the red.
- Village facilities were deteriorating with no plan for management.

In 2004, as they began the search for a new Village Manager, the Board deliberately evaluated candidates in light of their determination to bring a more businesslike, performance-driven perspective to Village operations.

Once the new Manager came on board, the Board began to question everything: why services were offered, what they cost, and why they were offered in a particular way. And they gave the Manager his marching orders:

- Maintain and expand excellent customer service.
- Put together a workplan for yourself and hold staff accountable for performance.
- For every program and service, **prove** it's the most efficient, effective way to operate.
- Address "That's the way we've always done it" philosophy.
- Open up the budget process and undertake long-range financial planning.
- Be willing to implement up-to-date business policies.

- Ensure that Village salaries/benefits make sense and fit in with the market.
- Minimize property taxes and debt.
- Maintain the Moody's AAA bond rating.
- Stabilize funding sources for the Capital Improvements Program (CIP).
- Improve transparency in all Village operations.
- Establish justification for fund balance policies and maintain fund balances in accordance with established policies (i.e. Corporate Fund 33 to 40 percent of expenditures).

The Shift from Growth to Sustainability

The redevelopment of the 1,121-acre Glenview Naval Air Station from the mid 1990s to the early 2000s brought rapid growth to the Village of Glenview. Its population had risen from 41,847 in 2000 to 46,349 in 2007, with nearly 2,000 new residential units and two million square feet of commercial space

Village of Glenview Personnel Costs: 2005 vs. 2009

	2005	2009
Number of Fulltime Staff	354	296
Salaries	\$23,498,880	\$25,466,447
Pensions	\$2,700,000	\$4,582,140
Health Insurance	\$4,672,375	\$5,522,191
Roll Ups	\$1,744,790	\$2,002,405

being added. Altogether, it represented over a ten percent expansion to the community. While the Village planned extensively for the redevelopment of this property (now known as "The Glen") and has developed a formal plan to retire its Tax Increment

Financing District, it performed essentially no long-term planning or budgeting for operating expenses or priorities (although it did prepare five-year capital budgets). The Village developed annual budgets, but as the dollars flowed in from the redevelopment, little focus on long-term budgeting occurred. Staffing levels increased in order to handle the enormous Glen project, but very little analysis was completed regarding the appropriate staffing levels following build-out.

As construction at The Glen neared completion and population growth slowed, the increase in revenue streams slowed down too. Between 2002 and 2007, sales tax, utility tax, and shared

Once the new manager came on board, the Board began to question everything: why services were offered, what they cost, and why they were offered in a particular way.

property tax revenue grew by double digits annually. But with revenue increases slowing to the low single digits and personnel costs increasing at a much higher rate, the Village had to focus on developing a plan for sustaining service levels.

It became imperative to think ahead and develop long-term plans for covering the costs of service delivery. Traditionally, this had been solved through natural growth in the community, which brought in higher taxes and fees each year. However, as mentioned above, without significant new areas available for development, this option was no longer available.

Economic Downturn

Although the Village was well on its way to instituting modern business practices into management of municipal operations by 2008, the global economic downturn was impacting Glenview, as it was impacting almost every other institution – public, private and nonprofit. Several historically strong revenues including sales tax, home rule sales tax, income tax, and utility tax experienced large reductions between 10 and 20 percent. Equally as detrimental to the Village's budget were the record losses in pension fund portfolios resulting from the catastrophic losses in the stock market, which would require significant extra contributions during the upcoming years. This only increased the need to think “outside the box” and challenge accepted public sector practices in order to continue serving residents effectively.

By the fall of 2008, it became apparent if the Village took no action it would have a \$3.9 million deficit in 2009 – seven percent of its \$53.7 million Corporate Fund budget. Worse, by 2010 the Village would face a \$5.5 million deficit – ten percent of its \$57 million Corporate Fund budget.

