



REPORT TO COUNCIL City of Sacramento

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PUBLIC HEARING
June 8, 2006

Honorable Mayor and
Members of the City Council

Subject: FY2006/07 Budget Special Presentation: Matrix, Audit Unit.

Location/Council District: Citywide (All)

Recommendation:

This report provides information on two initiatives the City Council has discussed during past Council sessions. This is an opportunity for departments to provide additional information and request Council direction.

Contacts: William Thomas, Director of Development Services, 808-1918; Marty Kolkin, City Auditor, 808-1244; Leyne Milstein, Budget Manager, 808-8491

Presenters: William Thomas; Marty Kolkin; Leyne Milstein

Department: Development Services; City Manager; Finance

Division: Office of the Director; Office of the City Auditor; Budget

Organization No: 4811, 0310, 1140

Description/Analysis:

MATRIX

The Development Services Department (DSD) initiated the MATRIX program in August 2005 focusing initially on the Central City/Midtown/East Sacramento area. MATRIX has been well-received by both customers and staff and could be expanded city-wide beginning in FY2006/07.

The MATRIX Program brings DSD staff and other City departments involved in the development review process into multi-disciplinary teams organized around development or product types, thereby eliminating the traditional "silos" common to municipal development departments. Under the matrix, the customer is paired with a specialized City team that may be composed of planners, engineers,

landscape architects, and building inspectors depending on the type of project involved. There is also a Team Leader who serves as the process manager and the single point of contact for the customer on their project. The MATRIX also offers and encourages pre-application meetings with staff and utilizes an early notification system to identify community issues early in the process. The goal is to "Get The Customer To Success" in a timely, seamless, clear and predictable manner. Please refer to Attachment A for specific information and/or recommendations.

Audit Unit

The Office of the City Auditor became operational on March 24, 2003. Current staffing levels consist of an Audit Manager and a part-time Intern. The City Auditor reports to the City Manager, with access to the City Council, and maintains organizational and operational independence from all other departments within the City. Government Auditing Standards require the audit function to be independent in both fact and appearance from personal, external, and organization impairments to independence. Please refer to Attachments B through B-3 for specific information and/or recommendations.

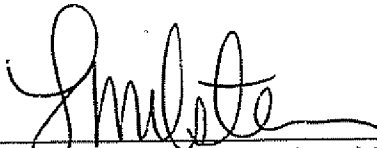
Policy Considerations: This information is consistent with the City Council's adopted budget principles and objectives.

Environmental Considerations: This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

Rationale for Recommendation: The City is transforming its existing way of doing business. In the process we will be reorganizing components of the City's organizational needs to reflect our ability to respond to our customers and begin changing the culture of the City to "get the customer to success."

Financial Considerations: The source of funding for any recommendations related to these presentations is the \$7.5 million growth initiatives reserve that was established with the FY2004/05 Comprehensive Annual Financial Report (CAFR).

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: 
Leyne Milstein, Budget Manager

Approved by: 
Russell Fehr, Finance Director

Recommendation Approved:

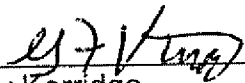
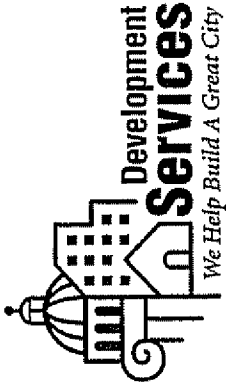

Ray Kerridge
City Manager

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Development Services Department Special Presentation *Citywide MATRIX*



Development Services Citywide MATRIX

Concept of MATRIX

- Specialized teams organized around 9 development types
 - Concept to completion
 - Single point of contact- Team Leads
 - “Front Loaded” review process
 - Improved communication
 - Improved levels of customer service
 - MATRIX structure support
-



Development Services Citywide MATRIX

Current Status and Learnings

- MATRIX continues as successful pilot
 - Business model achieves streamlining, cultural and organizational goals
 - Projects recognized as unique
 - Need for all parties to work so projects fit into community form
 - Need for total transparency
-



Development Services Citywide MATRIX

Team Sacramento – Tools of Transparency

- New tools identified and implementation in process
 - Mobile Communication
 - E-Notification
 - E-Plan Submittal
 - One Voice Online Forum
 - Geographic Information Systems Visual Models
 - Educational Programs
-



Development Services Citywide MATRIX

Citywide MATRIX Needs

- Expanded partnership with other City departments.
- Training and organizational development for expanded MATRIX team
- Approximately 26 FTE in 6 departments including DSD, DOT, DOU, Parks, Fire, and City Attorney at an estimated cost of \$2.5 million.



Development Services Citywide MATRIX

Citywide MATRIX Benefits

- Consistent and improved customer service
Citywide
 - Improved quality and efficiency- no need for two organizational models
 - Increased partnerships with applicant, neighborhood and community
 - Improved communication
-



Development Services Citywide MATRIX

Support for Citywide MATRIX

- Development Oversight Commission recommendation
- Overwhelming customer support for MATRIX business model.
- Embraced by Staff
- MATRIX seen as a model for other cities



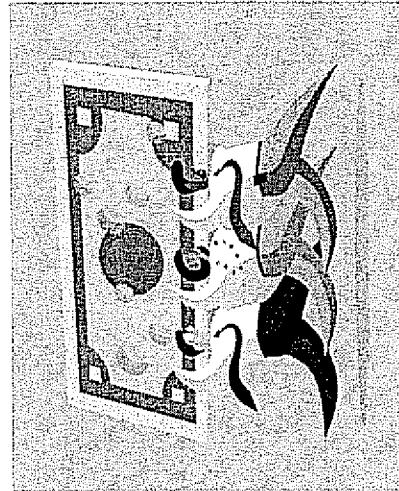
Development Services Citywide MATRIX

Next Steps

- “MATRIXize” our fees
 - Two phase approach to reduce complexity, coordinate costs and expenses
 - Phase I- return to Council in late July for final FTE request and funding plan
 - Phase II- Comprehensive fee review and revision (target Fall 2006)

AUDIT DEPARTMENT

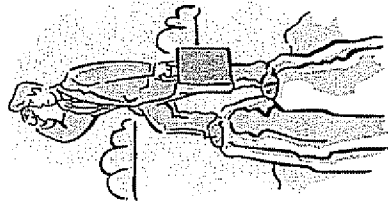
- Changes in reporting structure
- Increase the number of internal auditors



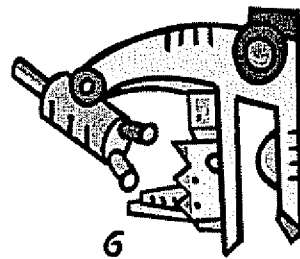
CITY AUDITOR'S PRIMARY ROLES



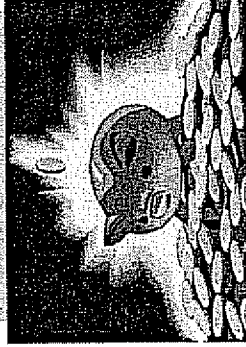
Catalyst for improving operations



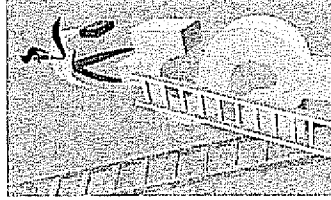
Independent and Objective



Identify Risk



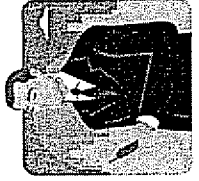
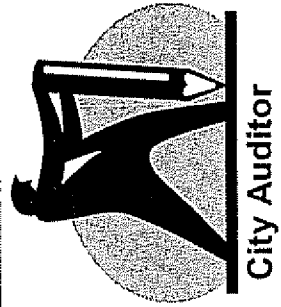
Savings and cost reductions



