AGENDA

Meeting Type:	W
Date	09-05-1989
SUBJECT	

City of Charlotte, City Clerk's Office

CHARLOTTE.

MAYOR AND CITY COUNCIL
WORKSHOP AGENDA
SEPTEMBER 5,1989

MAYOR AND CITY COUNCIL
WORKSHOP AGENDA
September 5, 1989

5:00	HAP/Innovative Housing Discussion
5:45	Dinner
6:00	Discussion of Organization Review and Performance Appraisal and Incentive Programs Advisory Committees' Reports
8:00	2005 Transportation Plan

Recommend adoption of a resolution of intent to abandon portions of Parkwood Avenue and North Caldwell Street and set a public hearing for September 25, 1989.

Habitat for Humanity plans to start constructing new homes in the Optimist Park area on October 14, 1989. Right of way needs to be abandoned before Building Standards will issue the building permits for the foundations. This is a technicality that had been overlooked. Because of advertising deadlines, Council is asked to take this action to set the public hearing.

HAP/INNOVATIVE HOUSING DISCUSSION

REVIEW OF POLICY FRAMEWORK FOR EXPENDING INNOVATIVE HOUSING FUNDS - HOUSING ASSISTANCE PLAN - CHAPP/BOOTSTRAP COMPARISON - AMENDMENT TO THE HOUSING POLICY PLAN

At the last Council Workshop on August 7, 1989, you deferred the Policy Framework agenda item for expending Innovative Housing Funds to the September 5th Council Workshop. You requested an opportunity for further discussion of the Policy Framework in relationship to comparing the proposed CHAPP versus Operation Bootstrap programs and to review the HAP/Locational Policy for assisted housing The following information is being provided to you for your review prior to the Council Workshop.

1 Proposed Policy Framework Agenda Item for September 11
2. CHAPP/Bootstrap Comparison
3. HAP/Locational Policy for Assisted Housing

During the Workshop on September 5th, staff will provide you an overview of the HAP and a summary of housing projects to date and their relationship to the HAP. Also, staff will provide for your consideration the following amendment to the Housing Policy Plan that was last adopted on May 22, 1989.

> All proceeds from the sale of real estate owned by the City and managed by the Community Development Department shall be appropriated to the Innovative Housing Fund to purchase land for future development of assisted housing for persons earning 40% or less of median income.

CHARLOTTE

Request for Council Action

To the City Council from the City Manager

Action Requested: Request City Council at its September 11, 1989, meeting to approve a policy framework for expending Innovative Housing funds not allocated to the Housing Partnership.

Responsible Department: Community Development

The request should be organized according to the following categories: Background and Explanation of Request, Source of Funding, Clearances, Bibliography

Background:

On April 6, 1987, City Council adopted a Housing Policy Plan which advocated development of housing units using public/private partnerships. Since 1988, $10,500,000 has been appropriated for Innovative Housing as part of the pay-as-you-go capital budget projects and $5,774,583 has been expended to date. This leaves $4,725,417 in the Innovative Housing Fund remaining for FY90.

On June 26, 1989, City Council approved a contract between the City and the Charlotte-Mecklenburg Housing Partnership, Inc. (CMHP) and allocated $2 million to the Partnership to provide for the development of 100 additional housing units through public/private ventures targeted to families earning 60% or less of median income. Prior to the approval of the Partnership contract, Council approved several revisions to the Housing Policy Plan on May 22, 1989. These revisions affected the specific roles of the City, the Charlotte Housing Authority, and the Housing Partnership. The City's mission was defined as "reducing the number of households living in substandard, overcrowded, or unaffordable housing conditions." The City's priority is to provide housing assistance to those households earning 40% and less of median income and to provide opportunities for economic self-sufficiency to assisted families. The CD and Housing Committee has reached a concensus on the following $2.5 million of FY90 Innovative Housing funds remaining from the original $4.5 million appropriation of which $2 million went to the CMHP. The remaining funds in the Innovative Housing account will be decided on a case by case basis by City Council for projects in the administrative pipeline. (See attached status reports).

For Office Use Only

Date Submitted August 31, 1989

Agenda Date Requested September 11, 1989

Consequences if Agenda Date is Delayed or Action is Deferred Program would be prevented from expending funds.

Contact Person for Questions from the City Manager's Office

Authorized by

Approved by Department Head

J. W. Walton

Assistant City Manager

List Attachment

1) $1,500,000 to be funded on the basis of Request for Proposals being recommended by the Innovative Housing Committee and approved by City Council; these proposals will create 50 - 75 new housing units with preference being given to proposals complying with the RFP criteria established as part of the policy framework.

2) $500,000 to be used to fund the local voucher program, City Housing Assistance Payment Program (CHAPP), for 25 families. The Housing Voucher Program is a rental assistance program whereby a family relocated chooses a rental unit in the private market which:

   Meets City Housing Code and the gross rent is not subject to the HUD Fair Market Rent as in the Certificate Program. The Housing Authority determines a payment standard to calculate the subsidy. The payment standard may be equal or less than the Fair Market Rent. Families may choose housing that rents above the payment standard. If so, the family will have to pay more than 30% of its adjusted monthly income toward their housing cost.

3) $500,000 to be a source of funding small housing proposals on a case by case basis for property owners, small businesses, or non-profit corporations on an optional basis.

Request for Proposals (RFP's) will be sent to all known developers and ads will be run in local and regional newspapers. All RFP's and optional housing proposals will be reviewed by the Innovative Housing Committee. The composition of that Committee will include:

Assistant City Manager for Policy and Evaluation
Assistant City Manager for Development Services
Director, Community Development Department
Director, Planning Commission
Director, Finance Department
Two Board members of the Charlotte Housing Authority
Two Board members of the Housing Partnership.

This committee will provide a technical review of all proposals and RFP's and make recommendations to Council. The Community Development Department will continue to administer the Innovative Housing Fund through a RFP process.

The RFP is recommended to be used at the beginning of each fiscal year and as needed thereafter with the responding proposals being evaluated on the following basis:

1) Priority assistance is to be provided to families earning less than 40% of median income and living in substandard, overcrowded, or unaffordable housing, or are residing in public housing, or are listed on the Charlotte Housing Authority's Master List needing housing;

2) Compliance with the Housing Assistance Plan and the Housing Policy Plan - the geographic disbursement of proposed projects and proximity to other assisted housing will be a major consideration;

3) The project effect on the School Board's pupil assignment plan and other impacts created on the school system in terms of total new students and current plans for the construction of new schools;

4) Land use and urban impact of projects on neighborhoods and commercial areas;

5) Neighborhood renewal and number of housing units;

6) Cost comparison to the City with other funded projects; this will require a financial analysis of the City's cost per unit, private funds leveraged in a ratio with total replacement cost and the term of the City loan in regard to payback of City funds for reuse within the Innovative Housing Fund;

7) Private funds committed with financial sources or tax credit allocation by the State Housing Finance Agency should be committed by letter;

8) Design compatibility with the neighborhood, and the provision of necessary amenities for children, available public transportation, and assurance of a good maintenance program.

Explanation of Request:
Request City Council approve a policy framework for expending $2.5 million from a total budget of $4.5 million per year which is to be allocated as follows:

1) $1,500,000 to be funded on the basis of Request for Proposals being recommended by the Innovative Housing Committee and approved by City Council; these proposals will create 50 - 75 new housing units with preference being given to proposals complying with the RFP criteria established as part of the policy framework.

2) $500,000 to be used to fund the local voucher program, City Housing Assistance Payment Program, for 25 families.

3) $500,000 to be a source of funding small housing proposals on a case by case basis for property owners, small businesses, or non-profit corporations on an optional basis.

The policy framework is defined as the allocation of the $2.5 million to specific strategies to expand the supply of housing for families earning less than 40% of median income. It also identifies the RFP process with established criteria and a committee composition to evaluate the criteria and make recommendations to City Council.

This item was originally considered at Council's July 25, 1989 meeting and was deferred to the August 7th workshop. It was then deferred until Council's September 5th workshop.

Optional Strategies for Consideration

For your information, these are some affordable housing strategies taking place in our neighboring cities.

1. Raleigh has set aside $1.2 million (local sales tax) to acquire existing small multi-family units, duplexes, triplexes, and quadplexes around the City outside ineligible areas per their HAP. They buy through the Multiple Listing Services and Realtors, then rent units at their maintenance break-even point to families earning less than $15,000 a year. They have acquired 24 units to date and are looking for six more. The average rent is $140 per month. They do not notify neighborhoods on acquisitions.

2. School Conversions - Raleigh, Lexington, Salisbury and Hickory are all currently involved in converting old school buildings into affordable housing. All of these projects are funded with several combinations of local, state and federal funds; all contain tax credits and rental rehabilitation funds. These projects are similar in nature to the Hoskins Mill, a conversion of an existing structure. These projects are between 40 and 60 units.

Source of Funding:
City Innovative Housing Fund

Clearances:
City Council approved Housing Policy Plan on May 22, 1989 and concensus of the CD and Housing Committee.

Bibliography:
Policy documentation and files are located in the Community Development Department.