Village Response: Steps Taken

The biggest change at the Village – and the change from which all other changes flowed – was, in fact, a shift that completely changed the corporate culture. Now, there was only one vision: **provide appropriate, high-quality, cost-efficient public services that have**

been fully justified through business case modeling and are based on comprehensive, long-range planning. Further, like any business, Village operations had to incorporate:

- **Accountability:** departmental business plans; individual work plans and performance reviews.
- **Customer Focus:** verification of customer desires and priorities through aggressive customer surveying, focus groups, and other feedback methods.
- **Efficiency:** are our residents getting the most for their money?
- **Transparency:** provides clear picture of what residents' tax dollars are paying for and shows whether programs are working well or poorly.

Any Village program or service must be examined through a lens ensuring it was:

- **Appropriate and necessary.** Just because a service had been provided in the past was not a good enough reason to continue providing it or to continue providing it at a particular level. The need for the service itself – and service levels – needed to be justified. An example of this approach was the review of its street sweeping services in late 2006. An internal review team analyzed the effectiveness and efficiency of the service, developed a full cost accounting of the service, studied alternate methods of delivery, established new performance and productivity standards, and conducted a managed competition where the Public Works department submitted a bid to perform the service and was compared to private sector proposals. Ultimately, the private sector won the bid by producing an annual \$100,000 savings.
- **Provided in a high-quality manner.** Once service standards were defined, excellent service provision was non-negotiable. Cost cutting resulting in poor quality service wasn't acceptable.
- **Provided in the most cost-efficient manner possible.** The way services were provided needed to be questioned – was there another way to operate? Could it

It became imperative to think ahead and develop long-term plans for covering the costs of service delivery.

be handled with fewer staff or resources without compromising quality? Sometimes, the answer was yes, sometimes no, but the question needed to be asked.

It should be understood that this new way of approaching operations did not occur overnight. Making the shift was a somewhat lengthy, often painful process. For more on this, see “Challenges and Barriers” below. However, setting aside for the moment the process of this shift, here are the actions the Village has taken over the last four years to change the way it does business.

Planning and Budgeting

Whereas previously the Village did very little strategic planning, Glenview’s management model now incorporates a continuous, rolling strategic planning and business process improvement philosophy that helps identify goals and resident needs – as well as potential barriers and threats – ahead of time in order to proactively address challenges. This includes:

- **Five-year financial forecasting/strategic planning.** While the Village had always developed a five-year Capital Improvements Program (CIP) plan, it now develops a five-year rolling operating financial forecast, including comprehensive assumptions for revenue and expenditures. This enables the Board of Trustees and Village Manager to identify shortfalls and threats in order to plan strategically for those challenges. It also enables the Board to frame policy issues and provide direction to staff regarding long-range goals.
- **Annual goal setting.** Utilizing the five-year forecast and the annual report of accomplishments from the prior year, the Village Board and Village Manager meet to review progress and establish goals and priorities for the next year.
- **Annual budget cycle.** All departments then establish budget requests based on the direction received from the goal setting process.
- **Annual business planning.** Finally,

departments develop annual business plans based on approved budgets, which, taken together, constitute the Village’s comprehensive Annual Business Plan. This plan includes goals, action steps, performance indicators and targets – and details are included in individual work plans. And the business planning process itself is continuously honed and revised to include more meaningful metrics to better measure performance.



Focus on Staffing Levels and Employee Performance

Any organization’s most important asset is its people. Ultimately, it is Village employees – or contractors – who provide the services; recruiting and retaining a skilled staff is key to excellent service provision. However, positions, salaries, and benefits had not been tested comprehensively against the market for many years. It was unclear if Village staffing levels were appropriate or whether its compensation was competitive and appropriate. In addition, the Village did not have a performance review system in place. Increases were based on a “step” system unrelated to performance. In response, the Village:

- Undertook a **departmental-wide compensation and classification study** that benchmarked all positions against comparable municipalities, updated the Village’s salary structure, and created a clear position classification system (including proper classification of exempt and non-exempt positions).
- Developed written **Pay Administrative Guidelines.**

Whereas previously the Village did very little strategic planning, Glenview’s management model now incorporates a continuous, rolling strategic planning and business process.