Strengthen Internal Controls

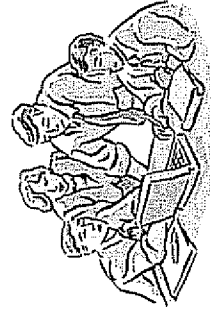
REPORTING STRUCTURE

Current



City Manager

Proposed



City Council

Benefits



Independence in fact & appearance

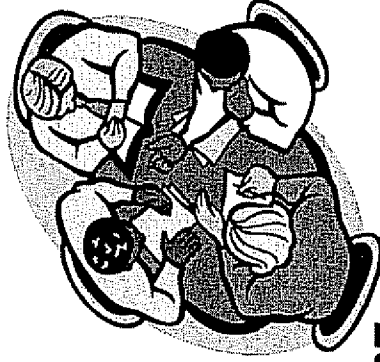


Objectivity in fact & appearance

Proposed Staffing Increases

FY 2007: Phase 1 - \$367,316

- 1 Audit Director
- 1 Auditor
- 1 Administrative Assistant



FY 2008: Phase 2 - \$745,167

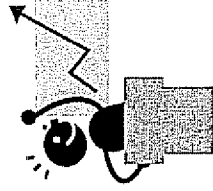
- 2 Audit Seniors
- 1 Auditor

FY 2009: Phase 3 - \$880,257

- 1 Auditor

BENEFITS

• Increased production of audit reports



• Increased audit coverage

• Greater opportunity for improved operations



• Reduced risk for the City

• Continuation of savings and cost reductions

Attachment B-1

Pros and Cons of the Most Common Types of City Auditors

Elected Auditor

Pro

- Independence and objectivity
- Located outside of all staff or line functions
- Can only be removed by voter recall
- Typically stronger political skills

Con

- Requires a Charter change
- More open to allegations of political motivation or bias
- May attract candidates that are technically unqualified
- Risk of audit findings being ignored

Appointed, Reporting to the Legislative Body

Pro

- Independence and objectivity
- Direct City Council support and authority
- Recommended by the National Association of Gov't Auditors & the Institute of Internal Auditors for Appointed Auditors
- Does not assume any operational functions

Con

- City Auditor oversight responsibility for the City Council
- Communications with City Council subject to the Brown Act
- Less cooperation from management
- Potential conflicts between the City Manager and Auditor
- Less direct interaction with Senior Staff

Appointed, Reporting to a City Manager

Pro

- Greater organizational cooperation
- Greater communication with Executive Management
- Direct City Manager support and authority
- City Manager directs implementation of audit recommendations

Con

- Independence impaired by any limits imposed
- Assigned nonaudit activities
- May appear as a member of management
- Serves as an at will position

Appointed, Reporting to the Finance/Budget Director

Pro

- Greater cooperation of the Finance/Budget department
- Reports to position with a similar technical background
- Requires less oversight by the City Council or City Manager
- Existence of an audit function

Con

- Not independent in fact or appearance
- Assigned nonaudit activities
- Release and distribution of audit reports uncertain
- Limited operational authority

Outside Contractor for Audit Services

Pro

- Provides an external perspective of operations
- Audit capacity can increase or decrease based on needs
- Does not require the addition of FTEs to the Budget
- Increased capacity to respond to additional requests

Con

- Not as familiar with internal operations
- Higher cost and additional cost for scope increases
- Less likely to have audit follow-up
- Less continuity of audit personnel

Source: Survey of members of the National Association of Local Government Auditors, including each of the various types of City Auditors.

**Attachment B-2
Top 15 California Cities'
Population, Budget, &
Size of Internal Audit Departments**

<u>City</u>	<u>2004 Census Pop. (in thousands)</u>	<u>Budget 2005 (in millions)</u>	<u>Internal Audit Dept. Size</u>
1 Los Angeles	3,746	5,985	22
2 San Diego	1,241	2,368	10
3 San Jose	874	3,239	16
4 San Francisco, City & County	725	5,343	25
5 Fresno	473	874	4
6 Long Beach	464	1,814	13
7 Sacramento	458	788	1
8 Oakland	365	942	8
9 Anaheim	325	1,298	8
10 Santa Ana	321	404	0
11 Riverside	292	653	2
12 Bakersfield	286	540	0
13 Stockton	274	366	6
14 Modesto	207	313	1
15 Chula Vista	205	272	0

Attachment B-3
Projected Size of the Sacramento City Auditor's Office
Based Upon U S Similar Cities' Population, Budget, &
Size of Internal Audit Department

<u>City</u>	<u>2004 Census Pop (in thousands)</u>	<u>Budget 2005 (in millions)</u>	<u>Internal Audit Dept Size</u>
Charlotte	583	1,230	9
Denver	544	1,816	13
Portland	525	1,869	10
Fresno	473	874	4
Long Beach	464	1,814	13
Oakland	365	942	8
Anaheim	325	1,298	8
Riverside	292	653	2
Stockton	274	366	6
Modesto	207	618	1
All Cities Totals	4,052	11,480	74
Calculated All Cities Average	54.757	155.135	105
Sacramento's Population and Budget	458	788	
Projected Size of Sacramento's City Auditor's Office	8	5	7

