

No. 509

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*Rozon Manlow* CLERK

A PLAN TO  
REVITALIZE THE MANAGEMENT  
OF THE  
CITY OF PROVIDENCE

THE REPORT OF THE  
PROVIDENCE MANAGEMENT STUDY

AUGUST 1984





## RHODE ISLAND PUBLIC EXPENDITURE COUNCIL

126 North Main Street • Providence, Rhode Island 02903 • (401) 521-6320

August 23, 1984

Hon. Joseph R. Paolino, Jr.  
Mayor of the City of Providence  
City Hall  
Providence, Rhode Island 02903

Dear Mayor Paolino:

On behalf of the Greater Providence Chamber of Commerce, the Rhode Island Public Expenditure Council, and the Study Team, I am pleased to present to you the findings and recommendations of the Providence Management Study.

The report includes several general observations and approximately 100 specific suggestions about how City administrators could improve their operational effectiveness. In addition, several Charter changes are recommended which will provide a more professional management structure for the City.

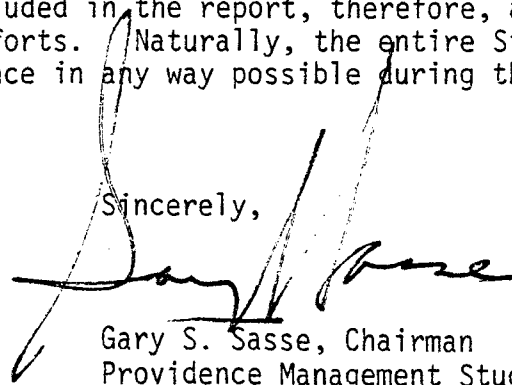
When implemented, these recommendations should ultimately provide substantial financial benefits and service improvements for Providence taxpayers. However, in many areas an investment must first be made before these savings and improvements will be attainable; the Study Team is confident that such an investment will return handsome benefits. The success of the implementation phase of this project will depend, therefore, on the active interest and support not only of your office, but also of the City Council and the City's electorate.

Through its work with City employees, the Team has developed a better understanding of the complex problems that they face. It is important to recognize that without their cooperation, this study would not have been possible.

I need not remind you that the management specialists who participated in the Providence Management Study represent a considerable contribution by the private sector. Clearly, this indicates that these companies, as well as other local businesses, share your desire to secure and maintain cost-effective government operations in Providence,

Finally, the success of this study will indeed be judged by the effectiveness of its implementation. We have included in the report, therefore, a plan of action to guide your implementation efforts. Naturally, the entire Study Team stands ready to continue its assistance in any way possible during the coming months.

Sincerely,



Gary S. Sasse, Chairman  
Providence Management Study



## Providence Management Study Team

### Operating Committee

Gary S. Sasse, RIPEC, Chairman  
Larry D. Davidson, Arthur Young & Company  
Howard N. Kay, Outlet Communications, Inc.  
Guy P. Marchetti, Providence Gas Co.  
George A. Prete, Electric Boat Division

### Team Members

N. Richmond Alexander, Arthur Young & Company  
Edward Bambauer, Arthur Young & Company  
Marilyn Bardell, Gilbane Properties  
Edward M. Boudreau, Rhode Island Hospital  
James Carris, Coopers & Lybrand  
Walter P. Casey, Puritan Life Insurance Co.  
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Robert T. Mayer, Coopers & Lybrand  
John L. McCarthy, Rhode Island Group Health Assoc., Inc.  
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I. INTRODUCTION AND OVERVIEW OF CITY OPERATIONS



## INTRODUCTION

The private sector has an obvious interest in the health and vitality of the City of Providence and its government. In recent years this interest has been evidenced in several concrete ways:

- During the "fiscal crisis" of 1980-81, private sector representatives were called upon to recommend a solution to the deficit situation in which the City found itself.
- A committee of private sector representatives participated in the 1981 search for a qualified City Finance Director to help Providence manage its resources better.
- The private sector is not only represented on the Providence Review Commission, the fiscal watchdog over City operations, but the two chairmen since its inception in 1981 have been such representatives (first, Gary S. Sasse, the Executive Director of RIPEC, and now Bruce G. Sundlun, President of Outlet Communications, Inc.).
- Representatives of the private sector also serve on many boards and commissions charged with planning and/or supervising various City functions.

The list could go on, but the point is that businesses, institutions and organizations in the City of Providence recognize not only that they have a civic responsibility to assist it, but also a "dollars and cents" interest in how the City conducts its own business. Thus, when then Mayor Vincent A. Cianci, Jr., met with Henry S. Woodbridge, Jr., President of the Rhode Island Public Expenditure Council (RIPEC) and James B. Winoker, President of the



Greater Providence Chamber of Commerce (Chamber) in the fall of 1983 relative to conducting a management study of City operations, these organizations recognized the benefits that could accrue from such an effort.

A private sector review of City management practices could not only determine how services might be provided to Providence taxpayers in a more efficient and economical manner, but could also strengthen the bonds of public-private sector cooperation that already existed. After several discussions to define the scope of this undertaking, the manpower needed to conduct such a study and the roles of the respective organizations and the City, an agreement was reached and announced in November 1983 that:

- RIPEC and the Chamber would jointly sponsor a non-partisan, non-political Providence Management Study;
- RIPEC's role would be to manage and direct the day-to-day operations of the study, prepare a final report for the Study Team and develop an implementation strategy;
- The Chamber's role would be to recruit the necessary management specialists required to conduct the study, share the cost of the project with the City, and monitor implementation efforts; and
- The City and its employees would fully cooperate in providing information and assistance.

Thus, the Providence Management Study (PMS) was seen from the beginning as a working partnership which would enable the management specialists on-loan from their companies to take full advantage of the experience of the City administration and help focus attention on problem areas. A second, and



equally important objective, was the strengthening of cooperation and mutual understanding between the public and private sectors.

#### Scope of the PMS

The PMS was to suggest ways to improve management effectiveness without sacrificing essential government services, specifically by:

- Simplifying intradepartmental organizations so administrative overhead was minimized and appropriate support activities were combined;
- Improving the utilization of physical resources, including equipment, vehicles, buildings, and land;
- Initiating new or improved management and control systems to professionalize administrative practices and limit potential abuses; and
- Increasing productivity through more efficient work methods, systems and procedures.

It was to be concerned with the operations of selected departments and functions within the executive branch of City government: purchasing, vehicle and facility maintenance and utilization; personnel management; record keeping; budgeting practices; fee structure; and the organization of the Department of Public Works. As part of this activity, selected boards, commissions and advisory groups might also be examined in relationship to their impact on City services and costs. The legislative and judicial branches were not to be included. Specialized professional functions, philosophical areas and policies or programs beyond the expertise of the management specialists (e.g., public safety and education) were not to be evaluated.



### Organization of the Study

Gary S. Sasse, Executive Director of RIPEC, agreed to chair the "Operating Committee" which would manage the study on a day-to-day basis, serving as a board of directors for the PMS. Review personnel were to consist of private sector management specialists recruited by the Chamber, organized into four multi-disciplinary teams. Each team would study one or more City functions under the direction of a Team Leader, who would also serve as a member of the Operating Committee. RIPEC staff would provide technical direction and guidance throughout the project, and Stephen Lichatin III, Esq., Tillinghast, Collins & Graham, served as legal counsel to the Study.

The four teams were headed by experienced business managers who were identified in January 1984. Larry D. Davidson, Partner, Arthur Young & Company, was to review financial management activities. Howard N. Kay, Director of Corporate Affairs, