

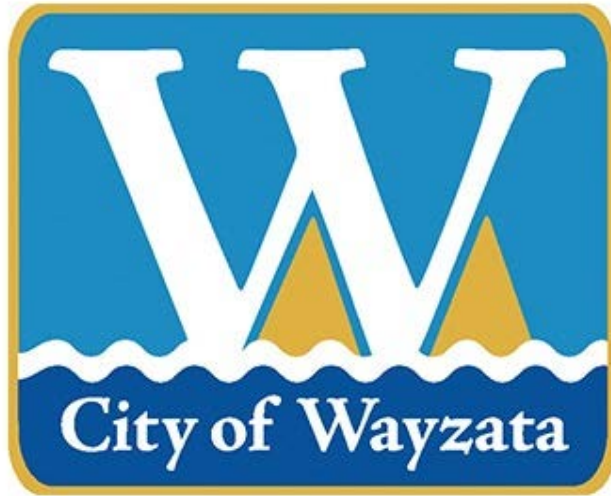
City of Wayzata
600 Rice Street
Wayzata, MN 55391-1734

Mayor:
Ken Willcox
City Council:
Jack Amdal
Bridget Anderson
Andrew Mullin
Tom Tanner
City Manager:
Heidi Nelson

MEMORANDUM

TO: Mayor Willcox and Councilmembers
FROM: Heidi Nelson, City Manager
DATE: January 30, 2014
RE: Review of Organizational Analysis

In October of 2013, the City embarked on an Organizational Analysis to review the overall structure of the city organization with a specific focus on Public Works, Finance and Liquor Operations. The completed report is enclosed with this memo. Craig Rapp will be present for the workshop to review the analysis methodology, findings and recommendations with the City Council.



Organizational Analysis
Summary Report

January 2014

CRAIGRAPP, LLC
IMPROVING ORGANIZATIONS & THE PEOPLE WHO LEAD THEM

January 2, 2014

Heidi Nelson
City Manager
City of Wayzata
600 Rice Street East
Wayzata, MN 55391

RE: Organizational Analysis

Dear Ms. Nelson,

I am pleased to present this report to you in support of the City's effort to address operational effectiveness, strategic direction and organizational structure.

An analysis of the City's current operations in the administration, finance, liquor, and public works departments, as well as a review of motor vehicle licensing and engineering functions was conducted from mid-October through early December. This examination culminated in a wide range of findings and alternatives for change presented for your consideration.

The consulting team-Richard Johnson, Mark Nagel, and Jon Thiel, and I wish to thank you and the many employees throughout the departments who participated in interviews and provided valuable information during the process. This report would not have been possible without their efforts.

Yours truly,

A handwritten signature in black ink, appearing to read "Craig R. Rapp". The signature is fluid and cursive, with the first name "Craig" being more prominent and the last name "Rapp" following in a similar style.

Craig R. Rapp
President

CRAIGRAPP, LLC

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Introduction/Purpose

The City of Wayzata, like other cities, is emerging from a period of significant fiscal challenge, which required a series of difficult choices in order to balance financial prudence with service demands. Those choices, while necessary, have tested the organization's ability to maintain historic levels of service.

This period also included a change in leadership with the hiring of a new City Manager. The leadership transition and resource challenges, coupled with key staff departures and the prospect of additional retirements, led to the decision to conduct an analysis of operations across a number of core departments.

This study provides an analysis of operations in the administration, finance, liquor, and public works departments. In addition, the motor vehicle licensing and engineering departments were examined due to the complementary nature and relationships of those functions. The analysis included an evaluation of strategic alignment, spans of control, and effective deployment of resources to meet priority outcomes. The results, which follow, provide an opinion regarding the current deployment of human and capital resources, and whether they are adequate to meet current and future challenges. Based upon those opinions, recommendations are offered regarding organizational restructuring, strategic alignment and enterprise management.

The study methodology included direct observation, analysis of financial statements, key document review, and a series of interviews conducted with key management and front line staff in each department. An examination of leading practices in the various areas was also conducted, leading to a set of recommendations, drawn from this collective effort.

Approach

To address the City's objectives, a series of framing questions were used to focus the team's efforts and to test the information gathered. The questions were:

1. What are the departments' strategies and objectives for the future? Are they clear? Are they documented? Are there plans in place to reach the desired outcomes? Are they aligned with the City's strategic plan? With Council and City Manager expectations?
2. What are the service delivery expectations? How are they communicated?
3. What is the accountability system for results?
4. Do the departments have the necessary human and capital resources to achieve their vision and strategic objectives?
5. Are the human and capital resources structured, aligned and deployed to achieve maximum efficiency and effectiveness?
6. Are there systems in place to direct, measure, and continuously improve operations?
7. What are the key issues and challenges that the departments' must confront to remain viable and achieve their objectives?

Background

More than two decades ago, Peter M. Senge reflected on our increasingly complex and interconnected world in his groundbreaking book, *The Fifth Discipline*. According to Senge, for organizations to survive and thrive in the future, they need to be less controlling and much more flexible and adaptable. His vision was for what he called a “learning organization”; an organization that is constantly renewing itself even as it effectively accomplishes its most urgent goals.

In the years since the notion of the learning organization was first introduced, more people have come to see the potential of this organizational model. A 2007 study from the John J. Heldrich Center for Workforce Development at Rutgers University asked 160 public and private sector employers throughout New Jersey to identify the skills and abilities they most needed in employees now and in the future.

According to respondents, the greatest demand was for workers with tacit knowledge, which they characterized as “adaptability skills.” Adaptability was defined as a combination of critical thinking, problem solving, managing change, lifelong learning, and flexible role orientation. “Adaptability was also found to be one of the six practices of high-impact nonprofits in a multi-year research project described in the 2008 book, *Forces for Good* (Crutchfield, McLeod-Grant).

The public sector has lagged behind the private sector in embracing and implementing this vision for the 21st century organization. There are relatively few examples of governmental entities *not* based on specialized departments and hierarchical management. The City of Wayzata, due to its size, operates within the more traditional, specialized framework. While this approach has served Wayzata’s residents well in the past, it will be difficult to maintain. Given the City’s small size, high service demands, and likely continuation of financial constraints, it will be important for the city to begin developing a flexible organization, staffed by flexible people, in structures that support them.

Flexibility by itself, however, is not enough. Change and adaptation must be linked to a compelling business reason – typically strategic outcomes or organizational priorities. In other words, answering the question: *change in the service of achieving what objective or strategic priority?* The City of Wayzata, like many organizations, places a high priority on delivering prompt, efficient, high quality service to its residents- therefore making this a reasonable starting point.

In most local governments, including Wayzata, the structure of the organization is hierarchical and built to produce outputs, e.g., miles of street paved, number of vehicles serviced, acres of parks mowed, linear feet of pipe installed, etc. The citizen and customer however, don’t generally care about how many feet of pipe or miles of street are maintained. They care about water being available from the faucet, a smooth ride home and a ball field that’s ready at game time. For that reason, organizing resources to produce results that matter to customers is the key to delivering high quality, responsive service.

Most leading edge organizations have adopted organizational structures that are carefully designed to meet key outcomes. In the private sector, the highest priority typically is satisfying customer needs. Widespread use of self-managing/collaborative teams empowered to meet

customer requirements have long been standard practice. While local government hasn't embraced this approach to the same degree, some examples do exist.

In development services, for example, many local governments now have one-stop shops where plans and permits are reviewed and approved as part of a team effort rather than in individual departments. In some organizations they partner with developers and consultants up front, to minimize application problems, all in the service of making the customer's experience better.

In addition to satisfying customers, a key outcome common to all organizations, which remains constant from year to year, is the need for financial sustainability. In the private sector, this is embedded in the need to be profitable. For that reason, the inputs to production – human and capital assets – are carefully managed to ensure maximum efficiency, and return on utilization. Leading private sector organizations use integrated structures with the aforementioned self-managing teams, focusing on process improvement as the way to maintain lean, efficient operations. In some cases, this also includes outsourcing of specific jobs or entire departments.

In the public sector, particularly during the recent national recession, financial sustainability brought into focus the effective utilization of assets. Without a profit motive as an incentive, the public sector generally relies on cost containment, efficiency and productivity improvements to address financial sustainability. From a human and capital asset management perspective, this means close examination of spans of control, alignment of the means of delivery and the efficient processing of core functions.

In summary, organizational structure should support achievement of strategic objectives and be aligned with mission. It should not be the result of a decision to copy another organization or follow a trend. Ideally, a decision to restructure should be made as a part an on-going management commitment to evolve and change to meet organizational objectives and the needs of its customers (citizens/stakeholders) in the most cost effective, efficient manner possible.

This study was conducted with that perspective in mind: understanding that the management of the City of Wayzata is committed to aligning its core functions to responsively meet community expectations and the strategic direction established by the City Council.

The information that follows includes a set of general findings which provides an overall picture of the current situation, followed by an organizational review which documents more detailed observations and issues to consider. This is followed by a set of opportunities and recommendations for change. The final section documents options for restructuring the departments, including corresponding organization charts contained in Appendix A.

General Findings

As indicated in the introduction, interviews were conducted with a wide range of management, supervisory and front-line staff from each department. The following general findings are based upon those interviews, supplemented by a review of relevant available budgets, policies and practices in each department.

1. The departments have an experienced leadership team and dedicated workforce that deliver high quality service.

It is apparent that the leadership team is very experienced; that the employees are dedicated to public service, and that the quality of services delivered was high. The workforce expressed pride in their accomplishments and their desire to provide good customer service was evident. These circumstances provide a solid foundation upon which to build.

2. The City “plays bigger” than its size would indicate.

The City of Wayzata has a small population, but it is a center for business and leisure activity for the surrounding area. Consequently, its service demands and operations are comparable to a City 3-4 times its size. To effectively live up to stakeholder expectations in this reality, staff capabilities and organizational capacity will need to be equal to the circumstances.

3. There is a commitment to strategic thinking, but a need to align operations.

The City has made a commitment to strategic planning, including an update that occurred during this analysis. The Council has articulated broad goals, and a detailed work plan and accountability system is in place. The challenge confronting the organization will be how to move beyond production of work and into an integration of effort.

The City has a talented staff, many of whom appear to be very good strategic thinkers. In fact, there have been many initiatives conceived and launched by the organization that support this observation. However, the departments generally exhibit a “task” orientation. Specifically this means that for the most part, staff thinks in terms of how to accomplish daily tasks, or puts challenges in the context of tasks to be accomplished rather than strategic issues and systematic approaches for achieving results, continuous learning and improvement. This is partly due to the small size of the organization, however, the opportunity exists with the deployment of the new strategic plan to address this issue.

4. The current organizational structure limits flexibility, cross training and sharing of resources.

The City has a traditional hierarchical, and specialized structure, typical of many organizations, and common to most cities. This structure concentrates decision-making at the top, which, given the small size of the organization, negatively impacts the City Manager's time and flexibility. There is also a great deal of specialization, and dedication of resources to narrowly defined functions.

Although specialized organizations do achieve results, progressive organizations have increasingly moved toward grouping of similar functions to eliminate duplication and provide greater opportunities for teaming, sharing resources and cross training. This approach also enables the organization to increase spans of control and accelerate the speed of decision-making. Ultimately, this facilitates the development of self-managing teams, replacing "stove-piped" departments that have limited resources and a narrow focus.

5. The City's experience with collaboration and entrepreneurial service delivery will serve it well in the future

The City has a successful track record of collaboration and entrepreneurial service delivery – witnessed by the Long Lake police contract, the investment in expanded liquor operations at the Muni, and the recent discussions regarding the merger of public works services with Long Lake. Given Wayzata's small size, on-going expectation for high quality service delivery, and the likelihood of fiscal constraint, this experience should enable the City to adapt and thrive in the future.

6. The organization is transitioning to a more open and inclusive leadership style, with some variation among the departments.

The change in leadership has resulted in more openness and transparency. The departments have generally welcomed this. However, the cultural change has been significant. Each functional area continues to make changes to address the new environment, with varying degrees of success and understanding. The most difficult period of adjustment appears to have occurred, but the transition is still a work in progress.

7. The departments will experience turnover in key positions and are not well prepared for the impact.

In the departments analyzed, there are managers and supervisors eligible for retirement in the near to mid-term. There are no succession plans in place to address this change in leadership. While normal recruitment and hiring may yield qualified candidates to fill vacancies, the organization will suffer a significant loss of institutional knowledge. However, the projected vacancies represent an important opportunity to examine the management and deployment of resources in these areas. Decisions regarding restructuring, and the deployment and alignment of staff should be a precursor to recruiting the replacements for retiring incumbents.

Organizational Review

The consulting team conducted an operational review of functions in the administration, finance, liquor operations, motor vehicle licensing, public works and engineering departments. The review included interviews with staff at all levels, direct observation, and the examination of enterprise-wide and department documents.

The following is a summary by department of observations and issues to consider resulting from that review. Many findings are similar across departments. The comments addressing similar issues are expressed in identical wording in each section to represent that commonality they are not meant to represent exact statements or conditions.

The following are general observations common to all departments:

- The city's Strategic Plan is supported by the Department Heads and they felt that it provided good direction to the departments.
- The departments feel supported by the City Council and City Manager.
- In general, the organization understands and accepts that leadership is transitioning to a more open and inclusive style.
- The departments feel that Capital projects funding is sufficient.
- The departments feel that funding for needed equipment, tools and supplies has been good.
- The departments feel that support from HR, IT and Finance has been acceptable but could be improved.

A. The Administration and Finance Departments have the following functional areas:

City Clerk
Elections
Municipal licensing
Accounting/Financial Reporting
Budgeting
Human Resources/Payroll
Passport Processing
Motor Vehicle Licenses

1. Observations and issues to consider in the Administration and Finance Departments:

- The staff members in each of these areas are committed to delivering high quality customer service and are very responsive to citizen questions and needs.
- The staff members within the City Clerk and Finance functions handle the front counter and citizen telephone calls in addition to their other duties.
- The staff members within the Motor Vehicles function stay within their own area and do not provide any support to the front office.
- The work of the Deputy City Clerk and Finance Manager is fragmented due to frequent interruptions for customer service and questions from employees and other departments.
- The workload is increasing due to more emphasis on customer service, improved communications to both the City Council and the community at large, and more focus on process.
- There are few written policies and procedures in any of the areas.
- The processing of passports is demanding since Hennepin County dropped the function and some of that work has come to the city. It is hard to increase staff for the function since it is not a predictable stream of work and it is unknown what the quantity will be over time since the shift just occurred on November 1st. Also, due to new federal requirements, it must be kept separate from the Motor Vehicle function.
- The City Manager indicated that the processing of passports is approximately a break-even transaction for the City, but it is a desired convenience by the residents. There should be a continued evaluation of the processing of passports since the segregation of responsibilities that it requires will limit other improvements that can be made in the overall productivity of the administration and finance functions. The federal government seems to be placing more restrictive requirements on the processing of passports, which will increase the cost of the transaction and limit how staff can be assigned. The post office is conveniently located nearby and could be the place where passports are

obtained.

- The Finance Manager is primarily focused on daily processing of financial transactions and overseeing payroll and employee benefits. The Finance Manager estimated that 40-50% of her time was spent on the financial transactions of the liquor operation given the volume of the invoices, daily reporting and need to assist the interim managers who are new to their respective assignments.
- There have been no major issues identified in the Management Letters provided by the Auditors (MMKR) in recent years. Segregation of duties is always mentioned, but is difficult to totally solve in a small organization with limited staff. The sign-off process for invoices is adequate given the size of the organization and the limits set on who can approve invoices.
- Abdo Eick & Meyers provides audit preparation and some reports along with limited financial oversight and assistance and the financial analysis and forecasting needed for big projects or longer term planning. The firm recently provided more assistance in the budget process for 2014.
- Abdo Eick & Meyers prepared and delivered an internal control transaction cycle analysis of the City's liquor operations on October 23, 2012. The report included ADDENDUM 1: Fraud Risk Areas Procedures and Results. A number of risk areas were identified with recommendations for reducing the risks. They also more recently provided a draft scorecard for the Liquor Store Manager to use in evaluating results.
- Abdo Eick & Meyers prepared a month end close analysis/recommendations report. They identified seven conditions for improving the close process by using changing procedures, relying more on the existing financial system (Banyon) and reducing reliance on paper.
- There is a concern by the Finance Manager and other Department Directors that there is no one immediately available for consultation on financial issues that may be more involved than accounting issues. Also, there appears to be no specific oversight, other than the City Manager, for the follow-up on the implementation of the recommendations outlined in the two reports identified.
- The Motor Vehicle Department Manager is new within the last year and is in his first supervisory position. He brings good experience from working in licensing in Hennepin County and Golden Valley. The Manager is pursuing providing licensing services to more automotive dealers and is actively marketing the City's services. He is also looking at other services that could be provided, such as driver's licenses. There appears to have been no cost/benefit analysis on these types of services.
- Development and mentoring of the managers in these functional areas would be beneficial, particularly for the new supervisor. One person indicated that given the workload it was hard to take time off to attend a seminar for development or improving skills.

2. Opportunities

- **Improved Coordination**

While the Administration, Finance and Motor Vehicle areas have very competent and committed managers and staff, their ability to address coordination and alignment of work issues is hampered by the high workload and the small staff. No one is accountable to take charge of this responsibility and address work roles and assignments among all of the staff. Also a clearer delineation of backup roles would improve productivity when someone is absent. A person to take on this responsibility would improve productivity, work satisfaction and overall customer service.

- **Financial Leadership**

The City has functioned for a number of years with the Finance Manager handling day-to-day activities and the reliance on Abdo Eick & Meyers providing higher level financial guidance and support. The Finance Manager and other Department Directors have identified the need for a more available resource to provide guidance in addition to what the Finance Manager can do in her role.

- **Leadership Development**

The City has two long time managers in the Finance Manager and the Deputy City Clerk and a new supervisor in Motor Vehicles. The ongoing mentoring and development of these individuals would strengthen the organization as well as ensure strong leadership during any transitions that may occur in the City.

3. Recommendations

- **Hire an Administrative Services Director**

There is a need for a strong day-to-day leader in the Administration and Finance functions as well as Motor Vehicles. This position would relieve the City Manager of a number of tasks, but would also address the areas of opportunities outlined above. This position should also be responsible for overseeing the Liquor Operations and supervising the two managers. This will be further addressed under the recommendations for the Liquor Operations.

An Administrative Services Director would bring a broader range of skills to the position than a Finance Director. The individual will need strong financial management skills, but also should have experience with liquor operations and business planning.

The availability of this position would reduce the reliance on Abdo over time, saving funds that could be applied to pay for the position, but they could still be a valuable resource to retain.

- **Focus on Leadership Development**

There is a clear need for the continued development of the Deputy City Clerk and Finance Manager since they are the critical staff in the Administration and Finance functions. Also the Motor Vehicles Department Manager is new and needs ongoing support and development to ensure that he becomes as strong a manager and leader as he can be. This is critical given the small size of the staff and the need for everyone to perform at their best. The Administrative Services Director could take on this responsibility.

- **Productivity Improvement**

There needs to be improved coordination and assignment of work between the Administration, Finance and Motor Vehicle functions. There are opportunities to more clearly define which person has which responsibilities, who backups whom, and to integrate Motor Vehicle staff more closely into the overall office environment. This would be another responsibility of the Administrative Services Director to determine how this can be done without sacrificing customer service and ensuring all legal requirements are met. This would also include evaluating which work should be performed in the operating departments versus in Administration and Finance, i.e., utility billing.

B. The Liquor Operations Department has the following functional areas:

Liquor Store
Bar and Grill

1. Observations and issues to consider in the Liquor Operations Department:

- The Interim Liquor Store Manager (LSM) has been running the 5,000 square foot store since August 1, 2013. He has been w/ the City for 10 years and in the liquor business for 24 years managing stores.
- The LSM's focus for the last four months has been on improving operations. Based on the Abdo Report of October 23, 2012, he has done the following to implement the recommendations:
 - a. He has delegated the purchasing of beer and its display to the Interim Assistant Manager so he can focus on wine and spirits.
 - b. He is implementing the recommendations related to: (1) inventory counts and reconciliations; (2) reducing "the significant quantity of aged inventory" to increase turnover rates; and (3) reviewing/reducing the large vendor list and aged inventory. There is some challenge in doing all of this since the City's current software system, RITE, is unable to provide this information without costly upgrades.
 - c. He is implementing the recommendations regarding both the purchasing process and policy. He is also reviewing the current Wine Club discounts, as to their actual cost to the City, for possible changes.
 - d. He is competitively pricing wine, beer and liquor.
- The LSM has implemented a number of changes on the floor:
 - a. He has lowered prices by as much as 20% to be more competitive and to increase both sales and turnover, especially as it relates to wines.
 - b. He has reset the beer coolers, installed better signage, and upgraded the micro/craft brew section to increase revenues.
 - c. He has instituted a Winery of the Month, identified a section for 90+ point wines in the front of the store, changed the Wine Cellar, which had been vacant, and created a closeout section. All of these actions will have to be evaluated closely for financial success by using the cash register to divide the sales to each and then into the computer system for analysis monthly.
- The LSM has a 7 point plan that he is working on in this area, but has not written it down – although, he does share it with employees during meetings.

- Abdo prepared a scorecard for evaluating the Liquor Store. The LSM thinks this will be very helpful. He needs to know which three to five measures are the most important to focus over the next 6 months.
- There seems to be a more open environment being instilled by the LSM to try new ways of increasing sales using a “bottom up approach” in which any employee can make a suggestion. The LSM has implemented many of these suggestions, which appears to be increasing staff morale.
- The LSM is also networking with the Minnesota Municipal Beverage Association and other Municipal Liquor stores to learn about and receive input on new ideas to increase revenues.
- He is concerned about the increasing competition in the market area, but currently lacks time to develop a “game plan” to meet it due to the focus on improving operations.
- There is no current, written Business Plan for either the Liquor Store or Bar/Grill. The last one was done in mid-2007 by Restaurant Strategies, LLC, and remains the blueprint to update. Neither Interim Manager has had the opportunity to read it.
- Both managers agree that there needs to be an updated Business Plan for both operations, since the competitive landscape in their defined market area of Plymouth, Long Lake, Wayzata and Minnetonka is changing – large, discount wine stores, brewery/taprooms (Plymouth is considering an ordinance allowing them) and more restaurants with wine and beer licenses.
- As part of an updated Business Plan, a Customer Survey should be done to more specifically define their market area as well as specifically measure the wants of the customers. Both managers take time to get feedback from customers. However, a Customer Survey would provide empirical verification of their conclusions based on informal customer feedback.
- Cross marketing with the Bar/Grill operation is also being expanded, but a specific plan as to how to proceed and measure results should be developed.
- Both operations contribute to paying for a marketing firm, but neither manager could identify the split of the \$60,000 a year contract and the exact services being received. If there is a written marketing plan and performance measures for the firm, then steps should be taken to update it by the marketing firm in concert with the 2 new managers. For example, when the LSM asked what the results were from a billboard on TH 12, the marketing firm could not provide specifics.
- Social media marketing is being performed “in house” by the City’s Communications Specialist and seems to be having some success based on the number of “hits” and informal customer surveys at the liquor store. There appears to be little coordination of the marketing firm’s program and the social media work being done by the

Communications Specialist to maximize impact of the entire marketing program and budget.

- Neither manager was familiar with the 2014 budget and could not explain increases in the personnel services line. They also did not know the specifics of the compensation plan and when it was last updated. Both managers recognize that this is a vital part of their position and expressed a willingness to learn the budgeting process.
- Both managers will need to learn to take a “larger view” of the organization. They need to move from their current focus on controlling their current operations to doing more business planning and developing a financial/budgeting capability. They both expressed the desire to learn more about these aspects of the operations.
- The Interim Bar & Grill Manager (BGM) started on August 1, 2013. He has been with Wayzata since 1996 after a variety of bar and restaurant jobs. He also has an AA in Hospitality Management from Normandale Community College. He leads an experienced, seasoned management team most of who have been with City for over 10 years. This is a competitive advantage, since turnover in the industry is much higher.
- The BGM has focused on operational improvements:
 - a. Fine tuning the service, the food quality, price points and attracting a more diverse clientele to grow the sales and profits and keep customers coming back;
 - b. Developing a better training program;
 - c. Reducing Cost of Goods Sold; and
 - d. Finding ways to increase sales during slow periods.
- Like the liquor store, there appears to be a more open environment being instilled in which feedback and ideas are taken from employees and implemented and evaluated for success.
- Lack of available parking is a drawback for both operations. It was noted that customers tell them that they go somewhere else due to insufficient parking. An estimate of lost sales at both due to parking has not been determined, and should be done, but it may have an even greater impact on sales as the parking becomes increasingly scarce with future downtown development. This impact should also be studied and options for providing more parking should be developed.
- The BGM notes that it is time to think long range – an updated Business Plan and Strategic Goals and Objectives, along with better differentiation from the competition, as the “newness” of the Bar & Grill begins to wear off. A Business Plan that focuses on the future growth areas for the business would be beneficial, plus a

better set of performance measures to compare to industry standards.

- There is little, if any, way to expand the space for the Bar & Grill, which could impact future sales and profits. Among the areas an updated Business Plan could focus on addressing are:
 - a. There are no private rooms for banquets and parties (35 – 50 would be ideal);
 - b. The kitchen may not be large enough to do much catering (12 to 15 per year estimated currently, which are mostly City functions); and no delivery service- although, there is takeout (estimated to be 12 a day – mostly area businesses and very few at dinner).
- In evaluating the financial results, the Liquor Store has not met projections outlined in the Restaurant Strategies study and is still struggling to improve its bottom line and improve inventory turnover. It is too early to evaluate the results of the changes the LSM has made and is in the process of making, but agreed upon measures of success should be developed to monitor progress.
- In evaluating the financial results, the Bar and Grill has exceeded projections and expectations. It seems to have a real niche in serving the community. Its challenges going forward are maintaining revenue growth given the physical limitations of the space and the parking challenges.
- As noted previously, both managers need training on the budget and other financial information as well as longer-term management development to become better managers.
- The former Director of Liquor Operations was a trained sommelier. It is not clear as to what benefit this had for the Liquor Store. It did not seem to translate to a stronger bottom line, and it may have contributed to some of the inventory issues that exist today. The LSM expressed interest in having this type of resource (trained sommelier) again in the future. None of the larger municipal liquor store operations (Edina, Eden Prairie, and Richfield) have anyone trained as a sommelier. The impact of a trained sommelier should be evaluated as part of a Business Plan update.

2. Opportunities

- **Market Strength**

Both the Liquor Store and Bar and Grill have a committed customer base. The Liquor Store has maintained its volume of sales, but needs to focus on pricing, marketing and inventory strategies to capitalize on this base. The Bar and Grill has been able to expand its customer base and demonstrate remarkable growth since it opened. The challenge now is how to continue to keep these customers and grow given the limitations of the physical space and parking.

- **City Commitment**

The City Council and City Manager are committed to the Liquor Operations Bar/Grill Operations and see it as a vital part of the community. This provides the managers the latitude and opportunity to be creative and explore new strategies.

3. Recommendations

- **Retain the “Interim” Status for Both Managers**

Both managers have been in their respective roles for four months. The results for the Liquor Store have been mixed so far but changes are being made in which the results will have to be evaluated through the scorecard. Four months is too short of a time to draw any significant conclusions.

The Bar and Grill Manager has had better results, but this is also indicative of the strong market position that the Bar and Grill has in the community. Four months is also too short of a time to draw any significant conclusions.

Evaluate the results obtained by the managers at the conclusion of one year in the job, following the hiring of an Administrative Services Director. This will allow them sufficient time to establish themselves and make their own mark on the operations. They both have solid backgrounds, which should help them be successful.

- **Assign Oversight Responsibilities to the New Administrative Services Director**

There is no compelling need for a Liquor Operations Director. There is no evidence that this position would add sufficiently to the bottom line to justify the salary and benefits. Both managers have sufficient experience and background to manage their respective areas. Also, it would be difficult to find a Liquor Operations Director who would have experience in both sides of this business and therefore would still be relying heavily on one manager or the other.

With the recommendation to hire an Administrative Services Director, it is also recommended that this person be responsible for the oversight of the Liquor Operation. This individual would bring business planning expertise to the operation as well as be responsible for the development of the two managers. This position would train the managers in budgeting and the financial management of the operation. The Administrative Director would evaluate the performance of the two managers and make recommendations at the end of their year as to whether the interim title is removed or other steps are necessary.

- **Develop a Business Plan**

One of the first tasks of the new Administrative Services Director should be the development of an updated Business Plan for both the Liquor Operation and the bar/grill Operation. Both Managers have ideas but will need help in documenting and formatting an overall plan of execution.

The Business Plan for the Liquor Store could address sustainability and improving market share by:

- Continued implementation of the recommendations of the Abdo Report.
- Evaluation and identification of their market area.
- Determination of their strategy given new competition.
- Develop a specific and measurable marketing plan.
- Evaluate the benefit and need for a trained sommelier.

The Business Plan for the Bar and Grill could address such opportunities for increasing sales and profits as:

- Reconfiguring the existing space to have more tables.
- Winterizing the patio space.
- Finding a space for catering offsite.
- Cross promotions with the Liquor Store.
- Better off-peak marketing of the space (2 to 5 PM weekdays and after 10:30 PM on Saturdays).
- Considering offering a Saturday/Sunday Brunch.
- Considering adding breakfast although the kitchen may be a limitation.
- Greater social media presence.
- A coordinated, overall marketing plan with performance measures.

C. The Public Works Department has the following functional areas:

Engineering Services
Public Works Administration
Park/Forestry Maintenance
Street/Fleet Maintenance
Utilities Maintenance

1. Observations and issues to consider in the Public Works Department:

- The departments deliver a high level of services in a very responsive manner. However, specific level of service (LOS) and service expectations are not explicitly articulated, except through the budget process.
- The Public Works Department has a basic Operations Policy Manual.
- The Departments have various infrastructure maintenance, rehabilitation and replacement plans that provide a strategy for long-term preservation and improvement of assigned assets. Examples are the Storm Water Management Plan, Surface Water Management Plan, Comprehensive Water System Plan, and Comprehensive Sanitary Sewer System Plan. These plans and other information are used to develop input for the well done Capital Improvement Plan (CIP) and Equipment Replacement Plan (ERP), which are the department(s) strategic plan for long term preservation and improvement of all city assets.
- Consultants are used on a case-by-case as needed basis.
- Energy related improvements are accomplished as the opportunity arises. Consider an increased emphasis on energy conservation programs.
- A concern about the age of some city assets (primarily streets and utilities) was mentioned several times (the majority are over 50 years old).
- The department manages human and capital resources well but somewhat informally. Increased formalization of management practices including business planning, enhanced operations/procedure manuals and a formal asset/inventory condition report is advised.
- The departments have not regularly benchmarked against other agencies.
- The Director of Public Service (Public Works) and the Street/Utilities Superintendent will both likely retire in approximately five years.
- The need for a plan to address impending manager/supervisor retirements was mentioned at all levels.

- The union contract does include a Public Service Worker pay-for-performance five-step pay system. It also includes the ability to temporarily appoint Lead Workers.
- The Director of Public Service (versus Public Works) title has been used since 1990 due to the additional duties assigned beyond what is typical to public works. The additional duties are emergency management coordinator, recreation coordinator, marina manager, cemetery manager, security coordinator, and utility billing.
- In 1999, the Park Maintenance, Street Maintenance and Utilities Maintenance functional areas each had a Superintendent (supervisor) position.

In 2000, the Street Maintenance and Utilities Maintenance functional areas were combined under a Utilities/Street Superintendent.

In 2008, the Park Maintenance Superintendent position was eliminated.

In 2009, the rotating Parks Lead Worker position was implemented. Initially the rotation period was one week; it is now three months. The Lead Workers both indicated that the three month period is too long and recommend a change to one month periods.

- Park Maintenance front line staff indicated the need for more help to meet service demands/expectations.
- The need to use personal phones without any reimbursement was a concern.
- The fairness of application of the city's step system pay plan between Public Works and City Hall positions was mentioned several times.
- The need to enhance utility billing backup from City Hall was mentioned.
- The need for higher-level financial support at times was mentioned.
- The communications within Public Works and with other departments was deemed effective by all levels.
- The need for additional technical training for front line personnel was mentioned.
- The impending Emerald Ash Borer (EAB) problem was mentioned several times.
- The secondary emphasis on forestry in general was mentioned.
- The need to enhance various pieces of equipment was mentioned.
- The implementation of the Parks and Trails Advisory Board has raised expectations for parks improvement and services.

- The possible Long Lake public works services provision by Wayzata was mentioned as a positive possibility by all levels.

2. Opportunities for the Public Works Department:

- **Improved Coordination**

If the Engineering Department were combined with the Public Works Department there would be an opportunity to improve and streamline the coordination of similar and crossover functions/issues. If the City Engineer moved to the Public Works Facility he would have direct contact with the Director of Public Service and Utilities/Streets Superintendent and, as needed, help from Public Service Workers. He would also be more directly available to assist the maintenance staff.

- **Leadership Development**

The City has three long time managers in the Director of Public Services, Utilities/Streets Superintendent and City Engineer. Increased mentoring and development of these individuals, particularly the Utilities/Street Superintendent and City Engineer would benefit the organization now and ensure a strong leadership transition during the changes likely to happen within five years.

- **Possible Long Lake Public Works Services Provision**

If the provision of public works services by Wayzata to Long Lake becomes a reality it could be beneficial to both cities. The larger overall size would help with economy of scale issues and should lower overall costs. The cities are similar enough that any levels of service variations should be manageable. This possibility was expressed as a good opportunity by staff.

3. Recommendations for Public Works Department:

- **Reorganize the Departments**

Transfer and move the City Engineer into the Public Works Department. This would improve coordination of “public works” related issues as expressed in the opportunities section.

If the option of promotion of the Utilities/Streets Superintendent to a Public Works Operations Superintendent and assigning regular Lead Workers for parks, streets and utilities divisions is also adopted, the department would gain in depth and breadth of management and supervision. The City Engineer could learn operational skills and could assist with the enhancement of the Public Works Operations Manual. He could also assist with additional contracts administration to allow the Public Works Operations Superintendent to concentrate on maintenance staff utilization and training and on equipment maintenance and acquisition.

The three Lead Workers could serve as team leaders and fill in for the Public Works Operations Superintendent when needed. Their primary role would be hands on maintenance and training of new full time, part time and seasonal part time employees. If a six month Public Service Worker is added in the Parks/Forestry Division it would provide additional effort in the parks maintenance/forestry area where existing and future demands appear to be the most.

The City Engineer and Public Works Operations Superintendent would provide possible internal candidates for the department director position and the three Lead Workers would provide possible internal candidates for the operations superintendent position.

The addition of another manager within Public Works would allow some duties of the Director of Public Services to be reallocated. Examples of duties for possible reassignment are security coordinator, marina manager and cemetery manager. A title change of City Engineer to City Engineer/Assistant Director could be considered if additional assigned responsibilities warrant the change.

- **Focus on Leadership Development**

The City Engineer and the Public Works Operations Superintendent would need support for development in their new roles. Appropriate training should be provided and mentoring by the Director of Public Service is critical. The three Lead Workers should also receive teamwork training, train-the-trainer training and mentoring.

- **Public Works or Public Services**

The director of the Public Works Department has the title of Director of Public Service. This was done in 1990 due to additional duties assigned to the position than is typical to public works. The title of the department could be changed to Public Services, this is unusual but not unheard of in Minnesota, but it is done more commonly in some other states. Nearly all city ordinances, documents and publications refer to the department as public works. For customer service purposes it may be advisable to change the department director position title to Director of Public Works. This would require a minimal amount of ordinance, documents and publications changes and would be more consistent with Minnesota/Midwest practices.

Conclusions and Overall Recommendations

The findings, observations and opportunities identified in the previous sections suggest three broad conclusions and a set of recommendations for change. In addition, a set of restructuring recommendations are also included-and are described in more detail in the next section and the attached Appendix.

The following recommended actions apply to the entire organization:

1. Reorganize departments – align to achieve desired outcomes and service priorities

The following section entitled Reorganization/Restructuring Options contains a list of possible restructuring scenarios – including a no-change option. While this report offers a number of viable options for consideration, the no-change option is not advised.

The recommendations to pursue some type of restructuring are based upon the following:

- The need for greater capacity to simultaneously deliver core services while responding to “high touch” service demands.
- To address the need for workforce development, and the eventual departure of key staff.
- The need for more efficient operations and improved cross training and sharing of responsibilities.
- To perform as a high functioning organization with well trained employees who have the capacity to adapt to change.

The no-change option is not viable in our opinion because it results in inadequate deployment of staff over the long-term. In the short-term, or perhaps even long-term, staff may continue to deliver service at the current level. However, the current structure and deployment does not make best use of staff and complicates responsiveness and the sharing of operational resources.

2. Create a workforce development strategy and program for restructured departments

The City should make workforce development and knowledge transfer a high priority in the restructured departments. The overarching goal should be to develop a workforce development strategy and program that includes succession planning, leadership/employee development and engagement. The strategy and program should include:

- Creation of a department-based succession plan (ideally as part of a larger organization-wide plan) – making a determination as to its usefulness in guiding short-term staffing and recruitment decisions.
- Develop an organizational philosophy regarding employee development, including such things as training and mentoring, identification of future leaders, internal and external recruitment, and job flexibility.
- Perform gap analysis. This involves inventorying the core competencies and skills of the current workforce and comparing them with the expertise needed within the organization over the next five years.
- Establish and support knowledge transfer and employee development by creating expectations of long-term incumbents related to delegation of key tasks and focused mentoring.
- Make greater use of cross training, and more coordination internally. The goal here is for cross-functional collaboration to become a standard way of doing business rather than a special event. By offering employees opportunities to use the full range of their talents the organization creates support for the workforce development philosophy by allowing the organization to maximize existing staff, providing expanded opportunities, and perhaps moving people to different positions in the organization.

3. Expand the effectiveness and capacity of department leadership

Based upon the operational review conducted, the following are suggested measures that could be taken to improve the overall management of department operations, regardless of how the City chooses to move forward. These recommendations are based upon a combination of leading practices and observed opportunities in the departments studied.

The suggested measures relate to enhancing efficiency and effectiveness of service delivery and staff.

A. Administration and Finance Departments

- i. Develop written policies and procedures. Since many of the functions are only staffed by one or two people if anyone is out of the office for any extended period of time or decides to leave, the ability of the organization to pick up the tasks are currently limited.
- i. Conduct a job analysis to specifically understand each position and how much time is given to each task. Individual staff members do not have an understanding of how much time they are spending on specific tasks.
- ii. Based on the job analysis, review job responsibilities and make specific assignments for backup roles and handling specific customer issues.
- iii. Incorporate the Motor Vehicle staff into the day-to-day operation of the front desk and expand their opportunity to learn other jobs and provide back up if necessary. They should not be allowed to do passports given federal regulations.

B. Liquor Operations Department

- i. Identify for both operations the 5-7 significant outcomes with measurable critical success factors and install a scorecard for both operations.
- ii. In the Liquor Store, continue to implement, monitor and measure the success of the recommendations of the Abdo report.

C. Public Works Department

- i. Develop for each major functional area 1-3 significant desired outcome statements with 2-6 measurable critical success factors. Produce a progress report on the critical success factors at least annually.
- ii. Enhance the existing Public Works Operations Manual, especially as related to maintenance standards and levels-of-service (LOS).
- iii. Continue vehicle/equipment utilization review efforts, especially possible enhanced sharing between divisions, and upgrade/add or rent equipment to improve efficiency and/or safety.
- iv. Consider enhanced use of technology such as laptops, smart phones, GPS, etc. with more availability to Public Service Workers.
- v. A training survey should be conducted for all front-line maintenance personnel and a plan/program developed to address identified technical training needs/deficiencies.
- vi. Consider the implementation of a more formal pay-for-performance qualifications based system for the union step pay system. Examples are systems used by the cities of Edina, Minnetonka and Brooklyn Park.
- vii. Review the forestry program for more emphasis, especially in light of the impending EAB issue.
- viii. Consider increasing contract services to improve service levels where it has proven difficult to meet LOS expectations.
- ix. Consider transfer of Utility Billing back to Finance if the recommendation to hire an Administrative Services Director is pursued.
- x. Consider supervisor span-of-control ratios in any reorganization. Current practices and research are indicating up to 10 is possible with 5 to 8 now the average versus the old rule of thumb of 4 to 5.

Reorganization/Restructuring Options

To effectuate the recommendations offered, a set of reorganization and restructuring options is presented for consideration in Appendix A. A current organization chart is included, followed by individual organization charts for each option. A new organization chart for the entire organization with our recommended options is listed as the final example.

Each set of department options begins with Option 1 – No Change and continues through other options, each depicting greater consolidation and alignment of functions. The department structures are summarized as follows:

A. Administration and Finance Departments

Option 1 – No Change

- Improvement occurs only by the City Manager taking a more hands-on approach in these functional areas or increasing the presence and cost of Abdo.

Option 2 – Hire a Full-time Finance Director

- Addresses the concerns raised about available financial expertise.
- May not have experience in Liquor Operations/Bar & Grill Operations.
- Determine other responsibilities that the individual in this position could assume.

Option 3 – Hire an Administrative Services Director

- Hiring of this position assumes the candidate has broader experience and skill than just finance.
- Eliminates the need for a Liquor Director and reduces the workload of the City Manager.
- Reduces direct reports to the City Manager.

Option 4 – Joint Finance Director with Another City

- Improve the availability for the staff and Department Directors.
- Provides immediate infusion of on-site financial expertise.
- Determine role of Abdo under this arrangement.

A. Liquor Operations Department

Option 1 – No Change

- Improvement occurs through the ability and development of existing managers.
- Short term cost minimal.

Option 2 – Hire a New Liquor Operations Director

- Salary, benefits and overhead costs of the position.
- Does not appear to add significant value vs. maintaining current situation

Option 3 – Assign the Administrative Services Director

- Provides more depth of management without increasing staff.
- Provides opportunity for the two managers to demonstrate what they can accomplish.
- Improves the bottom line without adding substantially to the cost side.

B. Public Works Department

Option 1 – No Change

- Improvement occurs only by implementing other recommendations.

Option 2 – Combine Engineering into Public Works

- Move City Engineer to the Public Works facility.
- Potential to improve and streamline coordination between Engineering and Public Works.
- Increase City Engineer involvement in maintenance operations.
- Gives more depth and breadth of management to both departments.
- Decreases direct reports to City Manager.
- Consider appointing City Engineer to dual role of City Engineer/Assistant Public Works Director if additional assigned responsibilities warrant the change.

Option 3 – Create Public Works Operations Superintendent

- Promote Utilities/Streets Superintendent to Public Works Operations Superintendent to acknowledge supervision of parks maintenance and forestry.
- Designate permanent Lead Worker positions (3) in streets, utilities and parks divisions to assist Public Works Operations Superintendent.
- Backfill Parks Lead Worker position promotion with a 6 month PSW.
- Exempt manager/supervisor span of control of approximately 1 to 7 FT/PT/SPT.

Option 4 – Reinstitute Parks Supervisor

- Increase ability to focus on parks and forestry issues.
- Include buildings and recycling responsibilities.
- Adds back depth to parks maintenance division.
- If it is a PSW promotion backfill with 6 month PSW.
- Exempt manager/supervisor span of control of approximately 1 to 5 FT/PT/SPT.

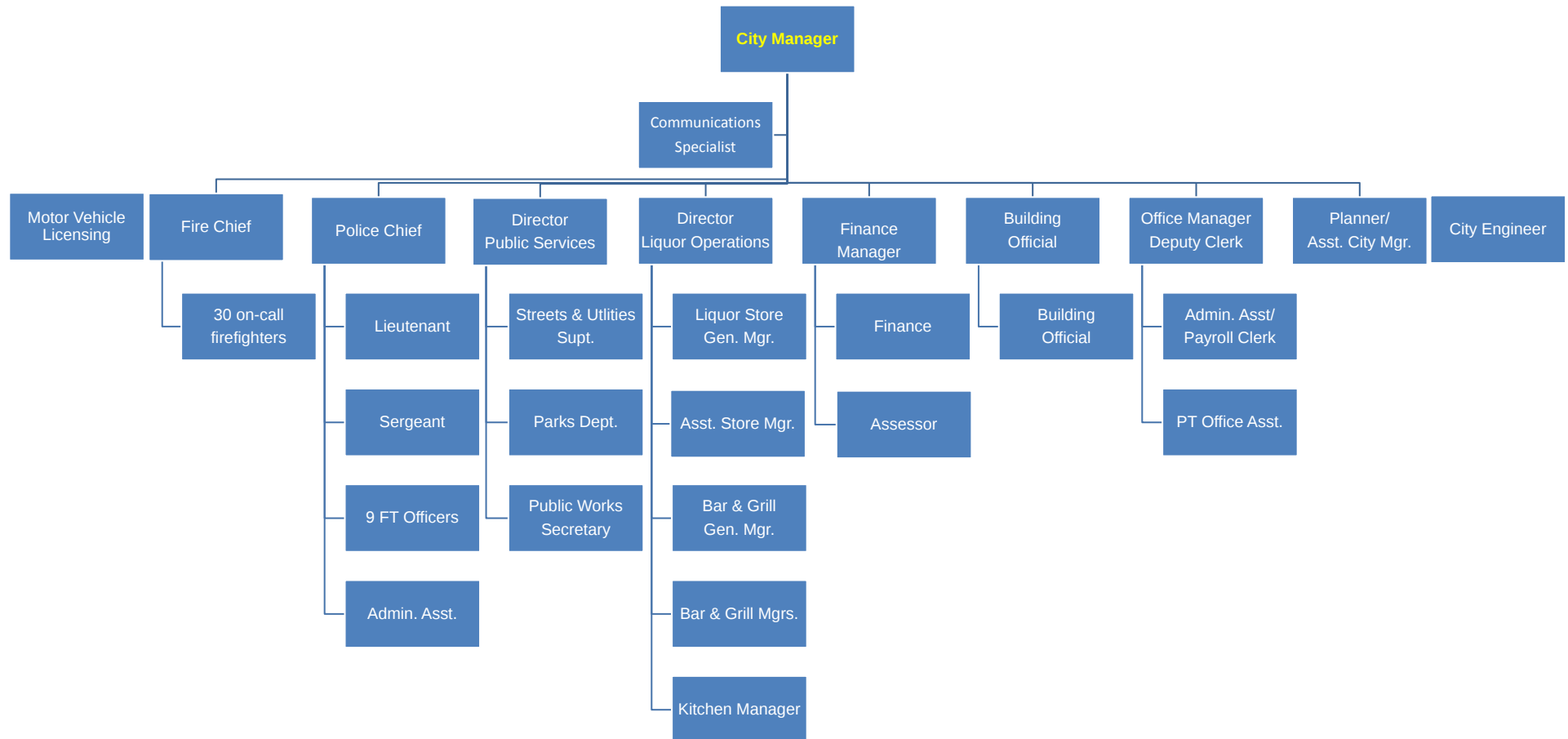
*****Additional Consideration***- Combine Planning and Building Inspection**

The scope of this study did not include a review of the Planning and Building Inspection functions, however, given the underlying purposes of this study, it may be appropriate to consider combining the Planning and Building Inspection functions. For example, the Building department is likely to experience retirements in the near-mid term future, the departments have complementary missions, and each is narrowly focused. The creation of a broader focus for “community development” activities may be a useful exercise and ultimately yield long-term benefits for the City.

