

November 15, 1999

Mayor Jack Cavanagh, Jr.
Members of the Board of Aldermen
City Manager Bryce A. Stuart

I transmit herewith the Report of the Citizens Efficiency Review Committee. The report is the resultant of a process that took the better part of one year, and involved 120 or more volunteers. These volunteers did a comprehensive analysis of City services divided among seven Review Teams. Their complete reports comprise Chapters I through VII of this Report.

The Steering Committee abstracted 332 Observations and 308 Recommendations from those reports and derived estimates of the financial implications of the recommendations. The Steering Committee has aggregated some of the Recommendations into what we perceive as "major themes," i.e., observations and recommendations that appeared in many different Review Team Reports.

Space in this letter of transmittal does not allow me to list each volunteer (they are, however, noted and thanked in the body of the Report), but I will identify each of the Review Team Leaders and commend them for a job well done. They are, in the order their Reports appear:

Environmental Health: Patrick W. Swann (Former Assistant City Manager for
Public Works)

Public Safety: Dr. Don Martin (Superintendent, Winston-Salem/Forsyth County)

I want to thank also the employees of the City for their unparalleled cooperation during this arduous process. Special thanks go to Lee Garrity and the Staff of the Office of Organizational Effectiveness, without whom this Report would not have come together. Major kudos go to my Assistant, Nancy Cox, who as always did her very best to keep me on track.

Finally, I must express my gratitude to the members of the Steering Committee who have devoted untold hours of oversight to produce this comprehensive analysis.

The members of the Steering Committee are:

Sharon Jeffries-Jones (Vice Chair), Senior Vice President and Corporate Risk
Manager, BB&T Corporation

Dr. John P. Anderson, Vice President for Finance and Administration, Wake Forest
University

Richard P. Budd, Chief Executive Officer, The Budd Group, Inc.

Richard N. Davis, President, Davis Management Services

James W. Johnston, President, StoneMarker Enterprises, Inc. and Former President of
RJ Reynolds Tobacco Company

Margaret M. Urquhart, President, Lowes Foods

Geneva Brown (ex officio liaison to Common Vision), Former Principal - Winston-
Salem/Forsyth County Schools

I cannot thank them enough.

Although we have produced many recommendations for change, we are convinced that the people of Winston-Salem should be proud of the level of accomplishment of our City government. Please accept this report in the spirit we have attempted to convey.

Respectfully submitted,

Richard Janeway, M.D.
Chairman

EXECUTIVE SUMMARY

OVERVIEW

More than 120 citizens have volunteered their time and talent during the past year to review every aspect of City government to fulfill their role in the Citizen Efficiency Review Committee (CERC). These volunteers and their employers have demonstrated an unsurpassed commitment to the community by donating more than 6,500 hours to this project. Seven (7) Review Teams analyzed the programs and services of City government for the potential to reduce cost, improve customer service and enhance program effectiveness. As they submitted their reports to the CERC Steering Committee, a clear understanding emerged among the leaders of the Review Teams and the Steering Committee (henceforth collectively to be known as the CERC) that a City function could be required to be so efficient that it might lose its effectiveness, an outcome certainly not to be desired. This observation guided our judgment that **maximum efficiency is not necessarily synonymous with minimum cost. Rather, maximum efficiency is more likely to be consonant with the lowest cost that provides effective services to the citizenry.**

Although the overall implementation of our recommendations will create significantly more savings than expense, it should come as no surprise that some of the recommendations call for increased costs to ensure both maximum efficiency and effectiveness.

Working within that general understanding, and within the charge to the Committee by the Mayor and the Board of Aldermen (*Appendix C*), the Steering Committee adopted the following **Mission Statement**:

"It is the mission of the Citizen Efficiency Review Committee to accomplish an objective review of the efficiency, effectiveness and appropriateness of City-provided services, individually and as a system, and to make such recommendations to the Board of Aldermen as deemed appropriate by the Committee to prepare City government to function in ways that enable us to meet the future within the conceptual framework of the vision set forth in the Legacy Comprehensive Plan."

To accomplish the Mission, the Committee adopted **Mission Guidelines** asserting that "the Committee shall, without limitation