INNOVATIVE HOUSING FUND STATUS REPORT AS OF SEPTEMBER 1, 1989

ALL APPROPRIATIONS TO DATE

PROJECTS FUNDED	DATE APPROVED BY COUNCIL	# OF UNITS	TOTAL PROJECT COST	AMOUNT OF CITY PARTICIPATION	AMOUNT OF PRIVATE PARTICIPATION	LEVERAGE RATIO (Private to City)	CITY COST PER UNIT
Summit Avenue Second Mortgages (Homeownership)	6-23-86	24	$ 1,693,765	$ 443,765	$ 1,250,000	2.8.1	$18,490
Shalom Homes (Rehab/Sale)	11-10-86	3	N/A	64,346	0	N/A	N/A
Highland Park Feasibility Study	2-9-87	0	N/A	17,000	N/A	N/A	N/A
Grier Heights Economic Foundation (Foundations for relocation of houses)	7-11-88	6	N/A	85,727	0	N/A	N/A
Hoskins Mill (Private Rental Housing)	7-11-88	189	8,055,000	2,355,346	5,699,654	2.4.1	12,462
Winman Park (Private Rental Housing)	9-13-88	17	523,000	150,000	373,000	2.5:1	8,823
Habitat for Humanity (Homeownership)	9-26-88	8	276,850	52,850	224,000	4.6:1	6,600
McAlpine Terrace/Stonehaven (Private Rental Housing)	1-17-89	162	7,709,820	500,000	7,209,820	5.2:1	9,115
Habitat for Humanity (Homeownership)	4-24-89	75	3,200,000	1,200,000**	2,000,000+	1.6:1	16,000
Saratoga Park (Private Rental Housing)	4-24-89	20	650,000	215,000	435,000	2.0.1	10,750
Housing Partnership	6-26-89	100	----	2,000,000	----		20,000
Wilmore-Neighborhood Housing Services (Rehab/New Construction)	7-24-89	23	540,660	415,660	125,000		18,072
	TOTAL	627	$22,649,095	$7,499,694	$17,316,474		

APPROPRIATIONS TO INNOVATIVE HOUSING FUND

FY86 General Revenue Sharing	$ 400,000
FY87 General Revenue Sharing	500,000
FY88 Community Development Block Grant	1,200,000**
FY88 Pay-As-You-Go Capital	2,500,000
FY89 Pay-As-You-Go Capital	3,500,000
FY90 Pay-As-You-Go Capital	4,500,000
TOTAL	$12,600,000

CURRENT FUNDS AVAILABLE IN INNOVATIVE HOUSING FUND

Total Appropriations	$12,600,000
Expenditures to Date	- 7,499,694
Subtotal	$ 5,100,306
Policy Framework - Pending	- 2,500,000
John Crosland Co.- Pending	- 1,240,405
Jay Potter - Pending	- 120,000
TOTAL	$ 1,239,901*

INNOVATIVE HOUSING FUND STATUS REPORT AS OF SEPTEMBER 1, 1989

PAY-AS-YOU-GO CAPITAL APPROPRIATIONS ONLY

PROJECTS FUNDED	DATE APPROVED BY COUNCIL	# OF UNITS	TOTAL PROJECT COST	AMOUNT OF CITY PARTICIPATION	AMOUNT OF PRIVATE PARTICIPATION	LEVERAGE RATIO (Private to City)	CITY COST PER UNIT
Grier Heights Economic Foundation (Foundations for relocation of houses)	7-11-88	6	N/A	85,727	0	N/A	N/A
Hoskins Mill (Private Rental Housing)	7-11-88	189	8,055,000	2,355,346	5,699,654	2.4:1	12,462
Winman Park (Private Rental Housing)	9-13-88	17	523,000	150,000	373,000	2.5:1	8,823
Habitat for Humanity (Homeownership)	9-26-88	8	276,850	52,850	224,000	4.6·1	6,600
McAlpine Terrace/Stonehaven (Private Rental Housing)	1-17-89	162	7,709,820	500,000	7,209,820	5.2:1	9,115
Saratoga Park (Private Rental Housing)	4-24-89	20	650,000	215,000	435,000	2.0 1	10,750
Housing Partnership	6-26-89	100	----	2,000,000	----		20,000
Wilmore-Neighborhood Housing Services (Rehab/New Construction)	7-24-89	23	540,660	415,660	125,000		18,072
	TOTAL	525	$17,755,330	$5,774,583	$14,066,474		

APPROPRIATIONS TO INNOVATIVE HOUSING FUND

FY88 Pay-As-You-Go Capital	$ 2,500,000
FY89 Pay-As-You-Go Capital	3,500,000
FY90 Pay-As-You-Go Capital	4,500,000
TOTAL	$10,500,000

CURRENT FUNDS AVAILABLE IN INNOVATIVE HOUSING FUND

Total Appropriations	$ 10,500,000
Expenditures to Date	- 5,774,583
Subtotal	$ 4,725,417
Policy Framework - Pending	- 2,500,000
John Crosland Co.- Pending	- 1,240,405
Jay Potter - Pending	- 120,000
TOTAL	$ 865,012*

*The difference in current funds available in the Innovative Housing Fund shown between Pay-As-You-Go and All Appropriations is unspent GRS Appropriations of $394,889

Program Comparisons

Operation Bootstrap	CHAPP

Similarities

Operation Bootstrap	CHAPP
1. Payments are made to the owner	1 Payments are made to the owner
2. Families pay no more than 30 percent of their adjusted monthly income toward their housing cost.	2 Families pay no more than 30 percent of their adjusted monthly income toward their housing cost.
3 The housing Authority must determine rent reasonableness.	3 The housing Authority must determine rent reasonableness
4 Annual rent increase are granted based HUD annual adjustment factors However, units must still meet rent reasonableness requirements.	4. Annual rent increase are granted based HUD annual adjustment factors. However, units must still meet rent reasonableness requirements
5 Special Claims: Under the certificate program an owner may be eligible to receive two months' contract rent minus the maximum permitted security deposit for damages and unpaid rent. In addition, an owner may receive 80 percent of one month's rent for vacancy loss.	5 Special Claims· Under the certificate program an owner may be eligible to receive two months' contract rent minus the maximum permitted security deposit for damages and unpaid rent In addition, an owner may receive 80 percent of one month's rent for vacancy loss.

Differences

Operation Bootstrap	CHAPP
1 HUD Commits to funding 200 units for a 5-year period which may be extended up to a total term of 15 years. HUD fully funds the subsidy program.	1. The City commits to the total funding for 25 units for a 5-year term only There is no commitment to extend the funding.
2 The subsidy is tied to the family rather than to the unit occupied.	2. 50% of the program will have subsidies tied to the unit and 50 percent to the family

3	The Housing Authority may not approve rents in excess of the HUD-approved Fair Market Rent (with a limited 10% exception authority).	3.	The Housing Authority may not approve rents in excess of the HUD-approved Fair Market Rent, however, a 25% exception may be granted on a case by case basis
4.	Eligibility requirements and the same definition of income and allowances (24CFR Part 813) are used.	4.	Additional deductions, transportation allowances, and medical allowances are used for working families.
5	The Security Deposit is limited to $50 or 30% of the monthly adjusted gross income.	5.	The Security Deposit paid by CHAPP is not to exceed 1 month's rent
6	The Self-Sufficiency Component will be coordinated by the existing Transitional Housing staff and the Executive and Advisory Boards of the Housing Authority. All major agencies contributing to the self-sufficiency component are already members of these boards and are providing services to nearly 150 families already enrolled in the transitional housing programs.	6.	The Self-Sufficiency Component will be coordinated by the Housing Referral Section of the Community Development Department of the City of Charlotte
7	Three additional case coordinators will have to be hired to monitor the self-sufficiency efforts of 200 participants.	7.	Current staff is sufficient for program requirements for the 25 families.
8	Program operations must comply with HUD and other federal guidelines.	8	Program operations are determined locally resulting in greater flexibility of the program.
9	Preferences are given to families with dependents who are earning less than 50 percent of the median and who are paying more than 50 percent of their income for rent and utilities or are in-voluntarily displaced or live in substandard housing. They must also commit to the self-sufficiency goals of the program.	9.	The focus is on families earning less than 40 percent of the median income and with children under 15 years of age who reside in units which are overcrowded, substandard, and/or unaffordable. This emphasis on families with younger children increases the likelihood of breaking the cycle of dependency

COMPONENT 5

LOCATIONAL POLICY FOR ASSISTED HOUSING

OBJECTIVES OF LOCATIONAL STANDARDS

- oAvoid Concentration of Low Income Persons
- oLeveraging Private Dollars
- oGeographic Dispersal
- oEncourage economic/racial integration of Areas

	1986-1988			1989-1991	
APPLICABILITY OF LOCATIONAL STANDARDS	FED. OR CITY-BUILT PUBLIC HOUSING	FEDERALLY BUILT PUBLIC HOUSING	CITY-BUILT PUBLIC HOUSING	CITY/H.A. BUILT TRANSITIONAL HOUSING	LOANS/GRANTS PUBLIC/PRIVATE DEVELOPMENTS-RENTAL
A. INELIGIBLE AREAS:					
Areas within a 1/2 mile radius (property line to property line) of any 100% assisted housing project of 25 or more units are ineligible.	This standard applies	Same	Same	Exempt from 1/2 mile radius standard, but ineligible census tracts standard will apply	Public/private ventures pursuant to the Housing Tax Credit Act of 1986, and/or utilizing the City's innovative housing fund are exempt, if: the project is funded 50% or more by private funds or the project is funded 25% or more by private funds and the project has at least 5% owner equity and the project is 100% privately owned and managed.
B. LONG-TERM AVAILABILITY					City has first right of refusal to purchase public/private housing development, or the developer will provide the City with options on how the units can be maintained long term as low income housing units.
C. INELIGIBLE CENSUS TRACTS.	These standards apply	Same	Same	Same	
1. Where 50% or more of households earn 80% or less of the City-wide median income.					If 40% or less of units are reserved for households earning 60% or less of median, project is exempt.*
2. Where the black population exceeds 40%.					Exempt
3. Where the black population has increased by 15% or more between 1970-1980.					Exempt

* For example, 60% of the local median income for a family of four in 1988 is $19,620 per year

APPLICABILITY OF LOCATIONAL STANDARDS	FED. OR CITY-BUILT PUBLIC HOUSING	FEDERALLY BUILT PUBLIC HOUSING	CITY-BUILT PUBLIC HOUSING	CITY/H.A. BUILT TRANSITIONAL HOUSING	LOANS/GRANTS PUBLIC/PRIVATE DEVELOPMENTS-RENTAL
D. CENSUS TRACTS EXTENDING BEYOND CITY LIMITS	This standard applies	Same for all program approaches.			Exempt
Eligible or ineligible based upon entire tract's data.					
E. MAXIMUM UNITS					
Not more than 50 units per site.	This standard applies	Same for all program approaches			Exempt
F POLICY EXEMPTIONS					
1. Elderly/handicapped housing	This standard applies	Same for all program approaches			Exempt
2. Single-family units under Section 234 Program, North Carolina Housing Finance Agency or similar below market housing.	This standard applies	Same for all program approaches			
3. Assisted housing within Community Development areas with an equal number made available outside of such areas within one year. (Community Development areas are census tracts where 50% or more of the households earn 80% or more of the local median income.)	This standard applies	Same for all program approaches			
4. Assisted units developed for homeownership.		Same for all program approaches			
G. NORTH CAROLINA HOUSING FINANCE AGENCY (NCHFA) BOND FINANCING					
Developers of any 80%/20% developments financed by the North Carolina Housing Finance Agency are required to provide that 30% of the 20% units for low income families be two and three bedroom units or to provide a justification as to why they cannot.	This standard applies	Same for all program approaches			Exempt

NOTES

ORGANIZATION REVIEW ADVISORY COMMITTEE RECOMMENDATIONS
PROPOSED ACTION PLAN

Background

At the May 1989 City Council Workshop, Council discussed the final report from the Organization Review Advisory Committee. Also discussed was the City Manager's memorandum outlining a process to address the Committee's recommendations.

Several of the recommendations were delegated to the City Manager for implementation while one recommendation was later addressed by Council's Finance Committee and implemented in the FY90 Budget. The remaining recommendations were to be brought to Council at a later date for discussion and an action plan.

Council Discussion

On the following pages are the four remaining recommendations from the Organization Review Advisory Committee. Each recommendation is restated and followed by a Proposed Action Plan. Additional information is provided for some of the recommendations, as noted.

I. Recommendation:

Institute an annual process which requires Department Heads to identify their top 10% "high contributors" and their bottom 10% "low contributors". Further, this process should require Department Heads to develop career plans for the "high contributors" and performance improvement plans for the "low contributors".

Proposed Action:

1. Implement this recommendation as part of the performance appraisal system. Utilize the current performance evaluation ratings in addressing the 10% high contributors and 10% low contributors.

   a. Performance improvement plans for "low contributors" are and will continue to be part of the performance appraisal process.

   b. Career planning/employee development is a high organization priority. Currently, the City provides career development programs for Department Heads and Mid-Management. Career development and other training programs are being planned for other City employees.

The current performance appraisal system requires supervisors to rate employees in one of five categories: Exceptional, Above Expected, Expected, Needs Improvement and Unacceptable. Employees rated "Needs Improvement" or "Unacceptable" are placed on probation for a three month period and the supervisor details the performance level required of the employee to return to "non-probationary" status. (An employee on probation does not qualify for merit or cost-of-living adjustments). Employees rated "Exceptional" and "Above Expected" are eligible for performance incentives and larger percentage pay increases.

Schedule:

On-going.

Background:

Attachment 1: Organization Review Advisory Committee Final Report, reference pages 10-11.

II. Recommendation:

Establish a centralized complaint/inquiry function to more efficiently address citizen issues.

The Organization Review Advisory Committee found, in their review of the City organization, a very responsive organization, both to complaints received from the City Manager or City Council and complaints coming directly to the department from the citizen. The Committee felt that centralizing complaint systems could lead to advantages of economies of scale, better trained customer service representatives, and ability to collect and analyze data. The Committee acknowledged that many businesses were looking at centralizing this function or had already done so.

Proposed Action:

1. Study the effectiveness of the City's complaint/inquiry systems.

Schedule:

September 1989:	One of the City Mission Statement Action Teams is reviewing the best methodology for studying the effectiveness of the City's complaint/inquiry systems.
October 1989:	If approved, the City Manager will bring to Council a contract for the evaluation of these systems.
December 1989:	Results of study and recommendations received and evaluated.

Background:

Attachment 1:	Organization Review Advisory Committee Final Report, reference page 11.

III. Recommendation:

Expand the internal consulting activity within the City in a way that pays for itself with accepted improvements so there is a net savings to the City.

Proposed Action:

1. Establish an internal consulting unit. (A program description is provided on the following page).

Schedule:

September 25, 1989: Budget ordinance adding unit to City organization.

Background:

Attachment 1: Organization Review Advisory Committee Final Report, reference page 12.

INTERNAL CONSULTING UNIT
Program Description

CHARGE: To assist departments in the management of resources and problem analysis in order to produce actual dollar savings by improving department productivity and efficiency.

FUNCTIONS:

1. Manage external productivity/efficiency studies.
2. Provide internal consulting services to departments (management analysis, problem solving, crew-size studies, management information and control systems, ...).

STAFFING: Staffed by three Management Analysts and a permanent part-time clerical position.

UNIT FUNDING: Estimated first year budget for unit: $150,000 - $175,000.

OPERATIONAL POLICIES:

1. The Internal Consulting Unit must realize savings equivalent to the cost of operating the unit. The primary evaluation criteria used by the unit will be efficiency and productivity.
2. The Internal Consulting Unit can be requested by departments <u>or</u> assigned by the City Manager's Office.
3. Department Heads will be given the opportunity to review and respond to recommendations prior to a final decision by the City Manager.
4. All recommendations approved by the City Manager will be implemented.
5. Department Heads will be responsible for implementation of approved recommendations.

IV. Recommendation:

Acquire additional information to aid in setting priorities for future actions through greater use of statistically valid market research and "customer surveys" to determine citizens' relative priorities and values (willingness to pay).

Proposed Action:

Implementation of this recommendation is a policy decision. Council is requested to discuss the extent the City organization should utilize market research techniques in setting City-wide priorities.

With regard to "market research" and "customer surveys" the City has performed the following on a routine basis:

Market Research:

- Transit

Customer Surveys:

- City-wide Citizen Survey with UNCC (as a FY90-91 budget reduction, the City no longer conducts the City-wide Citizen Survey).
- Parks and Recreation

Schedule:

To be determined.

Background:

Attachment 1: Organization Review Advisory Committee Final Report, reference page 12.

ATTACHMENT #1

CHARLOTTE

Organization Review Advisory Committee

Final Report

Organization Review Advisory Committee Members

John Calvert, Chairman

Peter Anderson
Dennis Arthur
James (Jim) Golson
H Calvin Harris
John (Jack) Mitchell III
William (Bill) Powell
George Raftelis

ORGANIZATION REVIEW ADVISORY COMMITTEE
FINAL REPORT

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ORGANIZATION REVIEW ADVISORY COMMITTEE

I. Overview and Summary of Recommendations

For the past thirteen weeks, the Organization Review Advisory Committee actively pursued its charge to assess the City of Charlotte organization. Overall, we echo the compliments which the original Productivity Task Force expressed about the City organization. The City is administered by capable and dedicated professionals. There is an overall genuine feeling of pride, and esprit-de-corps in the organization. Charlotte compares favorably with peer cities nationwide. The organization works well and while, of course, improvements are possible, there are no apparent major effectiveness problems in the City organization.

The recommendations below summarize the conclusions from our Committee. Our approach was to look from our private sector perspectives to see what principles or practices can be applied to the City organization. We believe that implementation of these recommendations will make the Charlotte City organization more business-like.

Following the summary of recommendations is the body of the report which provides the background and context for each recommendation.

Recommendation #1. Increase the focus on efficiency by:

a) identifying explicitly the trade-offs between costs and service levels in the budgeting process;

b) instituting incentives for productivity gains and their resulting budget reductions.

Recommendation #2. Improve budget flexibility and accountability by authorizing the City Manager to:

a) reallocate up to 10% of budget and headcount among departments during the fiscal year;

b) maintain a "productivity improvement fund" in order to provide funds to departments to implement productivity improvements;

c) approve any already budgeted expenditures.

Recommendation #3. Institute an annual process which requires Department Heads to identify their top 10% "high contributors" and their bottom 10% "low contributors." Further, this process should require Department Heads to develop career plans for the "high contributors" and performance incentive plans for the "low contributors."