- Developed **written work plans** for each exempt employee.
- Instituted regular **quarterly performance evaluations** and **merit increases for exempt staff** (eliminating automatic step increases).
- Now undertakes continuous review of staffing and service levels. Through this process, when the economy negatively impacted the Village's finances this year, it was able to maintain its service levels even when it had to undertake a reduction in force. This was managed through creative methods of service provision, including the new Resolution Center (see Organizational Redevelopment, below) and privatization (see section below).
- Offered an **Early Retirement Incentive (ERI) Program** in 2007-2008 to right-size staffing levels through attrition. As employees departed, their positions were not automatically refilled. Instead, management re-thought how to provide service, or simply didn't back fill it if the position was no longer necessary or could be consolidated into another position. Ultimately, there was a net decrease of ten employees as a result of the ERI.

As a result of these steps, staffing levels have been reduced from 354 (2004) to 296 (2009). The Village is currently avoiding \$4 million annually in salaries/roll-ups and by 2013 these changes should have an annual impact of \$5.5-\$6 million in costs avoided.

Analysis and Evaluation of Services and Processes

To provide high-quality, cost-efficient service, it is critical to understand how services are currently provided – and at what cost. Improvements and changes must be based on a thorough analysis and evaluation of the service or program in question. To this end, the Village:

- **Defined core competencies.** Department Directors were asked which services they felt the Department provided efficiently and well – and which it didn't. If a particular service wasn't defined as a

“core competency,” other avenues of service provision were explored.

- **Established PREET (Process Evaluation and Efficiency Team).** Chaired by upper-level management and representatives from each Department, PREET is charged with putting Village services under the microscope. Each process involved in a particular service is analyzed in detail and hard questions are asked. Do we need this service? If so, are we providing it in the best manner possible? Can we provide it more efficiently? Services and programs examined by PREET to date have included street sweeping, social service provision, water tapping and more.
- Established a **Program Review Committee** in response to financial challenges the Village is facing in light of the economic downturn. Made up of employees from all levels and all departments, this group focuses specifically on cost-cutting measures. Examples include consideration of outsourcing of fire/police alarm services, exploring a possible volunteer corps to undertake some basic office work, and even evaluating the way the Village provides coffee service for employees. Even key programs that are central to Village operations were reviewed. For example, the group has worked to identify creative and less expensive ways to manage a meaningful employee recognition program.
- In some cases, **Departments established their own PREET-like independent self-evaluation teams** for programs.
- **Conducted a number of in-depth studies** to evaluate costs, service quality, whether or not standards were appropriate, and what might be the best way to provide services. Among other things, the Village has closely studied its utility systems, fleet operations, health insurance offerings, community parking, and building permit process.
- **Tested the market with Requests for Proposals (RFPs).** In some cases, the Village put RFPs “on the street” for various

To provide high-quality, cost-efficient service, it is critical to understand how services are currently provided – and at what cost.

in-house services – for example, accounting – in order to compare in-house and external costs associated with providing that service.

One additional benefit of such analysis is that it assists the Village in communicating proposed program changes to its corporate, performance-driven Trustees—and it helps to give the Village credibility with the public.

Benchmarking

Often, there is little reason to “reinvent the wheel” when considering program and service improvements. Over the course of the past four years, the Village has taken advantage of the expertise developed by municipalities throughout the state and the country to gather ideas. For example, in determining the costs and benefits to implement a Resolution Center (see “Organizational Restructuring”, below) Village staff visited Carrollton, Texas to see its operation and discuss costs and benefits, along with lessons learned, of implementing their center. This framework enabled the Village to expedite a decision to implement its Resolution Center in less than six months.

Organizational Restructuring

As data accumulated about service provision and its costs, the Village Departmental structure was reorganized to make it more efficient. A new emphasis was also placed on cross-training employees. Here’s an overview of the changes:

- **Engineering**, previously housed in the Development Department, was moved to a newly-created Capital Projects Department in order to proactively improve focus and performance related to delivering and managing the annual Capital Improvement Program (CIP). Historically, the CIP had been underfunded because of a poor track record of not completing budgeted projects. Designs were not completed in advance, and projects often started late in the year, which forced the project to be carried into the next year. This resulted in the Village carrying fund balances year-to-year for project commitments which complicated the Village’s financial picture. Now, the department has been able to establish a 3-year advanced design schedule with clear

standards for investment in its infrastructure and completes over 90 percent of its projects on time.