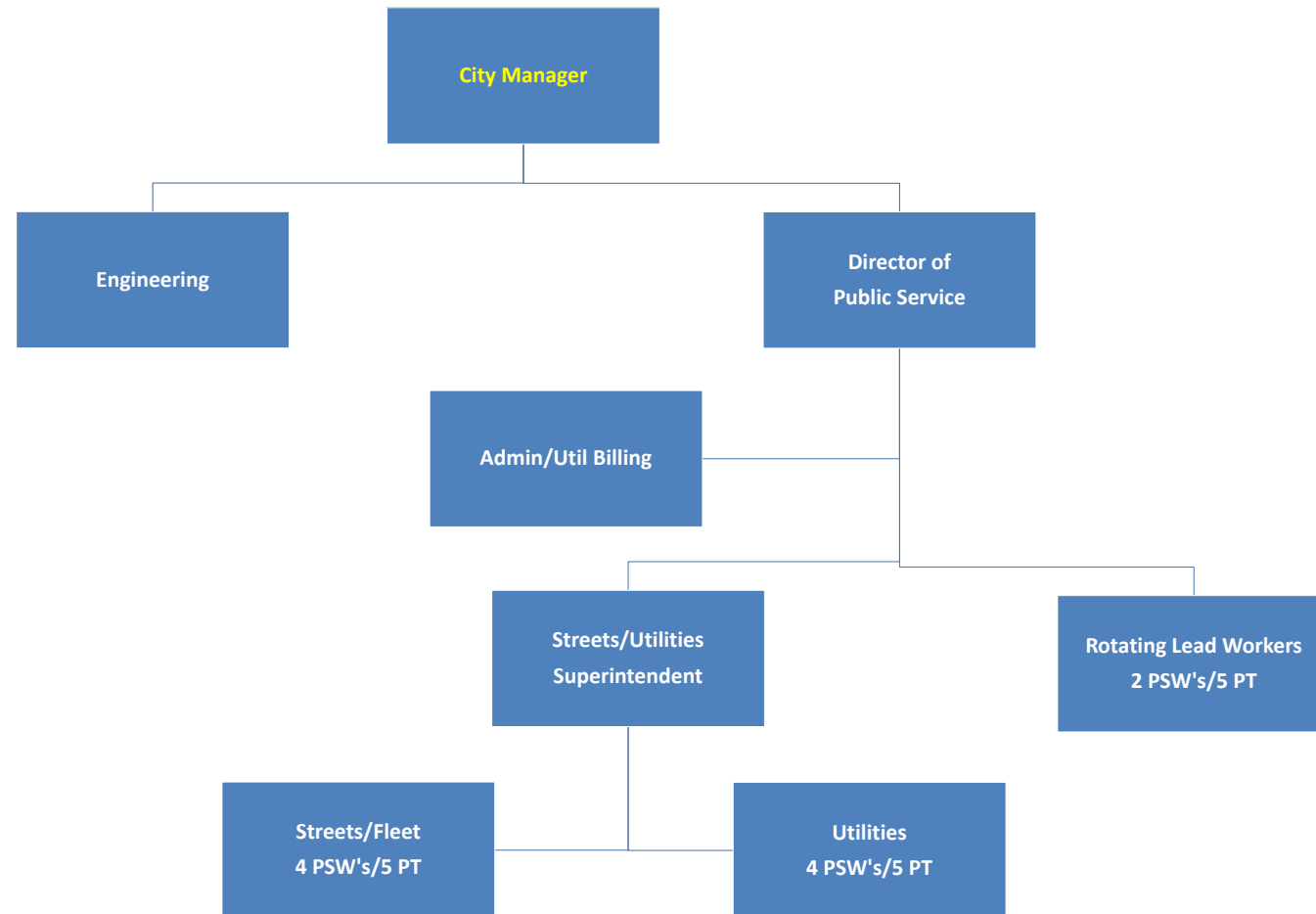
The structuring of this combined department is depicted in the Recommended organizational structure on page A-12.