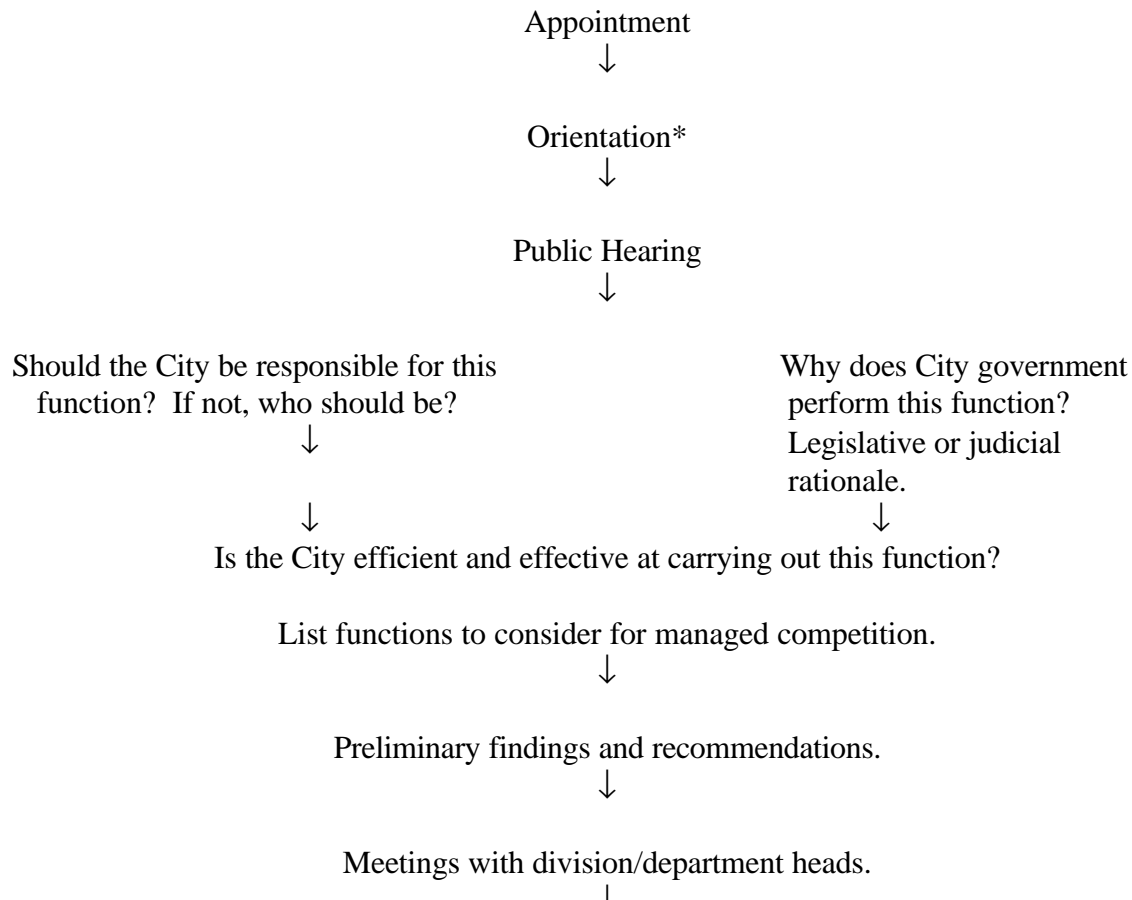
- (a) objectively analyze the function and responsibilities of all departments, both individually and as a system, to identify the strengths and opportunities for

- (d) recommend services and functions that should be considered for consolidation with other governmental units,

to the end that the recommendations carefully balance the competing needs for cost containment and improved services to the citizenry."

The procedure followed by the CERC is outlined in the Review Process Chart, which shows our activities from the date of appointment of the CERC up to the time of the submission of our Report. The process is outlined in the following chart:

REVIEW PROCESS (ABRIDGED)





Citizen Efficiency Review Steering Committee final Report
is presented to the Board of Aldermen.



The report is communicated to the citizenry.



Implementation process determined
by Board of Aldermen and City Manager.

* All decisions follow a "Yes" or "No" algorithm.

MAJOR THEMES

This "Executive Summary" differs from others with which you may be familiar. It does not recapitulate all of the 332 Observations and 308 Recommendations (Summary Analysis, p. 31 - p. 106) that the CERC has abstracted from the reports of the Review Teams.

The Executive Summary addresses only the major "theme issues" that recur in the reports of the Review Teams. These themes represent the top priorities identified by CERC and are divided into the following broad categories:

- I. Issues in Information Services and Technology
- II. Issues in Environmental Health
- III. Issues in Community Development
- IV. Issues in Economic Development
- V. Issues in Organizational Design and Function
 - A. Issues in the Design and Function of City Government
 - B. Issues in Managed Competition
 - C. Issues in the Consolidation of City and County Services
 1. Efficiency
 2. Tax Equity

COST/ BENEFIT ANALYSIS

The following assumptions were used in the calculation of costs and benefits:

- ◆ Technology and equipment improvements assume five-year lease financing.
- ◆ Major capital improvement projects assume 20-year Certificate of Participation (COPS) financing.
- ◆ Both cost and benefit estimates are based on current dollars (i.e., unadjusted for inflation). This is the most conservative approach to benefit analysis, because it underestimates "out-year" benefits.
- ◆ Some recommendations have significant financial impact, the dollar value of which cannot be calculated without detailed study beyond the limits of this volunteer engagement. Financial implications of these "uncosted" recommendations are indicated in the appropriate footnotes as TBD (to be determined). This notation is particularly important in the consideration of benefits that CERC is convinced should accrue from the consolidation of certain City and County functions.

Based on these assumptions, the 308 recommendations arising from the study will result in a five-year economic impact of \$96,440,888 in savings and \$54,266,760 in expenditures (Table 1).

Table 1

ECONOMIC IMPACT

[Abstracted from the "Potential Economic Impact Statement" on page 107 of this report.]

Cost	Teams	5-Year Projection	
		Benefit	
	Steering Committee	\$31,939,400	\$ 500,000
	Environmental Health	45,315,048	7,796,620
	Public Safety	4,706,800	25,951,300
	Transportation	2,573,350	
	1 578 000		

These estimates are spread with increasing detail throughout the Report. Detailed analyses are shown in the abstracts created by the CERC (pages 31-106) and also accompany the complete Review Team Reports (Chapters I through VII).

The "costs" and "benefits" associated with the themes covered in the Executive Summary account for only 58% of the costs and 62% of the benefit previously annotated. The "measurable costs and benefits" by theme category are shown in the following Table:

Table II

IMPACT OF SELECTED ISSUES

<u>Theme</u>	<u>Benefit</u>	<u>Cost</u>
Information Services and Technology	\$ 4,619,500	\$16,762,740*
Environmental Health	20,710,048	1,035,800
Community Development	-	12,685,000
Economic Development	22,500,000	-
Organizational Design and Function	<u>12,031,440</u>	<u>1,120,000</u>
TOTAL	\$ 59,860,988	\$31,603,540

* Total cost is \$26,612,470, of which \$9,850,000 had already been identified as necessary expenditures.

Each item of cost or benefit has been reviewed by the appropriate Department Head, and as well, by the Budget Officer and the Director of Finance. Although Department Heads may not have agreed with the CERC interpretation of "benefit" dollars derived from a particular recommendation, they agree that if the "CERC-desired outcome" were to occur, then the "dollar-benefit" has been correctly derived. Disagreements with the projections made by the CERC, if any, are therefore philosophical in origin rather than financial (see footnote¹).