- A **Facilities Division** was created to centralize the maintenance and repair requirements for the 32 buildings owned by the Village. With an annual maintenance budget of \$700,000 and an approximate annual CIP of \$760,000, the Facilities Division now manages all major contracts and facility improvements. Additionally, a new Facility Repair Fund was established to provide longer term funding for facility capital projects.

- A **Support Services Division** was created to consolidate management of all information technology and mapping services for the Village. A strategic plan was developed for the division, and it began implementation of financial and management information systems for Village-wide operations.

- The separate Police and Fire Dispatch Centers were **consolidated into one Emergency Dispatch Center**. This resulted in a 22-employee operation becoming a 15-employee operation. Savings were invested in technology improvements for the long term and a business plan was developed that encourages the provision of services to other communities (see “Moving Toward an Entrepreneurial Model,” below). Dispatchers were cross-training to further increase efficiency. This change will result in a \$1.75 million savings over five years.

- A reduction in staffing levels at the **Police Records Division**. The installation of mobile data computers in all police cars and streamlined electronic reporting led to a reduction in the division; two employees were reassigned to other departments.

- The **Public Works** management team was completely reorganized to eliminate redundant management layers and reassign authority at appropriate levels. Cross-training within the Department resulted in the ability to reduce staffing – from 75 FTEs

Over the course of the past four years, the Village has taken advantage of the expertise developed by municipalities throughout the state and the country to gather ideas. This saved around a half-million dollars.

in 2005 to 58 FTEs in 2009 – based on a more flexible work team. Currently, Public Works manages 14 contracts with outside vendors, from snow plowing and street sweeping to landscaping and water system management.

- **Fire inspection services** were moved out of the Fire Department and into the Inspectional Services Division, consolidating all types of inspections provided by the Village. Inspectors (who had previously specialized in one type of inspection) were then cross trained, resulting in more work hours used to complete routine inspections and smooth seasonal workload peaks and improved coordination.

- **A new centralized Resolution Center** will be launched in 2009. Through the Center, most requests for service or information will be handled centrally by customer service representatives who will route them appropriately and track them through to resolution. This will take some of the pressure off of front-line staff in the various departments, enabling them to shift their focus to other priorities.

It should be noted that such major organizational changes are easier to achieve in municipalities that have access to a large talent pool. Those located in smaller population centers might have more difficulty tapping into specialists and experts in particular fields.

Overhauling Human Resources Policies and Benefits Structure

As mentioned above, the Village's Human Resource policies hadn't been systematically reviewed in decades and many were out of date. Over time, with the assistance of an employee committee, all policies were reviewed and a more appropriate policy and benefit structure was put in place. Some of updates included:

- Changing the **health care plan design** to include employee contributions while expanding options for all staff.
- Setting **limits on the amount of compensatory time accumulation**. Now, any comp time earned above 80 hours each

year must be taken as pay – not time off. This has eased staffing shortages – and therefore dollars – as the Department has been able to reduce “hire backs” and the associated overtime costs to fill empty slots due to employees taking comp time.

- Changing policies with regard to employees who cannot perform their regular duties due to workplace injury. Now, instead of simply being off work, **employees are assigned to “Light Duty” status when medically appropriate and returned to work as early as possible**. During this time, they handle many routine administrative functions, including police records work, general mailings, scanning documents, and taking calls.

- **Longevity pay** was eliminated for exempt employees and will be eliminated for all new hires as of May 2009. This was part of a larger plan to focus on performance-based compensation and benefits rather than tenure-based programs.

- Creating a **Sick Leave Accrual Policy** for all employees – as opposed to the open-ended sick leave policy the Village had previously used. Now, employees accrue a specific amount of sick leave each year – a common practice for most businesses (and governments, in fact).

Considering Alternative Methods of Service Provision

In line with the ultimate goal of providing high-quality, cost-efficient services, the Village started taking a more flexible approach to service provision. A particular service may be provided most effectively through the use of in-house staff. Or, it may not: a private vendor may be more cost effective. In some cases, a mix of internal and external resources may yield the best result.

Partnering with the Private Sector

Using private firms to provide some services can be extremely cost efficient with no loss of quality. In some cases, in fact, quality can improve because broader levels of education, experience, training, and breadth and depth of personnel can be better offered by a private company than through one or a few

A particular service may be provided most effectively through the use of in-house staff. Or, it may not: a private vendor may be more cost effective.

government employees responsible for the same function. By using contracts for some functions, costs can be locked in for several years, and the Village avoids taking on the burden of additional personnel-related costs. Although contractor costs do increase over time, competition among private contractors for Village contracts often limits the rise. Due to rapidly escalating health insurance and pension costs, contractors often have more control over employee pay and benefit structures than municipal governments.

Additionally, contracting can provide more flexibility to respond to changing market conditions. For example, when the economy is stronger, more development typically occurs, requiring more staff to review plans and inspect construction sites. However, when the economy slows, fewer personnel are needed for these functions. It is much easier to modify a contract scope than to reduce in-house staffing. Although it may sometimes be difficult to see immediate savings, over the long term the savings are evident. The choice to privatize service provision at the Village is always based on an analysis of cost vs. quality – and assurance that the Village will maintain control over that service. Some examples of recently privatized services include:

- **Janitorial services**, at an annual savings of \$70,000.
- **Information Technology**, resulting in an annual savings of \$40,000 with much improved service levels.
- **Management of the Village's water system**, resulting in an annual savings of \$30,000 and a higher level of service from a private firm.
- **Street sweeping**, resulting in annual savings of \$100,000.
- **Plumbing and elevator inspections**. This smoothes out seasonal demands; when there are no required inspections, the Village is not paying salaries or benefits.
- **Community Relations Officer**.

Previously, this service was provided by two full-time police officers. When a number of police officers retired, these two officers were moved back in to the main police force. To provide community relations services, the Village is contracting with one of its retired officers. In this way the Village saves pension and benefits costs while retaining an experienced individual who is already familiar with the Police Department.

- **Some engineering services** for inspections of construction projects have been contracted out to provide flexibility in matching resources to the need. Additionally, since Glenview is in a northern climate, these services are not needed during winter months, so converting to contract has generate significant cost savings of approximately \$125,000 per year.
- **Legal Services** had long been contracted out; however, the Village wanted contracts based on flat fee retainer with the firms (excepting special litigation), and therefore renegotiated contracts with these firms, which smoothes out costs and enables better planning over the long term. This resulted in an estimated savings of \$120,000 annually.

Combination of in-house staff and privatization

In order to access a broader talent pool with current, state-of-the-art equipment and processes, the Village in some cases elected to use a combination of in-house and private sector staff. The following areas are highlights of this method of service delivery:

- **Financial services**. In what is possibly the most creative and unique of the Village's service delivery efforts, the Village recently hired two private financial services firms to assist Village staff by providing a wide range of financial services. One firm will take on accounting, forecasting and financial process refinement and oversight. A second will manage the Village's investment portfolio.
- **Snow plowing**. The number of personnel needed in the Public Works Department to conduct snow removal operations is more than are needed to provide services during

The choice to privatize service provision at the Village is always based on an analysis of cost vs. quality – and assurance that the Village will maintain control over that service.

the summer. By working with the private sector to supplement staff, the Village will realize a five-year savings of more than \$1 million. While the Village initially faced some challenges with finding the right service provider, it now has an excellent vendor in place. The caliber of service has improved, as has the Department's ability to plan appropriately.

- **Building and fire inspections. Cross-training** reduced the need to backfill full-time employees and helped to smooth out seasonal peaks.
- **Social services.** Previously provided by two full-time Village employees, the Village analyzed the needed service level and chose to change the provision model. Now, one Village social worker liaisons with a contracted counseling center – with more than a dozen qualified counselors on staff – to assist Police Department customers; and the Village has cut costs by over 50 percent.

In-House Service Provision

After careful consideration, the Village determined that some services were better provided by in-house employees.

- **Dispatch services.** Keeping this in-house resulted in better control of the service level and leveraged technology through the Village's investment in its police and fire records management.
- **Health Inspections.** Since these inspections occur year-round, it was determined that personnel needs could be matched with inspection requirements. The familiarity that the employees have with the long-term operations of community businesses was a significant benefit.
- **Risk Management Function.** In this case, services previously contracted out were brought in-house. Through the Human Resources Division, staff does more than manage liability and worker's compensation claims. They actively work with employee safety committees and educate staff about ways to reduce injuries and accidents.