Appendix A

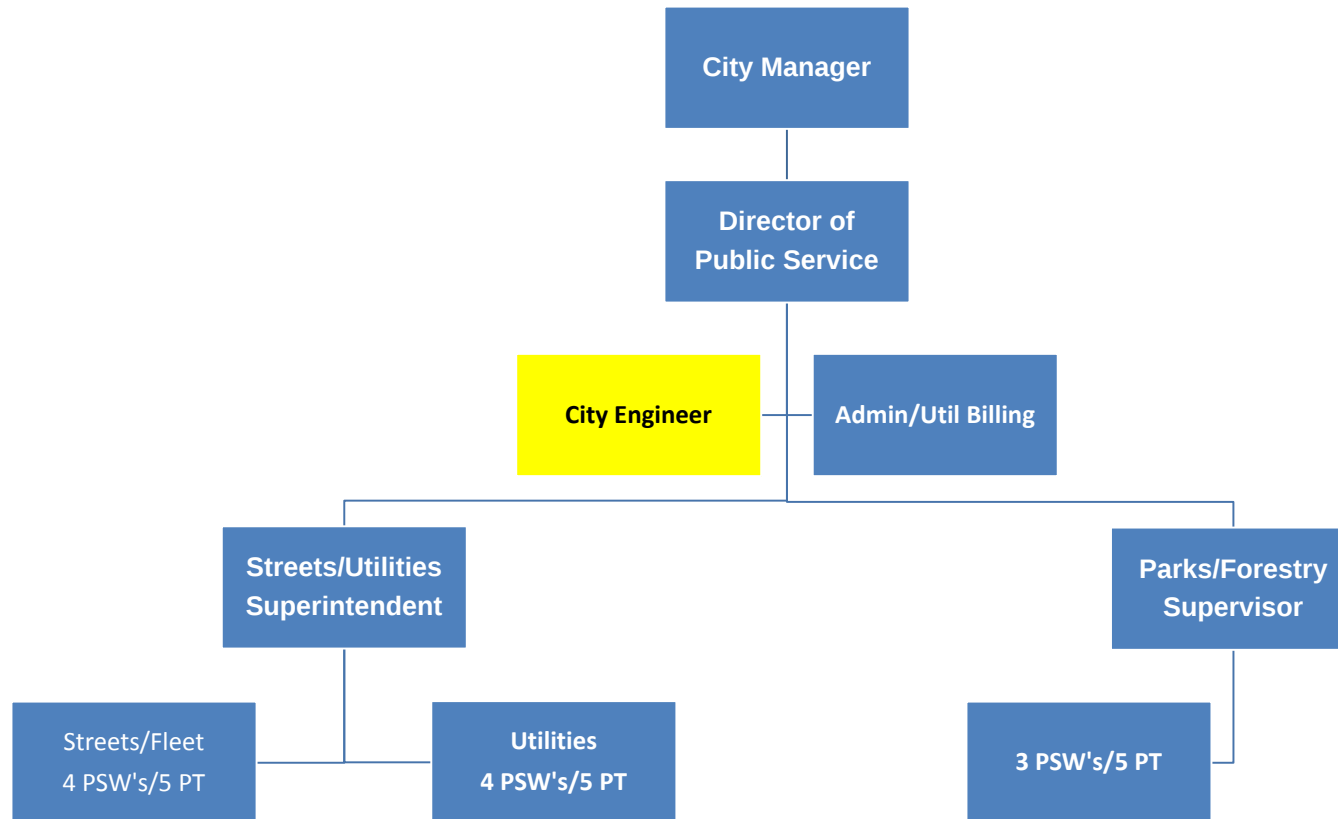
EXISTING ORGANIZATION



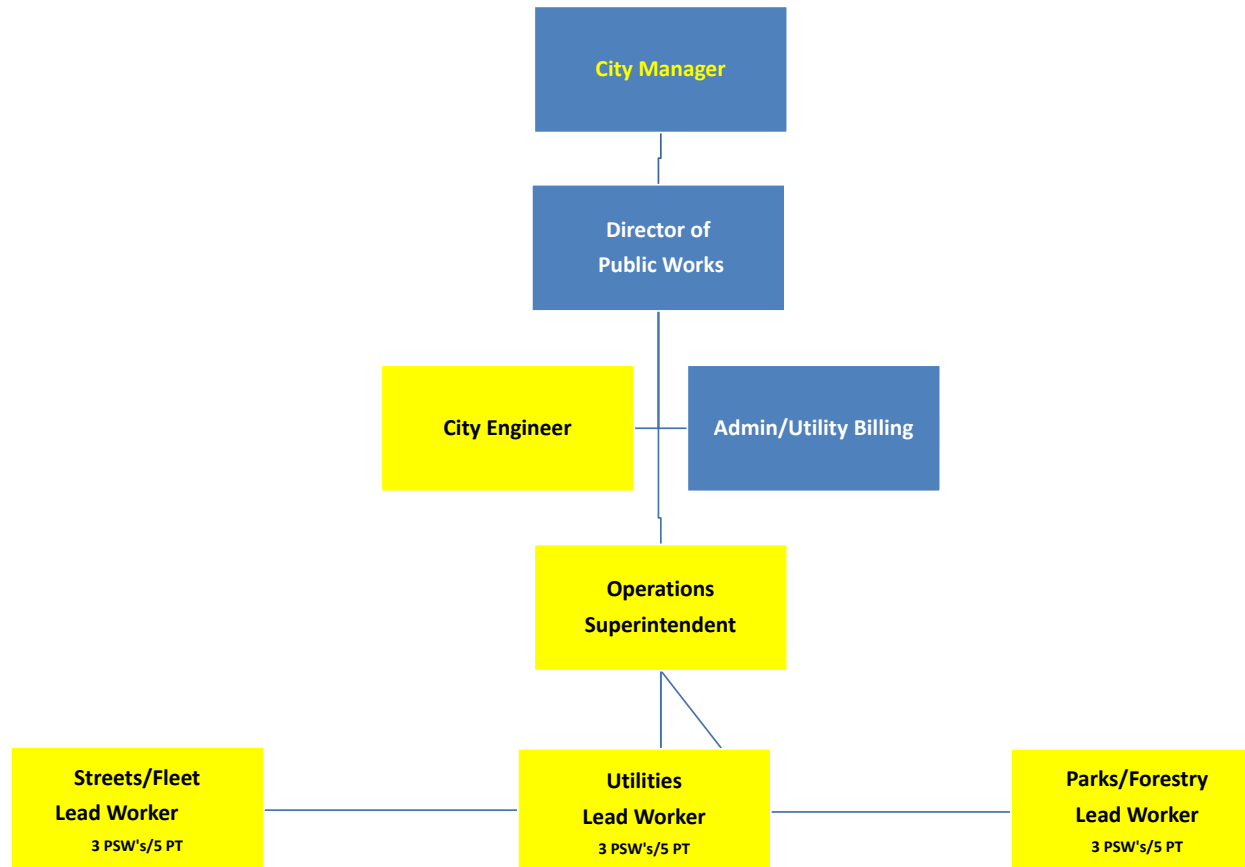
PUBLIC WORKS — NO CHANGE



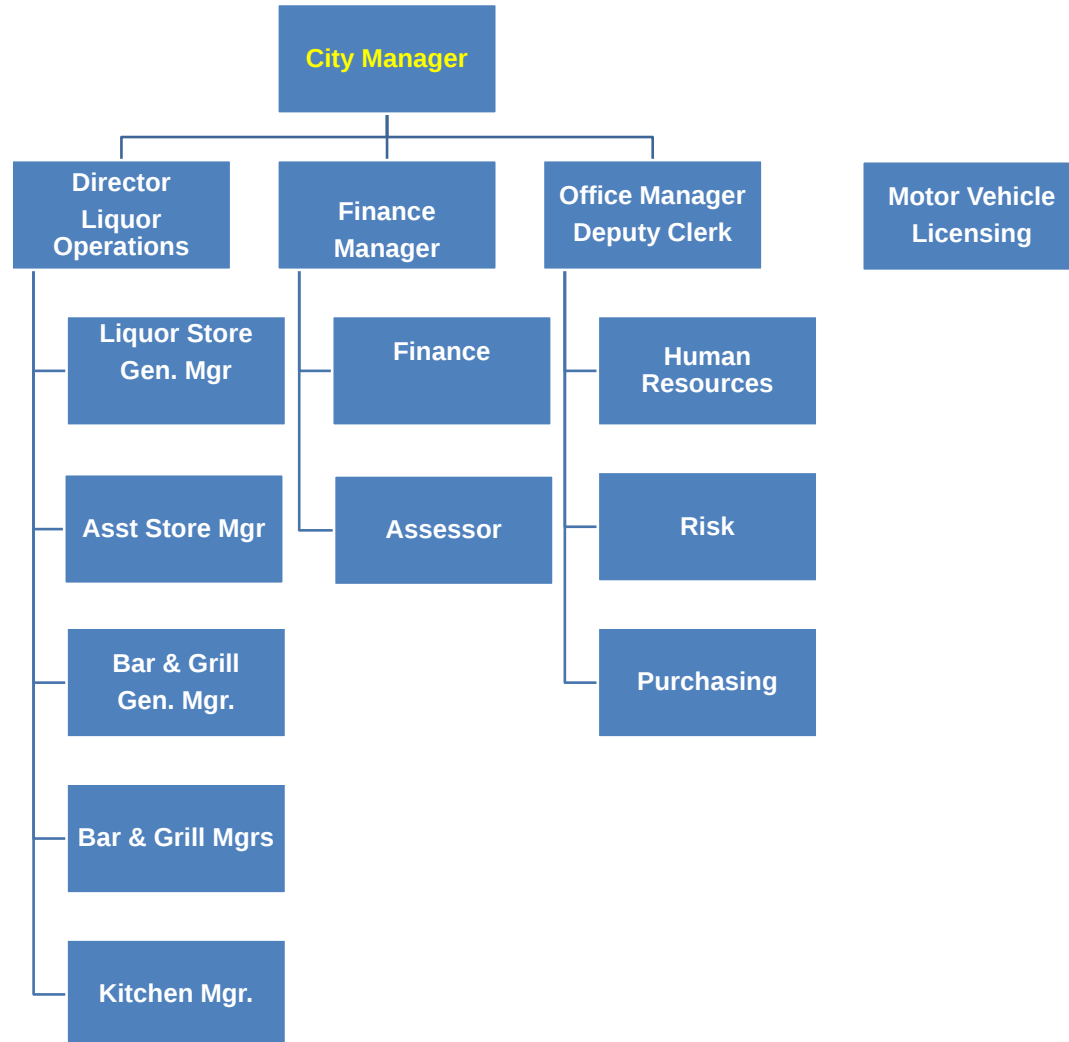
PUBLIC WORKS — OPTIONS 2 & 4



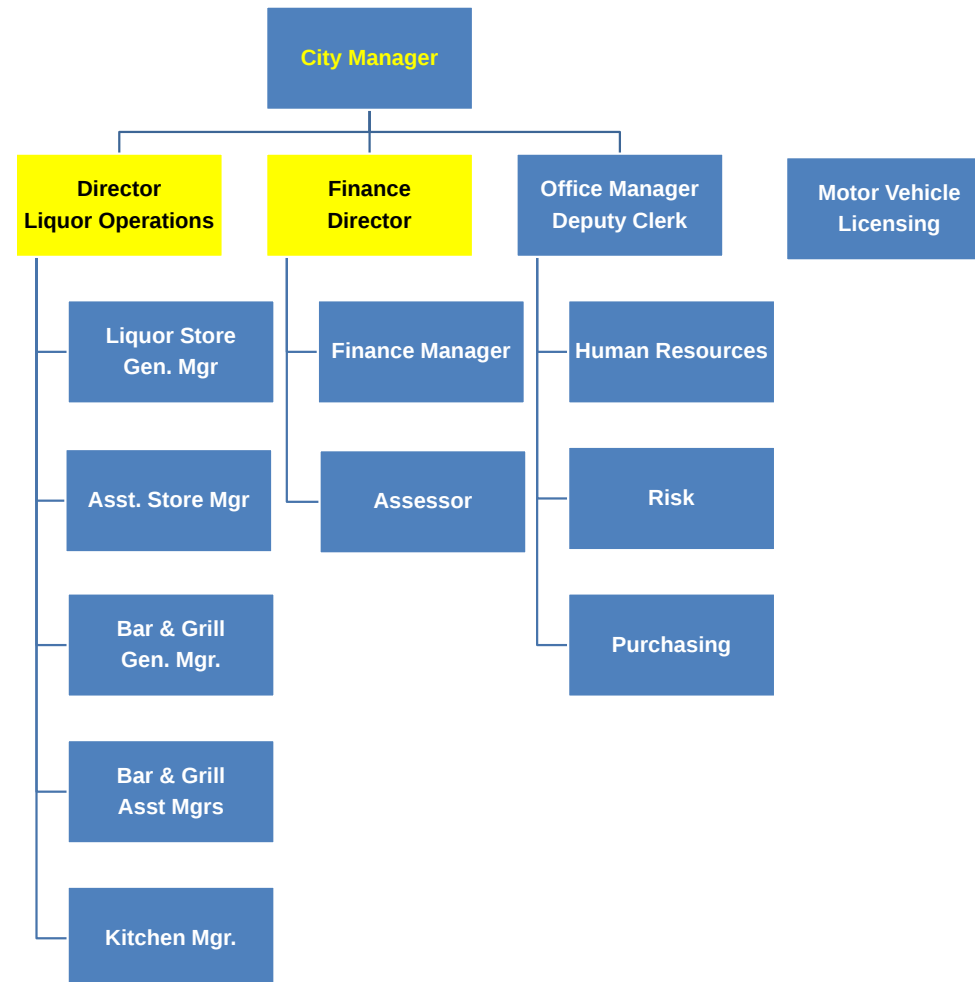
PUBLIC WORKS — OPTIONS 2 & 3