The CERC believes that the implementation of its recommendations will significantly transform many of the functions of government; and will deliver benefits to the citizens of our community at costs less than currently incurred. Although we have been careful not to assign either costs or benefits, implementation of recommendations involving consolidation of City and County

functions have been assumed by the CERC to be econ
City and the County.

Several e
Execut Summary addresses only these major themes and highlights only key
ons. We do this with the understanding that all 308 recommendations have
degree of 1
recomme Most of the recommendations are so closely tied that they will have
impact on efficiency only to the extent that all recommendations are empowered to

We of the CERC believ
and the Board of Aldermen. We prese
Manager for implementation in the best interests of the citizens of our town.

I. ISSUES IN INFORMATION SERVICES AND TECHNOLOGY (IS/IT)

After reviewing the Review Team Reports, the CERC is convinced that the single most important operational challenge and opportunity facing the government of Winston-Salem lies within the complex problem of **Information Services (IS/IT)**. It is also among the most expensive opportunities about which we have little choice to accept or reject. This area of development is driven by information technology requirements that range across hardware, firmware and software products; and service delivery. As remote as the relationship might appear at first glance, the implications of IS/IT cannot be separated from the need to recruit and retain the 18 - 34 year-old age group, the need to service the aged and disabled; nor from the responsibility to develop the infrastructure that will encourage investment in the community to increase its tax base.

The Review Team Reports include 61 Observations and Recommendations for enhancement of IS/IT. All seven (7) Teams have highlighted opportunities to improve the function of government by appropriate utilization of computer-based technology for information dissemination and knowledge generation; and to position Winston-Salem as a leader in technology-based economic development. CERC is convinced that in order for the City to maintain a competitive tax structure, increased economic growth is needed.

The Review Team recommendations are inclusive and conclusive. They identify opportunities to provide a strategic, rather than tactical, orientation for planning and operations. This approach will create a City-wide common operating environment (COE) (hardware, firmware and software) constantly updated by the adoption of an "ever-fresh" replacement strategy. When considered as a whole, the recommendations will allow the City to provide "best-in-class" service while at the same time controlling the "total cost of ownership."

1. We RECOMMEND that the City adopt Recommendations (1) - (19) as delineated on Summary pages 69 through 71 in Section V. A.

We recognize that in recommending the above we are suggesting the expenditure of a considerable amount of money. Indeed, if one looks across the spectrum of government expenditures for information services, we are advocating an incremental expenditure of \$16,762,740 over five years (Table 2).

This amount, however, must be netted against the benefit that accrues through the creation of a "common operating environment" (COE) and the limitation of the use of "customized

solved a long-term under-funded problem. Rejection of CERC's recommended expenditures for technology will lead to even higher costs for corrections in later years.

It is our judgment that the pre-CERC recommendations by the City Manager to the Board of Aldermen would have provided insufficient funds to position Winston-Salem where it must be to become a truly "wired city" that is competent to enter the world of e-government essential to superior function and civic reputation in the new millennium. The City has an opportunity to make a giant leap. It should be remembered, however, that there is a time-honored French proverb that advises us "to draw back so that we can leap better." Therefore,

2. **We RECOMMEND that a Strategic Plan be developed with the assistance of outside consultation, beginning with the superb analysis contained in Chapter V, pp. 1-35, and with cognizance of the fact that IS is viewed as the least satisfactory of all by its customers internal to City government.**
3. **We RECOMMEND that each major department should have an IS technical support person to function as a "micro-computer coordinator" who functions as a liaison to the IS Department.**
4. **We RECOMMEND that the importance of Information Services to the long term prosperity of Winston-Salem be recognized by recasting the position of Information Services Director as Chief Information Officer (CIO) reporting to the Chief Financial Officer (CFO) (Section V.A., number 4, page 69); or**
5. **Failing the adoption of Recommendation 4., that the CIO report directly to the City Manager.**

Winston-Salem has many large, complex and highly "computerized" organizations in both the for-profit and not-for-profit sectors. There are accomplished Chief Information Officers (CIOs) serving these entities, and therefore

6. **We RECOMMEND that the City create an Advisory Board to the CIO derived from CIOs at appropriate local entities. This is absolutely essential if Winston-Salem is to become a "wired" city with the ability and desire to provide an environment necessary for full exploitation of "WINSTONET" and other technology-based opportunities.**

7. **We RECOMMEND that an appropriate Request for Proposal (RFP) be prepared to initiate a process to expose all of our IS/IT capabilities to the concept of "Managed Competition."**

The second "reality" is that the City and County cannot continue to exist in "splendid isolation" from one another when it comes to information services needs.

8. **We RECOMMEND that the City and County consolidate their IS/IT systems. At a minimum, if the governmental entities insist on separate hardware platforms, they should use common software systems and compatible communication networks across all services (see incompatibility problems in Public Safety, II. A. (4), page 48; II. B. (6), (7), (8), (9), page 50; and II. C. (10), (11), (12), (13), (14), (21), (24), (26), pages 53-55.**

The modernization, standardization and consolidation of IS is one of the most important things the City can do to become a vital, growing factor in the "knowledge-based" society of the next millennium. The expenditures we have recommended, although substantially in excess of those currently recommended to the Board of Aldermen, are pitifully small when compared against the costs of failure in the next century. To be properly "wired" might even make our City more attractive to the 18 - 34 year-old age group we seem to have so much difficulty retaining and recruiting. Creating the environment for a bunch of NET.COM zillionaire tax payers wouldn't hurt us at all in our quest for economic development!!

II. ISSUES IN ENVIRONMENTAL HEALTH

A. Solid Waste Collection

Two of the issues of great contention in our community arise from solid waste collection and solid waste disposal. The controversies surrounding "backyard garbage pickup" and "landfill use" notwithstanding, the CERC believes it must take fact-based stands on both issues. Our reference base is found in Chapter I, the Report of the Review Team for Environmental Health which is also abstracted in the Summary of Observations and Recommendations on pages 35 through 46.