Finally, they work closely with staff responsible for special event approvals to ensure that sponsoring organizations have appropriate liability coverage to protect the Village. The Village has recouped the costs associated with this function several times over the course of its first year through effective claims management and negotiation of premiums.

Moving Toward an Entrepreneurial Model

Increasingly, the Village is aggressively seeking **inter governmental cost-sharing and cooperative ventures** to leverage resources, control costs, and learn more about new ways to provide services effectively. Also, as a result of ongoing operational analysis, the Village sometimes finds that after reengineering businesses processes, it has service capacity beyond what is needed by its own citizens. Partnership opportunities with other governmental jurisdictions can thus maintain or improve Glenview service levels while providing a financial return that can be used to offset the costs of service for Glenview taxpayers. Most recently, the Village signed a contract to provide police dispatch services for the Village of Grayslake, a municipality of 22,000 located 15 miles northwest of Glenview, through a seven-year \$3.6 million agreement. Glenview will act as the dispatching agency and manage the workflow, staff and communications technology systems for both communities and, in return, will receive a \$225,000 annual profit to provide the service.

Why are private firms interested in contracting with government entities?

This paper has outlined in some detail the benefits of contracting with private firms to provide appropriate services. But what about the private firms themselves? What benefits do they receive when they contract with government entities? Here's an overview:

- The public sector can offer a new area of growth for their business model and an opportunity to diversify their client base – particularly valuable in light of the economy.
- As the struggling economy has caused private sector firms to lose clients and

Increasingly, the Village is aggressively seeking inter-governmental cost-sharing and cooperative ventures to leverage resources, control costs, and learn more about new ways to provide services effectively.

cut back expenses, local governments are attractive clients. They are obligated to provide core services regardless of the state of the economy (for example, plowing the streets and conducting health and safety inspections.)

Challenges & Barriers

A written case study tends to imply that progress toward a goal is linear and streamlined. In reality, of course, that is generally far from the case. This document summarizes and organizes years of effort to overcome barriers to integrating private sector business principles and best practices into Village operations. With few significant exceptions, services, programs, and service delivery methods had remained the same for decades and the “because we’ve always done it that way” mentality was common among employees. Additionally, since the public sector is not profit-oriented, the management approach often fails to seek the most efficient methods of service provision, especially if it is not common among other communities. Public sector personnel often have no private sector experience and therefore are not aware of these principles. Finally, the public sector is not the private sector – there are differences that must be accounted for. It was a learning process; here are a few of the challenges the Village faced:

- Creating an **organizational culture that is comfortable with change and continuous improvement.** As noted above, generally “That’s the way we’ve always done it” drove service and Standard Operating Procedure decisions. Change is unsettling – it certainly was for long-term employees who (in some cases) had never known any other type of work environment. There was a great deal of resistance to any kind of cultural shift.
- Although many Village employees were talented and dedicated, over the years **ingrained habits had developed** regarding job functions, salaries and benefits, which are not unusual in local government.
- **Fear of failure.** With new rules and standards in place and new methods of

service delivery, there was a very real fear that employees would fail to achieve the new standards – or that a new way of doing things wouldn’t work. In some cases, this was true. But mistakes always provided opportunities to learn.

- **Resistance to adapting to change and necessary changes in staffing.** In the end, some employees did not want to adapt and left the organization. This was hard on staff morale.

- The need to **continuously communicate with employees and be as transparent as possible,** even if the news wasn’t always good. The Village Manager and Department Heads devote a great deal of time to keeping staff in the loop and educating them about budget and organizational challenges. For many, this was the first time they had ever had a glimpse of the budget or understood how it impacted their jobs and departments.

Keys to Success

So what are the keys to success for integrating business principles into the public sector? Each government entity is different, however, a few general elements include:

- **Board support and clear direction regarding expectations.** A mandate to research and recommend the most efficient and cost-effective services. A paradigm shift to a **culture that balances continuous improvement, services, and the “bottom line.”** As noted above, this isn’t always easy to achieve. However, without it, major changes are much more difficult to implement. A **Chief Executive Officer/ Village Manager who wishes to lead his/ her organization in this direction** – and who builds a leadership team that can help realize this vision.