Recommendation #4. Focus the organization toward reducing levels of management by:

a) calculating and reporting current spans of control and levels of management;

b) requiring future organization changes which result in smaller average spans or more levels of management to be approved by the City Manager;

c) requiring Department Heads, as part of the annual budget process, to propose specific actions to reduce the levels of management in their department and to report on the benefits and associated costs and risks of such actions.

Recommendation #5. Establish a centralized complaint/inquiry function to more efficiently address citizen issues.

Recommendation #6. Expand the internal consulting activity within the City in a way that pays for itself with accepted improvements so there is a net savings to the City.

Recommendation #7. Acquire additional information to aid in setting priorities for future actions through:

a) greater use of statistically valid market research and "customer surveys" to determine citizens' relative priorities and values (willingness to pay);

b) expanded efforts comparing City departments to those in similar cities to uncover lower cost ways of producing needed service levels.

Recommendation #8. Continue the exposure to private sector perspectives/experiences by:

a) recruiting candidates with private sector experience for administrative officer, internal consulting positions, or management positions;

b) encouraging City management to interact with private businesses, for example, through Chamber of Commerce programs, public-private associations, or public-private exchange programs.

II. Background

The City has a history of concern for and efforts to improve the effectiveness and efficiency of its organization. In addition to day-to-day management attention, there have been periodic reviews by internal staff, consultants, and task forces of members from the community.

On September 16, 1988, the Productivity Task Force, comprised of many leaders from the community and chaired by Hugh McColl, presented their recommendations to the Mayor and City Council. One of the recommendations of that task force was to "assess the current organization and its appropriateness to accomplishing the City's goals."

The Council approved the recommendation and proposed action plan of "soliciting volunteers from local corporations and businesses to jointly evaluate, with City Management, the City's efforts in identifying and implementing changes in the City's organization."

As a result of this recommendation, the City established an "Organization Review Advisory Committee" to implement the recommendation of the Task Force in a timely manner.

A list of the members of this "Organization Review Advisory Committee" is attached as Appendix A. The membership represents many years of private business experience, with a variety of backgrounds and industries represented on the Committee. None of the members had experience working in City Government, except on other task forces or, in one case, as a consultant to City Governments.

III. Charge and Role

The Mayor presented the Advisory Committee with the following charge:

> To advise the City Council and the City staff on ways of implementing the following Productivity Task Force recommendation: "To assess the current City organization and its appropriateness to accomplishing the City's goals ("Is the structure in place appropriate for the job to be done?").

Additional guidance as to the role of the Committee was provided as follows:

1. Review City staff proposals and department organization structures, where appropriate, in the context of the City's and departments' missions, goals, and services provided.

2. Review City staff organizational evaluation programs and processes, and advise on approaches for on-going organizational assessment.

IV. Scope of Work

The Committee intends that this report be used to assist City management with organizational changes. The recommendations embody the knowledge and expertise from the various business representatives on the Committee.

As a first step, the Committee defined the following as what it should and could try to accomplish in the scope of its work:

- Organization is not structure alone, but includes other systems which keep an organization viable, i.e., planning, resource allocation, human resource management, etc. These other systems will be included in the review.

- We will primarily focus on the City Manager unit on down, but will include City Attorney's Office and City Clerk.

- Our review will include departmentalization, i.e., the number of departments and the scope of the departments in order to confirm the "right type of departments," "right number of departments," and "right configuration of structure of departments."

- Comparisons should be made with other cities which have experienced rapid growth, are of similar size, or are in the same geographic area.

- We should review workload drivers (input variables that have a direct impact on output) in order to forecast capacity needs, and review how organization treats variable demand.

- Our review will include the resource allocation and review process (planning and measurement systems).

- Our review will identify and review trends or issues affecting the private sector and evaluate how the public sector is handling them and/or planning for them.

- We should suggest priority for further study, based on the criteria, principles, guidelines, etc.

The Committee excluded from its scope of work:

- The appropriateness of the Council/Manager form of government.

- An evaluation of the the basis of representation (of political bodies).

- An evaluation of the consolidation issue (of two businesses, i.e., City and County), although principles or guidelines can apply to both organizations.

- A detailed review of the organization structure of individual departments.

- A detailed review of privatization opportunities.

- A detailed review of "staffing levels," i.e., number of employees for each department; however, the review may include criteria for staffing.

With our charge and scope in mind, the Committee prepared a work plan and completed the following actions to prepare this report:

- Reviewed the background of past organizational changes and the related philosophy that have brought the City to where it is today and where it wants to be in the future.

- Agreed on a consistent set of attributes and characteristics of a good organization (philosophy, principles, decision criteria, etc.) for use in assessing the current City organization.

- Developed an interview guide using the attributes and characteristics.

- Studied documents and interviewed 20 members of the City's management as well as the Mayor and three Councilmembers.

- Reviewed how the City and its organizational structure are perceived externally by the public, other governmental organizations, and governmental associations.

- Formulated recommendations and prepared this report.

Appendices are provided to supplement the reader's understanding and to support our recommendations:

Appendix	Description
A	List of Advisory Committee Members
B	List of City representatives who were interviewed
C	List of materials provided for the Committee
D	A copy of the Committee's work plan and interview guide
E	Comparison data and organization charts from 23 other cities

V. Model of Organization Effectiveness

The Committee chose to broadly interpret its charge. In our view, an assessment of an organization, private or public, cannot be limited solely to reviewing the placement or arrangement of "boxes", but should include assessing desired outcomes as well as organizational processes which contribute to the outcomes. We concluded that for our review we would focus on three primary outcomes required of effective organizations. Those three outcomes are:

1. Effectiveness of service delivery (achieving the desired results)

2. Performance oriented managers

3. Committed employees

We elaborated on those outcomes with what we called organizational attributes and then identified four factors or processes that, when functioning according to the "attributes", will promote the desired outcomes. Exhibit 1, on the following page depicts this model.

In short, if the organization has achieved the desired outcomes, then it must be fulfilling many, if not all, of the organizational attributes and the four processes or factors must be contributing to the achievement of the attributes.

VI. External Analysis

In the business community, companies often compare themselves with their competition. Although by nature a City has no direct competitor, we compared Charlotte with a broad representative base of cities to see if Charlotte is "out of step" with other comparable "businesses." The Committee felt that these comparison results may also serve as a basis for focusing further analysis.

The Committee chose 23 other cities as comparable businesses and elected not to include other governmental entities such as County governments, special authorities or School Boards. Appendix F details the approach used by the Committee for selecting and documenting the external comparisons.

The following comments summarize the Committee's conclusions from the external comparisons.

EXHIBIT #1

OUTCOMES OF "GOOD" ORGANIZATIONS	ATTRIBUTES WHICH PROMOTE DESIRED "OUTCOMES"	FACTORS AND PROCESSES FOR EVALUATION
1. EFFECTIVENESS IN SERVICE DELIVERY	CUSTOMER FOCUSED ADDRESS MISSION AND GOALS RESULTS COMMUNICATED AND EXPLAINABLE CONSISTENT/RELIABLE QUALITY ORIENTED EFFICIENTLY SUPPORTED	GOAL SETTING / PLANNING RESOURCE ALLOCATION AND EVALUATION
2. "PERFORMANCE-ORIENTED" MANAGERS	ACCOUNTABLE FOR RESULTS AUTHORITY FOR DECISIONS TIMELY DECISIONS SETS HIGH PERFORMANCE STANDARDS ABILITY TO REWARD PERFORMANCE	HUMAN RESOURCE MANAGEMENT
3. COMMITTED EMPLOYEES	PARTICIPATION IN COMMON FOCUS/ GOALS HIGH MORALE/ENTHUSIASM PRIDE IN JOB TEAMWORK HIGH INVOLVEMENT	ORGANIZATION STRUCTURE / COMMUNICATION

1. When assessing City organizations using broad comparison ratios, many factors and caveats must be considered including: support services provided by other governmental entities, level of services being provided, variations in methods of accounting for cost and staffing, economy of the region, specialized needs of citizens, composition and proximity of suburbs, and special considerations related to topography and climate. It is dangerous to draw definitive conclusions about the efficiency and effectiveness of a city's organization through comparisons without a careful evaluation of these factors.

2. Based on an assessment of Charlotte's characteristics (size, growth pattern, demographics) and those of cities similar to Charlotte, the Council/Manager form of government appears to be the most prevalent.

3. Based on a summary review of organization charts from the various cities included in the survey, there appears to be no "one best way" to group departments or no "one optimum" number of departments.

4. Based on an assessment of the following six general measurements, Charlotte compares favorably with 23 other City organizations:

   - General Fund Budget Per Capita
   - General Fund Employees Per 1000 Population
   - Total City Employees Per 1000 Population
   - General Fund Budget Per Square Mile
   - General Fund Employees Per Square Mile
   - Total City Employees Per Square Mile

   Appendix F includes the comparative analysis worksheet which details the information collected for the external review, City rankings by six general measurements, and 24 City profiles with organization charts.

VII. Discussion of Recommendations

1. Goal Setting

In the private sector, goal setting/planning is usually accomplished by integrating several planning systems to get daily operations aligned with corporate strategy. Among the systems often found are strategic planning, capital plans, budgets, and individual performance planning.

The Committee compliments the City management team in their overall planning and goal setting procedures and processes. The City seems to have a very mature planning process that is well understood and supported. The 2005 Plan and the Council Retreats seem to provide sufficient clarity for capital planning and operations budgeting. The mission, goals and objectives, and plans are documented thoroughly, and the managers seem to be held accountable for them. These are all positive attributes of a successful organization.