The current "backyard pickup" system for refuse collection is inefficient and expensive. The City's cost (funded through taxes) for bulk container collection at apartment complexes is approximately \$1.35 per month per unit; and for backyard collection at single family residences, it is \$5.44 per month. The current system requires a three-person (3) crew and in the aggregate generates the overwhelming dollar volume of Workers' Compensation claims among City employees. No other major city in North Carolina except Raleigh provides backyard garbage pickup. This distinction may have been historically important in the differentiation of our City, but this service is no longer defensible on cost or psychological bases. In fact, the Citizen Satisfaction phone survey indicated that 63% of the City's households would support curbside garbage collection (Appendix D, p.127). While reviewing this service, CERC carefully considered the needs and desires of the citizens.

- 1. The CERC RECOMMENDS, therefore, that the City convert to curbside collection of solid waste at residences. Alternative arrangements should be made for residents who are physically unable to accommodate the change in policy. [Reliable procedures are available to identify need.]**

Implementation of an automated cart and truck system over 5 years will reduce collection crew size from 3 people to 1, and will greatly reduce Workers' Compensation Claims due to the ergonomic characteristics of the collection system. At present more than 50% of sanitation workers do not make it through a full 30 years of service to retirement. The majority retire early with disabilities (with reduced benefits) they have incurred from their rigorous job duties.

This single recommendation will save taxpayers over \$9,000,000 during the implementation period, and will generate \$2.2 million in annual savings thereafter. The phase-in will allow the

documented "dead spots" in the City where police officers cannot communicate at all. In addition, the current system will not penetrate buildings, resulting in significant safety concerns for firefighters.

CERC notes that every other major municipality in the State of North Carolina has converted its radio system to an 800 or 900 megahertz system. The City of Winston-Salem has hired a consultant to design a possible new radio system. The consultant has indicated that costs for a combined City-County system could approach \$12 million. The size of expense notwithstanding, CERC strongly believes that public safety is of the utmost priority. Therefore,

- 1. We RECOMMEND that the City and County design and install without delay an 800/900 MHZ public safety radio system.**

Review Teams also identified significant inefficiencies in emergency dispatch operations. The City dispatches all calls for police and fire within the City limits. Calls from City residents for emergency medical services (EMS) come in to the same 911 Center and then are transferred to County EMS dispatch. The County also maintains a separate dispatch center that handles the Sheriff and Volunteer Fire Departments.

Thus, there are three major emergency dispatch centers serving our larger community. CERC also notes that the City maintains a separate radio dispatch center for Public Works operations. Many other communities have successfully merged all of their 911 and dispatch operations. Some jurisdictions have even included Public Works dispatching in the consolidation. This makes operational sense, because the peak work load for Public Works occurs during the ayttime which is the "off-period" for Public Safety. Benchmarking information prepared by the nstitute of Government reveals that communities with consolidated systems have a much lower

- 2. W conjunction with the implementation of a new ra system, the City and the County consolidate all 911 call-taking,**

program at some fire stations. Trained personnel at these stations will be responding to calls for cardiac or pulmonary emergencies. Because of the distribution of fire stations, and the greater population density of the City, the average fire department response time of 2.3 minutes is significantly lower than the 4.93-minute average of County EMS. In cases of heart attack and other critical medical situations, those extra two or three minutes can be the difference between life and death.

The Review Team notes that many other fire departments now respond to EMS calls. CERC believes that the City should fully implement the MRD program at all 17 city fire stations. CERC recognizes that this is a new City service that comes with a price tag; however, CERC believes that just as recommending a new communication system, the benefits from lives saved is well worth the investment. Therefore,

- 1. We RECOMMEND that the City fully implement the Medical Response Defibrillator program at all City fire stations and that the City expand rescue and medical services to include four full-time rescue squad units that would cover each quadrant of the City.**

C. Fire Safety

Fire departments are rated every ten years by the Insurance Services Office (ISO), a national agency that rates fire departments for insurance companies. The highest rating is Class 1. Winston-Salem's last rating in 1989 was Class 3. Winston-Salem is currently being re-rated. Our review indicates that the rating may fall due to inadequate staffing levels, station location, and the number and types of equipment. A reduction in rating from 3 to 4 would have the impact of raising insurance premiums for commercial businesses by as much as 10%. CERC notes that an ISO rating is only one of several factors used to determine fire insurance premiums. Because other factors such as distance from a fire station and building construction material also impact fire premiums, CERC is not able to quantify the dollar impact of a lower ISO rating. However, CERC believes the financial impact on our citizens could be substantial.

The Public Safety Review Team also compared staffing levels of the Fire Department with national averages and with other North Carolina cities. Winston-Salem has 1.53 Fire Department employees per 1,000 population. The industry average is 1.64, and the ratio in Greensboro (ISO Class 1) is 1.87. The Review Team noted that current City staffing levels may not provide Class 3 fire coverage because of absences for vacation, illness and training. Therefore,

The Public Safety Review Report (Chapter II) provides a comprehensive review of police services. CERC notes that comparisons to police departments in other major North Carolina cities indicate that Winston-Salem has the fewest number of dispatched calls per sworn officer, and the lowest number of sworn officers per population density. In addition, the reported number of crimes is not significantly higher than many of the other cities. Further review by CERC demonstrated that the current level of staffing for patrol officers seems consistent with the public expectation that Winston-Salem maintain a high quality police force - one that **responds to all calls**, and one that has the manpower and equipment to quickly and effectively respond to a crisis. CERC believes that it is unlikely that any staffing formula will ever be able to project the appropriate number of sworn officers for any police force. CERC does, however, agree with the Review Team that there may be opportunities to save money by converting some of the administrative positions currently filled by sworn officers to non-sworn positions. Therefore,

- 1. We RECOMMEND that the City continue to staff the police patrol function at existing levels, and that the City initiate options for staffing police administrative functions with non-sworn personnel.**

E. Neighborhood Facilities

CERC believes that there are opportunities for the City, County and School System to share facilities in order to increase services to citizens in our neighborhoods. The City has many recreation centers, and the school system has gymnasiums and computer labs. By sharing school system resources, particularly in the summer, these facilities could be available to citizens on a year-round basis. The City also operates the very successful Black-Phillips-Smith Neighborhood Center which provides an array of City services to one neighborhood. Therefore,

- 1. We RECOMMEND that the City, County and School System conduct a review of facilities and develop enhanced opportunities for all citizens to benefit from our valuable resources.**

IV. ISSUES IN ECONOMIC DEVELOPMENT

The City-County Water and Sewer System is one of the great assets of our community. The Utility Commission has done a superb job of management. The entire system is in excellent condition, both structurally and financially. The bonds issued by the system have the highest rating in the country. We are fortunate also to have the lowest water and sewer rates in the southeastern United States.

The system has significant additional capacity for both water delivery and sewer treatment. A water/sewer system such as ours ought to be a major factor in the creation of economic development. The role of water will become even more important in the future as noted by John Hall that "Increasing scarcity of water could cause wars in future" (*Winston-Salem Journal*, 8/29/99). Hall wrote primarily about other nations, and while the great disparity between water availability in Forsyth and Guilford Counties surely will not lead to war, it is likely to be a contentious issue because it will give Forsyth County an advantage on long-term economic development if we leverage this asset properly.

- 1. The CERC RECOMMENDS that the City-County Utility Commission take a more aggressive approach to leveraging this extremely valuable resource as a tool for economic development. The Commission should take advantage of the considerable elasticity within its very low rate structure and increase charges to customers outside of Forsyth County to market rates.**
- 2. The CERC also RECOMMENDS that rates to customers inside the County should be raised by a minimal percentage to generate an additional \$2 million in annual revenues. These funds should be used by the City and County for economic development. The County may want to use some of these funds for expansion of sewer lines to provide user-fee-supported installation service to residents currently using septic systems.**

This user fee for a depletable resource could be used to offset the property taxes currently used to fund economic development initiatives.

- 3. In addition, the CERC RECOMMENDS that the Utilities Commission adopt the Investment Policy approved for other funds by the Board of Aldermen.**

if empowered to change the approach to investment. Significant incremental investment income might obviate the need for an increase of in-County user fees.

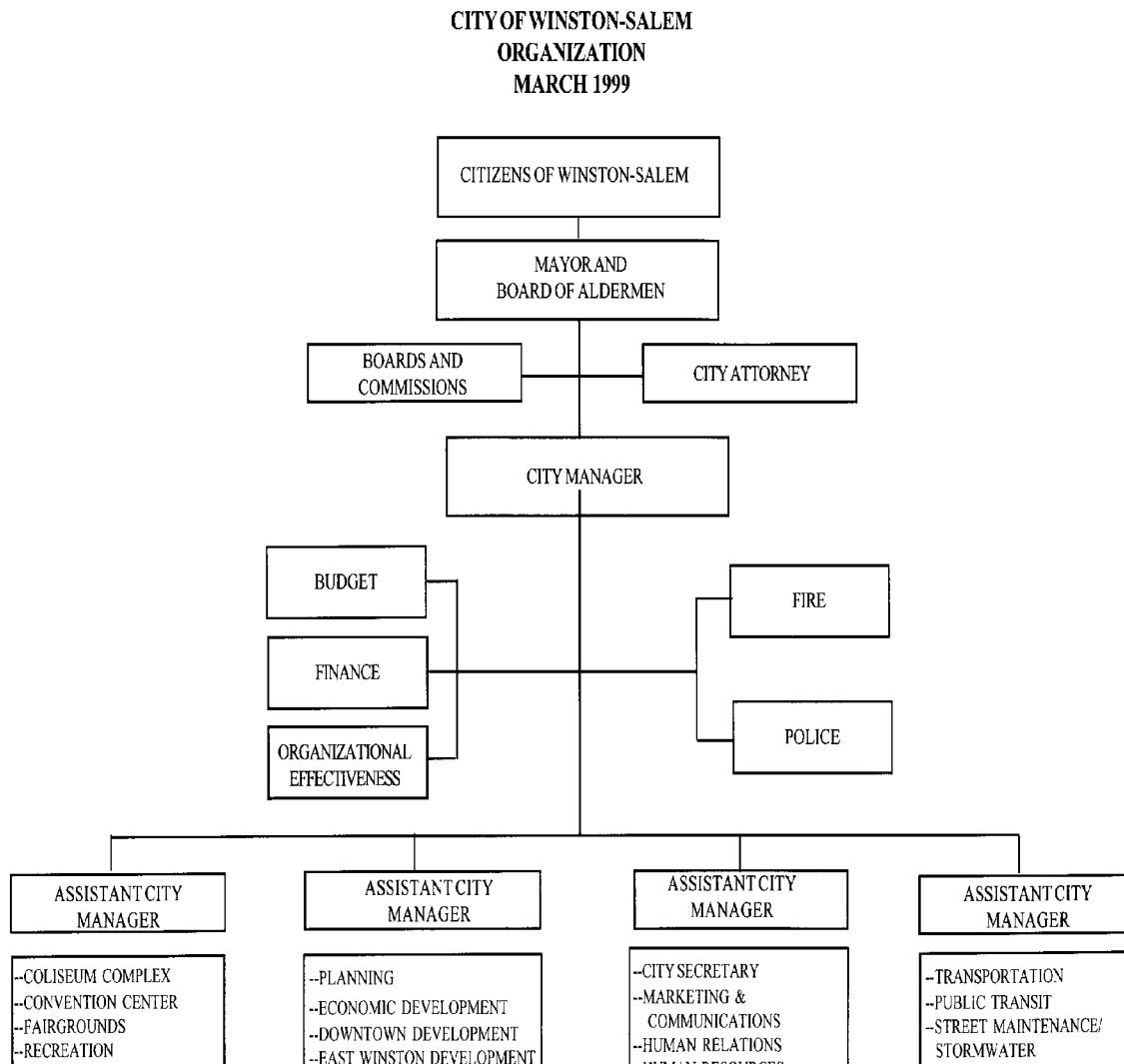
Even if it is not possible to avoid increased fees, it is axiomatic that an increase in the tax base of the City and County is the surest way to avoid property tax increases in the future. We need to be more successful in our future than we have been in the recent past.