- To that end, a **full commitment from top management** (including department heads) to making these changes – and a strong leadership structure.

- Ongoing, careful **annual and long-term planning and budgeting.**

With few significant exceptions, services, programs, and service delivery methods had remained the same for decades and the “because we’ve always done it that way” mentality was common among employees.

The Village of Glenview believes that for many municipalities facing rising costs and slowing revenues, some of the approaches outlined in this piece will become more commonplace – part of their new business approach to local government operations.

- Clearly defined **annual goals** for top management and every department. This way, everyone is on the same page and knows what is expected.
- Clearly defined **employee work plans** and a **comprehensive feedback and evaluation system**. Used correctly, these tools can actually reduce anxiety, as each employee understands exactly what they need to do – and how they’re doing.
- A **willingness to take chances** – and sometimes fail. Your next attempt will usually be better because of the learning process.
- When the choice is made to partner with the private sector, **contracts should be careful and extremely specific**. Clearly delineate work products, standards, deadlines and expectations. Set firm boundaries on expenses and overruns.
- **Strong contract managers** who are well equipped to oversee vendors, ensure they are abiding by the terms of the contract, and troubleshoot any difficulties.
- **An expectation of excellence**—from employees and vendors. The best employees and vendors will rise quickly to the challenge and often exceed expectations.
- **Patience**. Such major changes don’t happen overnight.

What would have happened if we didn’t take this path?

In reviewing the total cost savings that have been created during the last four to five years, it has been projected Glenview would be facing budget deficits in excess of \$10 million per year, or approximately 20% of the Corporate Fund budget. Without the ability to raise revenues of this magnitude, it is likely the Village would have had to make deep cuts (reductions and eliminations) to services. This would have been accompanied by major staff reductions that could have represented nearly one-third of the staff.

Conclusion

What does the future hold for municipal operations? The Village of Glenview believes that for many municipalities facing rising costs and slowing revenues, some of the approaches outlined in this piece will become more commonplace – part of their new business approach to local government operations. Privatization, as well as service consolidation between municipalities, may also play an increasing role.

The approach to public sector service delivery and management described in this piece works for the Village of Glenview. Rigorous process improvement drives cost-efficient provision of high-quality services, and the Board of Trustees generally knows as much as a year ahead of time what the future might hold and can use that information to guide decision-making. Finally, such a model enables the Village to provide timely, meaningful information and feedback to its ultimate customers: the residents and taxpayers that it serves.

For additional information or questions, contact Todd Hileman, Village Manager, Village of Glenview, at (847) 904-4370 or thileman@glenview.il.us

Notes

1 2007 U.S. Census Estimate.

See the final page of this report for a list of strategies on integrating the private and the public sector.

Integrating Private Sector Strategies into the Public Sector: A Preliminary Checklist

- Obtain the support of elected officials.
- Build a staff leadership team committed to leading the organization in a new direction
- Undertake long term and annual strategic and financial planning.
- Ensure that your compensation, evaluation, and position classification system is strong in order to support the recruitment and retention of skilled employees.
- Ensure that job descriptions and performance evaluations emphasize flexible thinking and the need to justify services and programs. Reward out-of-the-box thinking and willingness to consider alternative service delivery methods.
- Turn the microscope on every program and service – and the way it is provided. Question staff, benchmark with other communities, undertake studies, and dig into the details.
- Create an in-house team of leaders to examine services and programs. Give them the freedom and authority to closely examine costs and methods of delivery and make suggestions for change.
- Communicate – communicate – communicate. Talk to elected officials, staff, and the public. Keep elected officials informed of your progress, meet with managers, departments and department heads and front line employees on a regular basis. Set up regular internal channels of communication – an intranet, an employee newsletter, employee feedback committees, all staff meetings, and so on. The same is true vis a vis the Board of Trustees – keep them posted on your activities and changes.
- If the decision is made to contract out a service, tap strong managers to oversee vendors.
- Cultivate the climate in which improvement is continuous. Nothing should ever be considered “finished.” Changing circumstances may lead to the need for additional changes to service or program delivery.