However, there is one area in which we have concern. We found that departments in the City are focused on "little or no complaints" as a major customer service goal. We understand that the principal goal for the City organization is to achieve service targets, with the greatest public acceptance, within the approved budget. However, future budgets seem to be determined by the desire to provide for more or better services. This assumes the base budget is affordable and an ever-increasing level of service is desirable.

We believe there is over emphasis in the City on improving service levels with insufficient emphasis given to efficiencies. Our experience suggests that the establishment of service level objectives must be made with full understanding of the costs associated with various service levels. This understanding allows for the optimization of service with limited resources.

We recommend that the trade-offs between service levels and cost and the public's willingness to pay the cost relative to higher service levels be determined and made explicit so that appropriate objectives can be established in the budgeting process.

In addition, we recommend instituting additional productivity improvement measures with incentives to make productivity gains and resulting budget reductions. These changes should become a part of the City's budgeting process, management by objectives program, and performance review process.

2. Budget Flexibility

Our interviews revealed a general consensus that each department had sufficient resources to get its agreed upon jobs done. (We found this unusual because in private industry most department managers feel they have too little to get done what they need to.)

However, we also found limited flexibility in resource allocation. Most private business managers have the ability to add or reallocate resources in their budgets in order to meet changing conditions. The City operates with little flexibility for its managers because they are allowed to neither spend dollars nor hire people without formal approval by the City Council.

We recommend that the City Manager be allowed to reallocate budget and head count among departments provided that the reallocations are less than 10% of the approved levels.

We recommend that the Council authorize the City Manager to establish a "productivity improvement fund" and serve as the banker to the departments by providing funds for productivity improvements. The productivity improvement fund would come initially from a reduction in department budgets, and then replenished by productivity improvements or efficiencies if

the savings are short-term. If the savings are from a longer-term payback, then it is assumed the "productivity improvement fund" will be set at a defined level each year as part of the benchmark budget.

We recommend also that the City Manager be given the authority to approve any already budgeted expenditures. By removing the current restriction of $30,000, Council can reduce its administrative role, save substantial staff time and increase the accountability of the City Manager for implementing approved plans.

3. Human Resource Management

The desired outcome of effective human resource management is a workforce which is committed to the organization's goals, consistently displays high morale, takes pride in its work, and functions as a productive team. The major components of human resource management are generally considered to be recruitment/ selection ("hiring the right people"), training and development ("equipping them to perform to their maximum capabilities"), performance appraisal ("recognizing performance"), and compensation ("rewarding performance").

Because a separate Advisory Committee on Performance Appraisal and Incentive Programs has been charged with reviewing performance measurement and compensation programs within Charlotte City government, we have not addressed these areas in detail. However, we have one concern related to the productivity of an organization.

Our interviews indicated some frustration with dismissing employees for poor performance. This frustration may have been created and is exacerbated by the City's performance appraisal and dismissal procedures or lack of understanding of these procedures.

We did not evaluate the appropriateness of the City's performance standards or the dismissal procedures. But we believe it is important to recognize that the average performance level in any organization will gravitate toward the lowest acceptable performance. Winning organizations must rigorously enforce performance standards to discourage low performance levels.

This recommendation is one method used by some leading companies in the private sector. We recommend that the City institute an annual process which requires Department Heads to identify their department's top 10% "high conttibutors" and their bottom 10% "low contributors". Further the process should require Department Heads to develop career plans for the "high contributors" and performance improvement plans for the "low" contributors." Low contributors who fail to meet performance

improvement plans should be dismissed from the City organization. High contributors should be provided opportunities for advancement through training and other methods.

4. Levels of Management

In the private sector there is considerable attention being given to widening spans of control to reduce cost, improve communication, increase speed of decision making, and promote local, flexible discretion.

The topic of spans of control was discussed in all our interviews. Some of our interviews with Council members and input provided to us from Citizens for Effective Government, revealed perceptions of excessive layers of management and narrow spans of control in City government. Others we interviewed thought that this was not a major issue now.

Because a detailed analysis of every department organization was not conducted, we could not substantiate the claims and perceptions. We also concluded that it is unwise to apply general formulas or rules-of-thumb for the number of management levels or spans of control. However, we do endorse the organizational principle of reducing levels of management. We recommend that there be additional focus throughout the organization in this effort, with the appropriate incentives offered for improvements.

Specifically, we recommend that: 1) the City calculate and report current spans of control and levels of management; 2) any future organization changes which result in smaller average spans or more levels of management require strict review by Budget and Evaluation and approval by the City Manager; and 3) as a part of the annual budgeting process, require that Department Heads propose specific actions to reduce the levels of management in their department and to report on the benefits and associated costs and risks of such actions. This will help institutionalize the focus on reducing layers of management by putting it into the formal, annual process, rather than a one-time study.

5. Responding to Complaints and Inquiries

The management teams are extremely customer focused. Responsiveness is the overriding requirement throughout the organization. Currently individual departments receive inquiries/complaints and respond. Many private sector businesses have established centralized customer inquiry/customer complaint offices in order to appropriately and efficiently address customer issues. Among the advantages are economies of scale, better trained customer service representatives, and the ability to better analyze all data. We recommend that the City establish a centralized complaint/inquiry function.

6. Internal Consultants

Many companies in the private sector have internal consultants available to assist line managers in the review of their organization's performance. Within the City this role is often performed by "administrative assistants" or "administrative officers." Within the private sector, the term "administrative assistant" usually refers to a non-exempt employee functioning in a senior secretarial capacity. Within City government, however, this term applies to exempt level staff-support personnel, generally with college education, used to study problems, analyze situations and make recommendations for improvements. This distinction in terminology is important since references at times were made to the number of such personnel needed with the organization. Many department heads said that the availability of additional administrative assistants would help them improve productivity. The committee recommends that the City expand its internal consulting capacity as part of the process to improve productivity in City government. Additional head count may be needed to facilitate conducting internal consulting and managing external consulting contracts. Additionally, the "market research" discussed in the next recommendation should also be done or at least managed by this unit. These internal consultants should pay for themselves with accepted productivity improvement recommendations so there is a net savings for the City.

7. Information on Which to Base Priorities

Value is an elusive variable in government. In private business, value is central and people vote with their pocketbooks and with their feet. In government, value of services cannot be directly addressed because in most cases the customers are captive and/or compelled to buy from the City. Consequently, resource allocation between departments must be addressed on intuition, utilization by citizens versus capacity provided, length of complaint lists, or Council directive. We recommend a local effort be made to acquire information to aid in determining citizens' priorities and relative values (prices willing to be paid) through statistically valid sampling techniques. Also, we recommend that the City expand its effort to compare City departments and services to those in similar cities to uncover lower cost ways of producing needed service levels.

8. Business Perspective

The Committee clearly recognizes that City Management is a separate profession from the private sector. We do, however, think that there are significant benefits available to the City from getting the private sector perspective on their operations. We recommend that this be done in various ways including:

1. Recruiting more candidates with private sector experience for administrative officer positions, internal consulting positions, or other management positions.

2. Encouraging City management to interact with private businesses to facilitate the mixing of perspectives.

M E M O R A N D U M

DATE: August 29, 1989

TO: Mayor/City Council

FROM: O. Wendell White
City Manager

SUBJECT: Staff Response to Recommendations of Advisory Committee on Performance Appraisal and Incentive Programs

At your May workshop you directed City staff to review the recommendations of the Advisory Committee on Performance Appraisal and Incentive Programs and to come back in September with staff recommendations on implementation. City staff has thoroughly reviewed these recommendations and has gathered input from employee focus groups representing the City's General, Exempt and Management Pay Plans, as well as from department heads and City management. Based upon response from these groups, we are recommending, with slight modification, implementation of the recommendations of the advisory committee.

Two areas in which modifications have been made to the committee recommendations are in the pay plan structure for the General Pay Plan and in the retention of the incentive program for management. For the General Pay Plan, we are recommending a performance-based system below midpoint rather than the step approach recommended by the committee. We believe this will provide greater incentive to these employees and will result in easier administration of the plan. City staff has discussed this recommendation with members of the advisory committee and they are in agreement that this approach is fully compatible with the aims and philosophy of the committee.

Even though the committee recommended the retention of an incentive plan for management, I am recommending that the current incentive program for this group, as well as for all other employees, be discontinued at the end of this fiscal year. The last Management and Senior Management incentives are being awarded during August and September. I need until June 30 to phase out the program for general and exempt employees. I continue to support the idea of an incentive plan; however, I am reluctantly recommending the phase-out of the current incentive plan based on comments from the private sector, City Council and employees.