V. ISSUES IN ORGANIZATIONAL DESIGN AND FUNCTION

The current organizational structure of the government of Winston-Salem is represented in Figure 1.

Current Organization

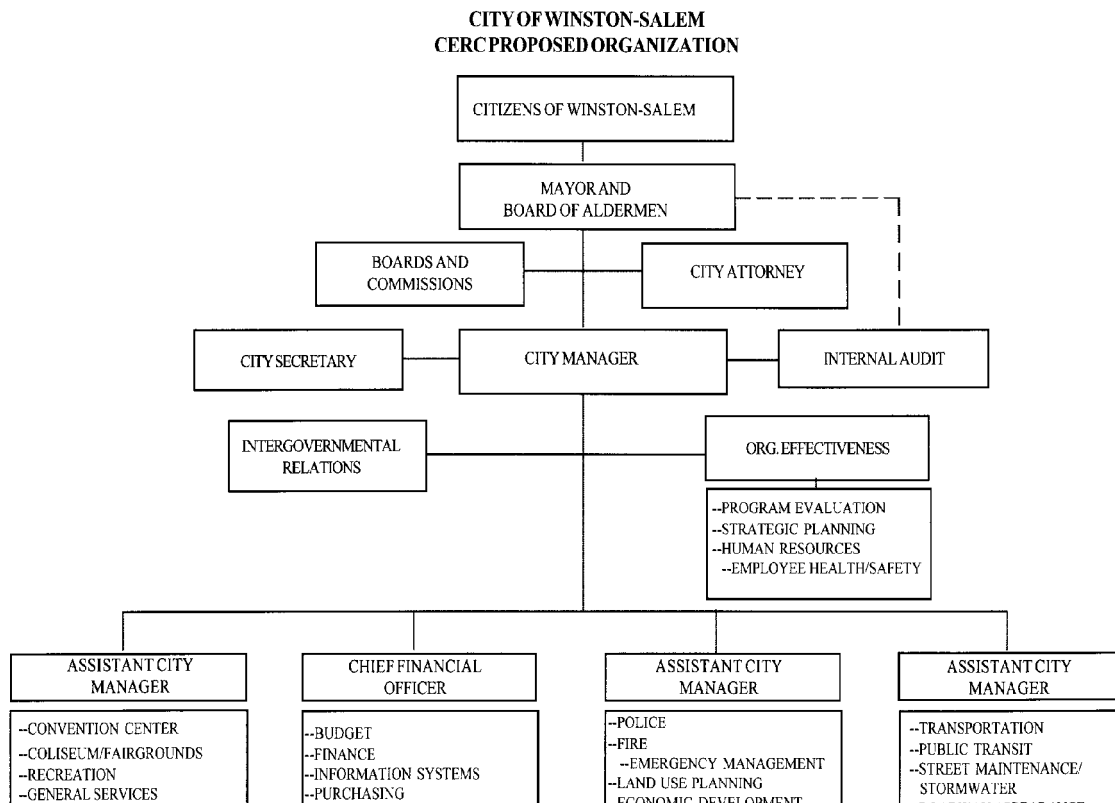
Figure 1



The CERC is impressed by the quality of the management team developed by City Manager Bryce A. (Bill) Stuart. Indeed, the telephonic Citizen Satisfaction Survey conducted for the CERC by CB&A Research demonstrated a very high level (92 ±4 %) of overall satisfaction with the full range of City services (Appendix D). Nonetheless, after analysis of each of the seven (7) Review Team reports, and personal discussions with the Review Team Leaders, it is the considered judgment of the CERC that the organizational design depicted in Figure 2 will provide significant functional improvement to make the transition of government into the new millennium consistent with the inevitable transition of the citizenry to a "knowledge-based" society that will make very different demands on government than those we currently experience.

Proposed Organization

Figure 2



A. Issues in the Design and Function of City Government

Strategic Initiatives:

Many of the changes we have recommended in the structure of City government are designed to allow the City Manager to devote more time and attention to strategic issues, a matter the CERC deems to be of major importance to the future of Winston-Salem. The changes that relate only to "organizational structure" of the Office of the City Manager will have little initial financial impact, because the elimination of one Assistant City Manager position will be offset by increased expenditures on education and training. Over the longer term, however, the totality of these recommendations, and the managed competition process attendant thereto will save a significant amount of money (\$8,939,400).

The CERC is concerned that Winston-Salem does not have a City-wide Strategic Plan. Furthermore, although the City has articulated a Mission Statement, it has not developed a Statement, one of the natural determinants of a well-formulated Strategic Plan. Each operating unit of the City has its own mission statement, objectives and performance measures, but the plans are not tied to plans for other departments, nor are they tied to an overall plan for the City, because no such overall plan exists. The CERC believes that such a plan should be created.

The Strategic Plan will require major effort and time from the City Manager and elected officials. We believe the potential of such a plan will be well worth the effort. Other communities in North Carolina (e.g., Charlotte and Greensboro) have developed strategic plans that have greatly assisted their economic success. In addition, most organizations in the private sector, whether for-profit or not-for-profit, now operate under the direction of a strategic plan.