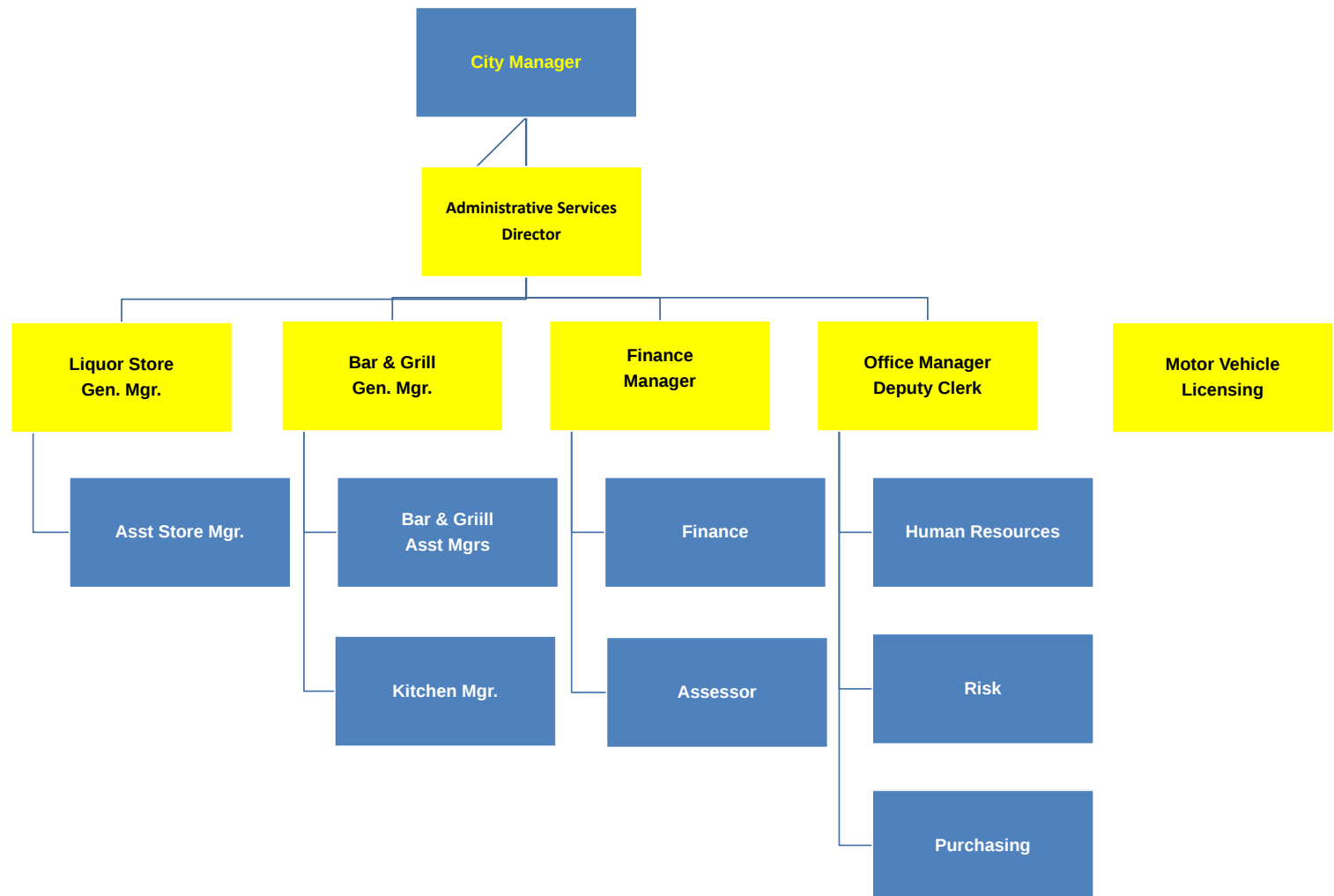
ADMINISTRATION/FINANCE — NO CHANGE



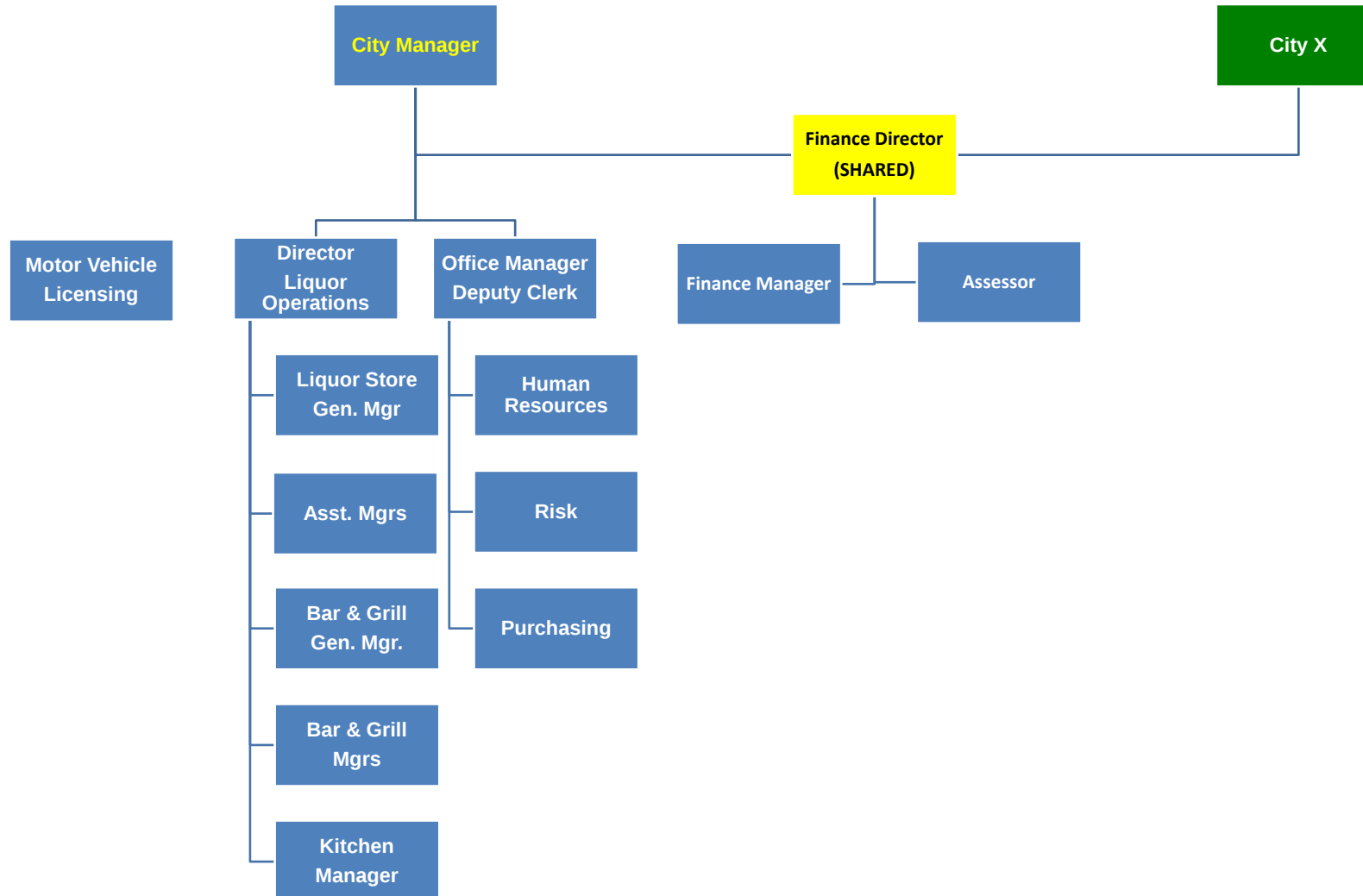
ADMINISTRATION/FINANCE — LIQUOR OPTION 2



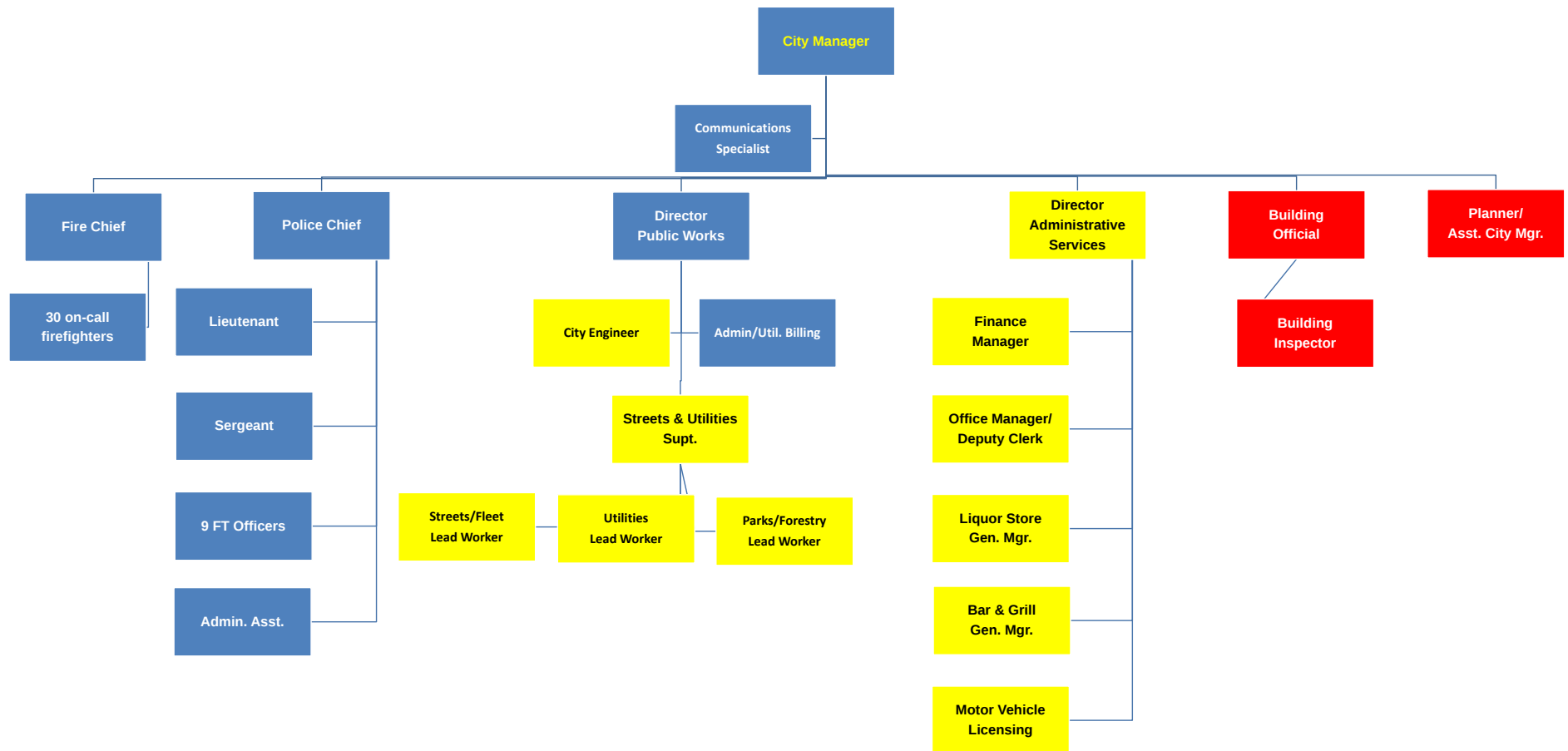
ADMINISTRATION/FINANCE — LIQUOR OPTION 3



ADMINISTRATION/FINANCE — LIQUOR OPTION 4



RECOMMENDED ALL



RECOMMENDED