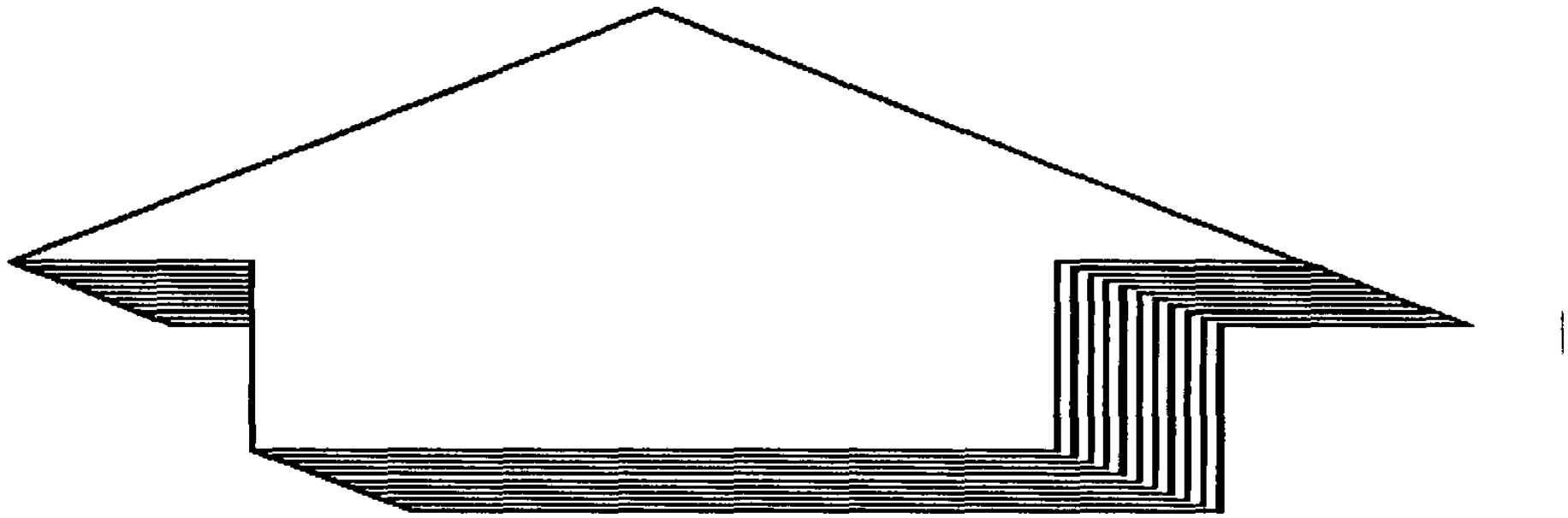
Central to the accomplishment of the recommendations is the establishment of a Performance Management Unit. City staff from both the Budget and Personnel Departments is already stretched to meet current demands of ongoing programs. I do not believe that it is possible to free up staff and continue with the current level of service. For this reason, I am recommending additional positions to staff this unit and believe that these positions will be well worth their cost through increased productivity.

If you choose to accept the staff recommendations presented in the accompanying document, there are several action steps which will need to be taken at your workshop on September 5, 1989. These include approving in principle: (1) the establishment and funding of a Performance Management Unit; and (2) the elimination of the performance incentive awards program after this fiscal year. If these are approved, we will return at your September 25 meeting with agenda items implementing these changes.

OWW:kwb

Enclosure

RECOMMENDATIONS OF THE ADVISORY COMMITTEE ON PERFORMANCE APPRAISAL AND INCENTIVE PROGRAMS



CHARGE: "conduct a compensation system review to identify clear-cut, quantifiable performance standards which would be closely coupled with a productivity incentive program"

PRODUCTIVITY TASK FORCE

MAJOR RECOMMENDATIONS

1. REVITALIZE THE PERFORMANCE MANAGEMENT SYSTEM

2. RESTRUCTURE CITY PAY PLANS

"PERFORMANCE APPRAISAL AND PAY SYSTEMS ARE EXTREMELY COMPLEX AND DYNAMIC, WHETHER IN THE CONTEXT OF PUBLIC OR PRIVATE SECTOR. ...OUR RECOMMENDATIONS REPRESENT AN 'IDEAL'. WHEN THE CONSTRAINTS WITHIN WHICH THE CITY OPERATES ARE ADDED...,IMPLEMENTING THE IDEAL BECOMES A CHALLENGE INDEED."

ADVISORY COMMITTEE REPORT

PERFORMANCE MANAGEMENT

A COMPREHENSIVE PROCESS WHICH INCLUDES TOP-DOWN COMMUNICATION OF THE CITY'S GOALS FROM CITY COUNCIL DOWN THROUGH THE ORGANIZATION; PARTICIPATORY GOAL SETTING BETWEEN SUPERVISOR AND EMPLOYEE; PERFORMANCE TARGETING; ONGOING EMPLOYEE COACHING; AND FAIR, CONSISTENT EVALUATION OF EMPLOYEE PERFORMANCE AGAINST ESTABLISHED GOALS OR STANDARDS.

PERFORMANCE MANAGEMENT
SUMMARY OBSERVATIONS

- PRESENT SYSTEM EMBODIES MANY COMPONENTS OF A GOOD SYSTEM
- COUNCIL'S EXPECTATIONS NOT SUFFICIENTLY LINKED THROUGHOUT ORGANIZATION
- PERFORMANCE MANAGEMENT NOT "WAY OF DOING BUSINESS"
- MANY MANAGERS NOT SKILLED IN OR HELD ACCOUNTABLE FOR PERFORMANCE MANAGEMENT TECHNIQUES
- CITIZEN COMPLAINTS WEIGH MORE HEAVILY THAN IMPROVING PRODUCTIVITY AND EFFICIENCY
- SAFETY AND ATTENDANCE PROGRAMS NOT UNDERSTOOD
- MORE TIMELY EMPLOYEE RECOGNITION NEEDED

PERFORMANCE MANAGEMENT RECOMMENDATIONS

- HOLD MANAGERS ACCOUNTABLE FOR PROGRAM SUCCESS
- ESTABLISH A SYSTEM OF TIMELY PLANNING, COACHING AND APPRAISING PERFORMANCE
- ESTABLISH A TIE BETWEEN COUNCIL GOALS AND EMPLOYEE OBJECTIVES/STANDARDS
- ESTABLISH SPECIFIC, MEASUREABLE JOB STANDARDS
- ESTABLISH CLEAR ATTENDANCE/SAFETY STANDARDS
- SET UP A PERFORMANCE MANAGEMENT UNIT

PERFORMANCE STANDARDS

- o MANAGEMENT AND EXEMPT PAY PLANS
  - -MANAGEMENT-BY-RESULTS
- o GENERAL PAY PLAN
  - -PERFORMANCE INDICATORS
    - -MAY BE MEASUREABLE OR BEHAVIORAL

PERFORMANCE MANAGEMENT UNIT

- ASSIST DEPARTMENTS IN SETTING PERFORMANCE OBJECTIVES, DESIGNING PERFORMANCE INDICATORS AND DEVELOPING INCENTIVE PLANS
- DEVELOP PAY AND INCENTIVE SYSTEMS WHICH REWARD PERFORMANCE
- PROVIDE TRAINING TO DEPARTMENTS IN PERFORMANCE MANAGEMENT SYSTEM, INCLUDING WORK PLANNING, EMPLOYEE COACHING AND APPRAISAL
- CERTIFY FUNCTIONALLY SPECIFIC INCENTIVE PLANS TO ENSURE EFFECTIVENESS AND RETURN ON INVESTMENT

PAY PLANS
SUMMARY OBSERVATIONS

- MANY EMPLOYEES DON'T THINK BONUSES ARE PAID FOR SUPERIOR PERFORMANCE; BONUSES HAVE BECOME PART OF EXPECTED PAY FOR SOME
- CITY DOESN'T GET ENOUGH VALUE FROM GENERAL SALARY ADJUSTMENTS BECAUSE THEY ARE NOT LINKED TO PERFORMANCE
- EMPLOYEES IN DIFFERENT TYPES OF JOBS MAY NEED DIFFERENT REWARDS
- THE NUMBER OF PAY PLANS IS CONFUSING AND NOT GENERALLY UNDERSTOOD

RECOMMENDATIONS ON PAY PLANS

- o REDUCE NUMBER OF PAY PLANS
- o EDUCATE EMPLOYEES
- o ELIMINATE GENERAL ADJUSTMENTS AND MOST MERIT STEPS
- o ADOPT MIDPOINT (MARKET RATE) CONCEPT
- o USE MARKET-BASED PAY INCREASE MATRICES WHICH CONSIDER PERFORMANCE AND POSITION IN RANGE

RECOMMENDATIONS ON GENERAL PAY PLAN

- ELIMINATE ANNUAL GENERAL ADJUSTMENTS
- REDUCE SIZE OF TOTAL ANNUAL INCREASE FOR STANDARD PERFORMERS
- CONTINUE STEP CONCEPT BELOW MIDPOINT
- ADJUST STEP INCREASES ANNUALLY BASED ON MARKET CONDITIONS
- ABOVE MIDPOINT, USE A PAY INCREASE MATRIX WHICH CONSIDERS PERFORMANCE AND POSITION IN RANGE
- WHERE FEASIBLE, DEVELOP FUNCTIONALLY SPECIFIC INCENTIVE PLANS (MAY INCLUDE TEAM AWARDS) TO MEET SPECIAL NEEDS OF DEPARTMENTS
- ALLOW DISCRETION FOR DEPARTMENTS TO GIVE SMALL, SPONTANEOUS CASH OR NON-FINANCIAL AWARDS