1. We RECOMMEND, therefore, as an integral of the reorganization proposed by CERC that a Strategic Plan be developed that analyzes strengths, weaknesses, opportunities and threats to our community; and that describes clearly a Vision for the City developed by its elected officials predicated on the appropriate tactics and strategies to attain the goals and objectives incident to that vision which shall be implemented by the Office of the City Manager.

2. We RECOMMEND that

- c) **the Code Enforcement functions of Housing and Neighborhood Services be transferred to the Office of the Assistant Manager for Public Works,**
- d) **Housing Development and Neighborhood Services be merged,**
- e) **and the position of Enterprise Business Developer be recast as "Director of Enterprise Community Development" with responsibility for all programs involved in East Winston Development, M/WBE and Workforce Development.**

The CERC strongly supports the concept that the successful implementation of any strategic plan (or for that matter, success in the absence of a strategic plan) is dependent to a large extent upon closely coordinated interaction among the functions of finance, financial planning and resource allocation over both the short- and long-term. Finance must determine program priorities in the private sector. In a world of finite resources, the public sector cannot function effectively based on a philosophy that program will drive finance. Although the Budget Officer and the Finance Officer work well together, they operate as though they are distinctly separate functions. They must amalgamate their knowledge and tactics.

3. **We strongly RECOMMEND the creation of the position of Chief Financial Officer (CFO). The CFO must be responsible for the functions of Budget, Finance and Investment, Financial Planning and Purchasing. The Chief Information Officer should report to the CFO. (See "Issues in Information Services and Technology", page 9, if the Recommendation to create the position of CFO is not implemented.)**

In addition, the CFO should

- a) **Prepare annually a 5-year capital budget planning document for presentation to the City Manager (separate from the annual budget document) that includes buildings, land, equipment, and vehicles. This plan should also include the annual operating impact of proposed capital acquisitions and the cost for replacement of all rolling stock.**
- b) **Revise the budget review process to include an opportunity for the**

Functional Initiatives:

- 1. The CERC RECOMMENDS that the Office of the Assistant City Manager for Administration [currently vacant] be eliminated by the reassignment of responsibilities among existing Assistant Managers.**

- 2. We RECOMMEND that the Office of the Assistant Manager for Operations appoint a Director for General Services responsible for**
 - a) Fleet Services**
 - b) Building Maintenance**
 - c) Warehousing, and**
 - d) Printing/Courier Services.**

Furthermore, the City Manager should act to combine the management of the Coliseum and Fairgrounds, and should recommend the consolidation of the Commissions responsible therefore. The Real Estate function should also become a responsibility of this Assistant City Manager.

- 3. The reallocation of the functions and responsibilities among the Assistant City Managers causes the CERC to RECOMMEND that one of the Assistant Manager positions be recast as Deputy City Manager. This recognition would not alter reporting relationships, but would clearly delineate the person expected to act in the absence of the City Manager.**

The Office of the Internal Auditor currently reports to the Director of Finance. The work program of the Internal Auditor is focused primarily on cash control, which is not among the areas of government at which the City is at greatest risk. The City should expand its audit of performance measures of employees and the performance of its contractors. Enhanced risk-based performance auditing will facilitate improved performance of all entities.

- 4. We RECOMMEND, therefore, that the Internal Auditor report to the City Manager; and that the Internal Auditor be empowered to report also to the Board of Aldermen should circumstances require such a process. The Office of Organizational Effectiveness should function as a liaison to the City Manager for the Internal Auditor during the shift to performance auditing.**

Observations and recommendations pertaining to the function of Human Resources can be found in the reports of all the Review Teams. Comments range from:

- a) Management should be granted additional latitude in the areas of hiring practices and pay scales (I. E. (8), p. 44)
 - b) The salary schedule approved for police officers has "compression" inequities (II. C. (4), p. 52)
 - c) Implement and monitor a program for business and technology education (V. A. (17), p. 71)
 - d) Increase cross-training (V. B. (8), p. 72)
 - e) Additional safety training should be performed (V. E. (10), p. 76)
 - f) Implement leadership training programs (VII. C. (1), p. 97)
- 6. The CERC RECOMMENDS that the City review all of its compensation programs to ensure that employees' salaries are competitive in the marketplace. In addition, to ensure that the City's pay system is closely aligned with the strategic objectives of the City, merit adjustments, bonuses, and other rewards should be based solely on documented employee performance.**

Observations about Employee Health and Safety pertinent to Human Resources are summarized at V. I., pp. 80-82.

- 7. We RECOMMEND that the Human Resource (HR) function be given a high profile in the governance structure. HR should function under the operational supervision of the Office of Organizational Effectiveness, but with direct access to the City Manager for matters of policy. Employee Health and Safety (to include the Workers' Compensation Program) should report to the Director of Human Resources.**

Employee education and training programs need to be enhanced as City government copes with the transition from the "information age" to the "knowledge age." All City employees should

development of appropriate system-wide educational and training programs, and that OOE

- a) utilize existing community resources that might be made available to the City at "marginal cost;" and that the City Manager**
- b) create an Advisory Group of HR professionals to assist the OOE in the development and management of the programs.**

B. Issues in Managed Competition

CERC notes the success of the City's recent managed competition for vehicle maintenance. City employees won the contract in a competitive bidding process with national companies. Employees reduced the City's annual vehicle maintenance expense by over \$400,000. The City has recently adopted state-of-the-art managed competition guidelines and a comprehensive reduction in force policy. Examples of city-wide competition efforts in other cities such as Indianapolis and San Diego have yielded multi-million dollar savings. CERC believes that managed competition will produce savings and will improve the competitiveness of City operations. Furthermore, CERC asserts that the City has an obligation to the taxpayer to provide quality services at the lowest possible cost. Although the Review Teams only specifically propose managed competition for the functions of print shop, property maintenance, information services, golf course operations and utilities, CERC believes that the City should follow a "Yellow Pages" policy. That is, if the service is provided by a private company listed in the Yellow Pages, then the City should be competitive. Therefore,

1. We RECOMMEND that the City use the managed competition process to compare the following City operations with bids from private companies:

- a) Print Shop**
- b) Information Services**
- c) Building Maintenance**
- d) Custodial Services**
- e) Mowing, Landscaping and Tree Trimming**
- f) Street Maintenance**
- g) Warehouse**
- h) Sanitation Services**

C. Issues in the Consolidation of City and County Services

Efficiency Issues:

The City of Winston-Salem and the County of Forsyth [including the Winston-Salem/Forsyth County School System] perform many of the same functions and services. The duplication inherent in the provision of these services often arises from "history" or from temporal political necessity that is no longer appropriate. Citizens are primarily concerned with the quality of service delivery. They do not have a major interest in which governmental entity provides the service, nor in the history attendant upon the need to duplicate such services in separate governmental jurisdictions. Charlotte has successfully reduced the cost of programs, and has improved customer service by consolidating many functions with Mecklenburg County. The cities of Wilmington and Durham are currently considering options for consolidation within their respective counties.

The CERC has made multiple recommendations for the consolidation of support services within City government; and believes that this process can be extremely beneficial when extended beyond the City. The rationale leading to one such recommendation is as follows:

The Review Teams have identified, for example, that mowing and landscaping functions are performed by seven City departments! Building maintenance and custodial services are also performed by several departments. By consolidating these functions into the departments that have the primary responsibility for and expertness to accomplish these services, the CERC believes the City will be able to reduce costs, improve service, and identify options for a managed competition process.

- 1. This caused the CERC to RECOMMEND (VII. J. (6), page 105) that the City consolidate all mowing and landscaping operations into the Roadway Appearance Division; and to consolidate all building maintenance and custodial operations (VII. J. (7), page 105) into the Property Maintenance Department.**

It strikes the CERC that since both the County and the School System also perform these functions, that County-wide, jurisdiction-wide consolidation of these services has the compelling force of logic in its favor.

The CERC has not attempted to estimate the dollar amount of either benefits or costs

traditional political considerations. Were that not the case, "in-market" mergers among suppliers of similar services would never occur.

2. We RECOMMEND, therefore, that the Board of Aldermen and the County Board of Commissioners appoint a Commission to recommend the most effective ways to consolidate the following City and County [and School System] programs:

- a) **Parks and Recreation**
- b) **Housing**
- c) **Law Enforcement and Police Services**
- d) **Emergency Communications**
- e) **Information Services and Telecommunications**
- f) **Maintenance and Landscaping Support Functions**
- g) **Other Support Functions (Printing, Real Estate, Warehouse, Safety, Employee Benefits)**
- h) **Marketing and Communications**
- i) **Job Training**
- j) **Funding of Grantee Agencies**

Several of the team reports touch on ideas related to consolidation. A review of the police/sheriff consolidation efforts in Charlotte/Mecklenburg County can be found in Appendix E.

Tax Equity Issues

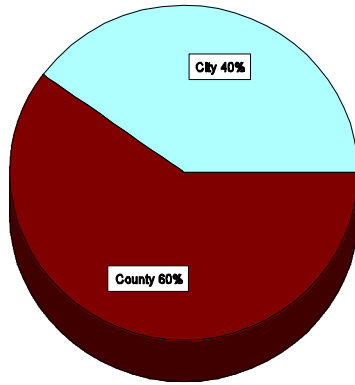
Review Team reports include approximately 20 recommendations for consolidation and tax equity changes. In response to the Review Team observations, the CERC prepared an analysis of the distribution of tax revenue from City and County taxpayers in FY 1998 used to fund currently consolidated programs (Appendix F). Sixty-two percent (62%) of all County property tax revenue comes from City residents. City residents often perceive that they receive fewer benefits from County services than their tax payments appear to support.

A simple example of the perception of some city residents is demonstrated by the analysis of the sources and uses of the money used to fund the Tax Collection function. This unit is budgeted to have a 60/40 split of expenditures from County funds (A) in the Tax Collection Table. Since the City resident component constitutes 62% of County tax revenue, the actual cost split

TAX COLLECTION FUNCTION

A. Budgeted Cost Share

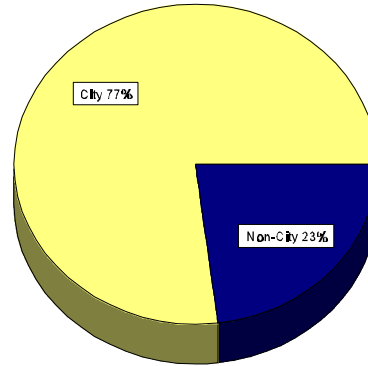
County	60%	
City	40%	



■ City ■ County

B. Actual City/Non-City Resident Cost Share

	77%	
City	77%	
Non-City	23%	



■ City ■ Non-City

Total Expenditures	\$1,201,775
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Less Share for Other Municipalities	151,945
	420,765

Net Expenditure	
County (60%)	629,065
City (40%)	420,765

Total City-County Shared Expenditures	\$1,049,830
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City General Fund Share

City Resident Portion of County Share (62%)	390,203
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Total City Resident Share (77%)	810,785
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appear to pay less than their fair share. Since this is not an insignificant amount of money, therefore,

- 3. The CERC RECOMMENDS that the Commission review tax equity issues related to the funding of programs that are currently consolidated:**
 - a) City-County Planning**
 - b) Inspections**
 - c) Purchasing**
 - d) Board of Elections**
 - e) Tax Collections**
 - f) Emergency Management**

- 4. In addition, if consolidation of Law Enforcement functions (2.c.) is not implemented, the CERC RECOMMENDS that the City and County take action to redress tax equity issues related to the "policing" function of the Sheriff's Office annotated in Appendix F and in the Report of the Public Safety Review Team.**