GENERAL PAY PLAN

CURRENT PAY STRUCTURE

FY 89

A	B	C	D	E	F	F1	F2
5%	5%	5%	5%	5%	2.5%	2.5%	

+4% GENERAL ADJUSTMENT
ON JULY 5, 1989

FY90*

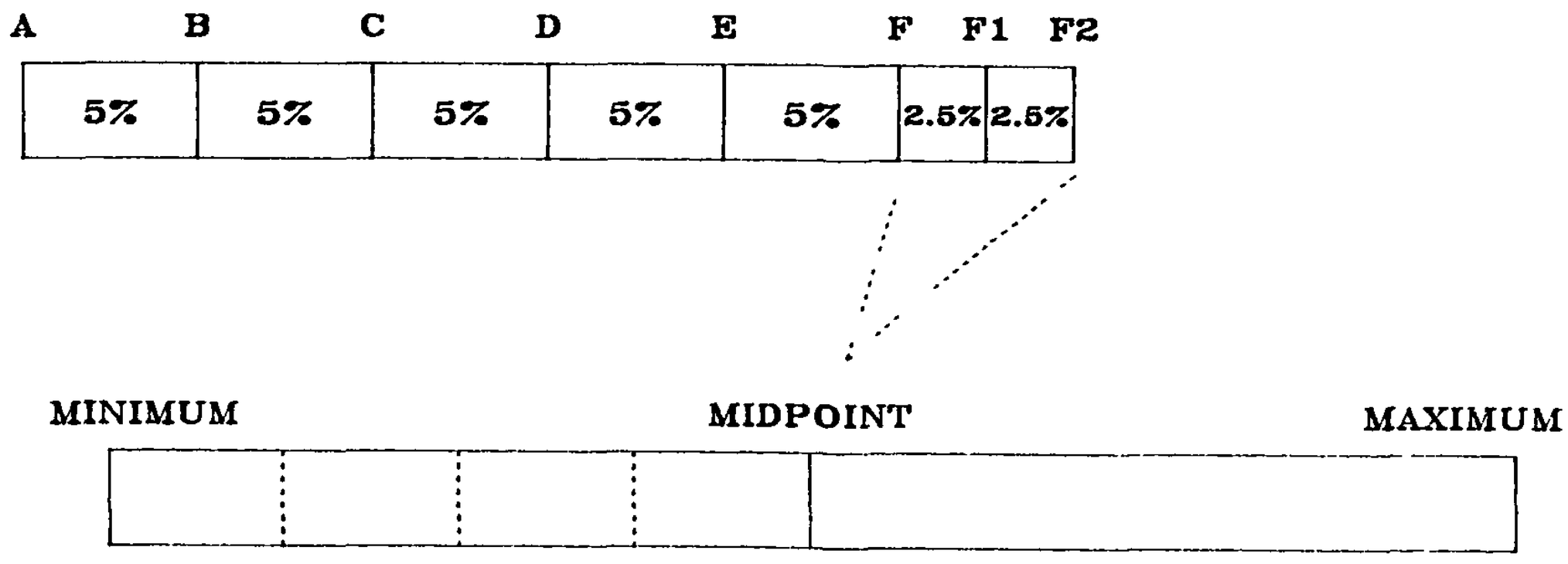
A	B	C	D	E	F	F1	F2
5%	5%	5%	5%	5%	2.5%	2.5%	

+5% ON ANNIVERSARY DATE

*4% MARKET ADJUSTMENT

GENERAL PAY PLAN

COMPARISON OF CURRENT STRUCTURE AND STRUCTURE RECOMMENDED BY ADVISORY COMMITTEE



INCREASES BELOW MIDPOINT

STEPS=MARKET ADJUSTMENT + ADVANCEMENT FACTOR

INCREASES ABOVE MIDPOINT

EXPECTED=MARKET ADJUSTMENT
ABOVE EXPECTED=MARKET ADJ. + 3%
EXCEPTIONAL=MARKET ADJ. + 6%

GENERAL PAY PLAN

MODIFIED RECOMMENDATION

MINIMUM | MID-POINT | MAXIMUM

INCREASES BELOW MIDPOINT

EXPECTED=MARKET ADJUSTMENT + ADVANCEMENT FACTOR
ABOVE EXPECTED=MARKET ADJ. + ADV. FACTOR + 3%
EXCEPTIONAL=MARKET ADJ. + ADV. FACTOR + 6%

INCREASES ABOVE MIDPOINT

EXPECTED=MARKET ADJUSTMENT
ABOVE EXPECTED=MARKET ADJ. + 3%
EXCEPTIONAL=MARKET ADJ. + 6%

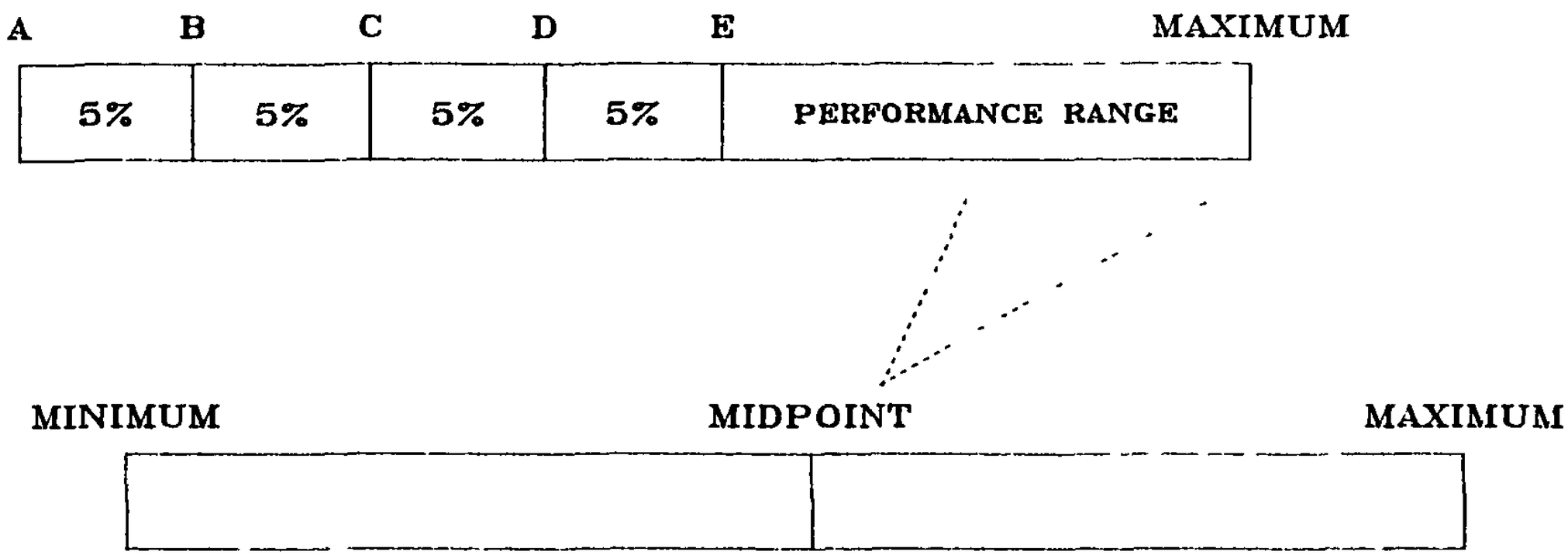
- NO GENERAL ADJUSTMENTS IN JULY
- ALL INCREASES PERFORMANCE-BASED
- INCREASES INCORPORATE MARKET ADJUSTMENT
- HIGHER MAXIMUM PROVIDES INCENTIVE TO TOP PERFORMERS
- SOME EMPLOYEES MAY FIND IT DIFFICULT TO ACHIEVE HIGH PERFORMANCE LEVELS DUE TO ROUTINE NATURE OF JOBS

RECOMMENDATIONS ON EXEMPT PAY PLAN

- ELIMINATE GENERAL ADJUSTMENTS AND STEPS
- ESTABLISH OPEN RANGES WITH MINIMUMS, MIDPOINTS AND MAXIMUMS ONLY
- USE MARKET-BASED PAY INCREASE MATRIX WHICH CONSIDERS PERFORMANCE AND POSITION IN RANGE (ABOVE OR BELOW MIDPOINT)
- WHERE FEASIBLE, DEVELOP FUNCTIONALLY SPECIFIC INCENTIVE PLANS (MAY INCLUDE TEAM AWARDS) TO MEET SPECIAL NEEDS OF DEPARTMENTS
- ALLOW DEPARTMENTS DISCRETION TO GIVE SMALL, SPONTANEOUS CASH OR NON-FINANCIAL AWARDS

EXEMPT PAY PLAN

COMPARISON OF CURRENT STRUCTURE AND STRUCTURE RECOMMENDED BY ADVISORY COMMITTEE



INCREASES BELOW MIDPOINT

EXPECTED=MARKET ADJUSTMENT + ADVANCEMENT FACTOR
ABOVE EXPECTED=MARKET ADJ.+ ADV. FACTOR +3%
EXCEPTIONAL=MARKET ADJ.+ ADV. FACTOR +6%

INCREASES ABOVE MIDPOINT

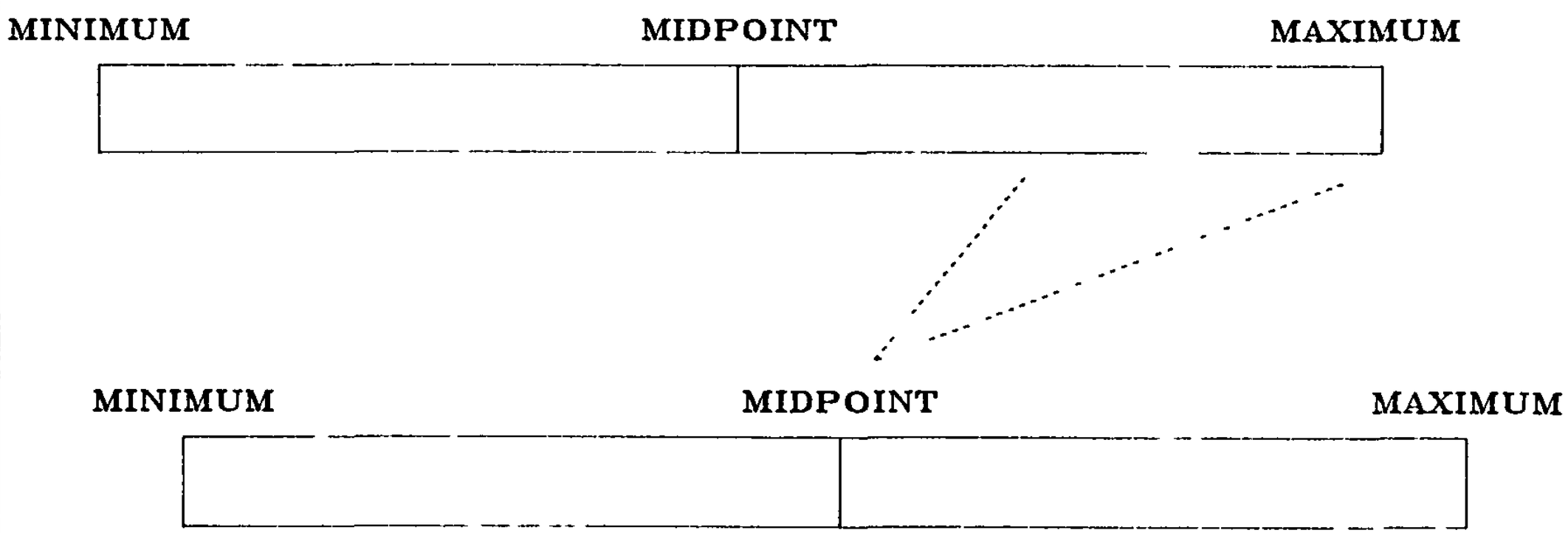
EXPECTED=MARKET ADJUSTMENT
ABOVE EXPECTED=MARKET ADJ. + 3%
EXCEPTIONAL=MARKET ADJ. + 6%

RECOMMENDATIONS ON MANAGEMENT PAY PLAN

- INCORPORATE SENIOR MANAGEMENT AND MOST CURRENT MANAGEMENT PAY PLAN POSITIONS INTO ONE PLAN
- ESTABLISH OPEN RANGES WITH MINIMUMS, MIDPOINTS AND MAXIMUMS ONLY
- USE MARKET-BASED PAY INCREASE MATRIX WHICH CONSIDERS PERFORMANCE AND POSITION IN RANGE (ABOVE OR BELOW MIDPOINT)
- RETAIN INCENTIVE PLAN BUT LIMIT NUMBER OF RECIPIENTS AND BASE ON ACHIEVEMENTS OUTSIDE OF MANAGEMENT-BY-RESULTS PROCESS

MANAGEMENT PAY PLAN

COMPARISON OF CURRENT STRUCTURE AND STRUCTURE RECOMMENDED BY ADVISORY COMMITTEE



INCREASES BELOW MIDPOINT

EXPECTED=MARKET ADJUSTMENT + ADVANCEMENT FACTOR
ABOVE EXPECTED=MARKET ADJ.+ ADV. FACTOR +3%
EXCEPTIONAL=MARKET ADJ.+ ADV. FACTOR +6%

INCREASES ABOVE MIDPOINT

EXPECTED=MARKET ADJUSTMENT
ABOVE EXPECTED=MARKET ADJ. + 3%
EXCEPTIONAL=MARKET ADJ. + 6%

IMPLEMENTATION

- o ASSURE COUNCIL/MANAGEMENT COMMITMENT AND CONTINUED FOCUS ON IMPROVEMENTS
- o RETAIN EXISTING PROGRAMS UNTIL POSITIONED FOR CHANGE
- o PROVIDE RESOURCES NEEDED (PMU)
- o PROVIDE TRAINING AND EMPLOYEE COMMUNICATIONS ON CHANGES
- o EXPLORE "QUICK FIXES" WHERE FEASIBLE
- o DEVELOP LOGICAL AND TIMELY IMPLEMENTATION SCHEDULE (3 TO 5 YEARS)

EMPLOYEE CONCERNS

- o RECOMMENDED PAY PLANS DO NOT PROVIDE FIXED INCREASES WHICH ALLOW FOR FINANCIAL PLANNING
- o TOTAL ANNUAL INCREASES MAY BE SIGNIFICANTLY LESS THAN UNDER CURRENT SYSTEM
- o DIFFICULT TO ACHIEVE HIGH PERFORMANCE LEVELS IN ROUTINE JOBS
- o SUCCESS IN SOME JOBS IS DIFFICULT TO MEASURE
- o MOST EMPLOYEES BELIEVE THEY ARE ABOVE-AVERAGE PERFORMERS AND THE RIGHT SYSTEM WILL RECOGNIZE THIS
- o SUPERVISORY EMPLOYEES ARE CONCERNED ADDITIONAL ADMINISTRATIVE WORK CREATED BY NEW SYSTEM WILL FURTHER REDUCE TIME FOR SUPERVISING WORK

STAFF RECOMMENDATIONS

PERFORMANCE MANAGEMENT

- o FULLY ACCEPT RECOMMENDATIONS OF COMMITTEE AS STATED IN REPORT
- o RECOMMEND ADDITIONAL FUNDING FOR PERFORMANCE MANAGEMENT UNIT
  - -STAFFED BY MANAGEMENT ANALYST, COMPENSATION ANALYST,PROCESS TRAINER, BUDGET AND EVALUATION ANALYST AND CLERICAL POSITION

PAY PLANS

- o ACCEPT RECOMMENDATIONS RELATING TO REVISED PAY STRUCTURES FOR GENERAL, EXEMPT AND MANAGEMENT PAY PLANS
- o RECOMMEND ACCEPTANCE OF RECOMMENDATIONS ON INCENTIVE PROGRAMS, EXCEPT RECOMMEND NO INCENTIVE PROGRAM FOR MANAGEMENT

IMPLEMENTATION SCHEDULE

YEAR 1

- o ESTABLISH PERFORMANCE MANAGEMENT UNIT
- o DEFINE PERFORMANCE MANAGEMENT AND ESTABLISH IT AS "WAY OF DOING BUSINESS"
- o BEGIN TRAINING OF COUNCIL, MANAGEMENT AND EMPLOYEES ON PROCESS

YEAR 2

- o IMPROVE CURRENT MANAGEMENT-BY-RESULTS PROCESS FOR EXEMPT/MANAGEMENT EMPLOYEES
- o BEGIN DEVELOPMENT OF PERFORMANCE INDICATORS FOR GENERAL PAY PLAN EMPLOYEES AND CONTINUE THEIR TRAINING

YEAR 3

- o IMPLEMENT EXEMPT AND MANAGEMENT PAY PLAN REVISIONS
- o COMPLETE DEVELOPMENT OF PERFORMANCE INDICATORS AND TRAINING

YEAR 4

- o IMPLEMENT GENERAL PAY PLAN REVISIONS

NOTES

2005 TRANSPORTATION PLAN

At the August 28, 1989 Council meeting, Council deferred action on the 2005 Transportation Plan and asked that it be discussed and voted on at the September 5 workshop.

Only a very limited number of the draft plans are left; they will be available at the workshop.

Consider the Transportation Committee's unanimous recommendation to approve the 2005 Transportation Plan and to direct the City's representative to the Metropolitan Planning Organization concerning adoption of the Plan.

Recommendation

Council's Transportation Committee meeting on August 9, 1989, unanimously recommended Council adoption of the 2005 Transportation Plan. Council is requested to adopt the 2005 Transportation Plan and to authorize their representative to the MPO to support the Plan at the MPO's September, 1989 meeting.

2005 Plan

Attached is a draft of the 2005 Transportation Plan. Council has previously adopted or reviewed the three primary components of the plan:

- 1988 Charlotte-Mecklenburg Thoroughfare Plan. This update of the 1983 Thoroughfare Plan was adopted by Council on January 23, 1989 following approval by the Metropolitan Planning Organization (MPO) on November 30, 1988. All local governments except Mint Hill have adopted the new Thoroughfare Plan.

- Transit Corridors Study. Harvey Joyner of Barton-Aschman Associates presented the study recommendations at a December 8, 1988 Council workshop. The final report will be completed this month.

- Roadway Project Priority. Council adopted on June 12, 1989 a revision of the 1997 project rankings included in the 2005 Transportation Plan. The adopted roadway list, changed slightly by the addition of a "current congestion" criterium, guided preparation of the project rankings in the area's FY 1990-94 Transportation Improvement Program.

During the analysis of future travel conditions, the Department of Transportation identified 76 unfunded roadway projects needed by 2005 to meet projected auto traffic. Tables 2 and 3 in the 2005 Transportation Plan list these projects. The list of projects includes widening segments of several major thoroughfares from four to six lanes to provide acceptable levels of service in 2005.

Some of the projects would have significant land use impacts because they occur in developed areas with substantial residential frontage. The transportation benefits of these projects will have to be evaluated carefully in light of expected negative impacts.

Attachment No. 3

NOTES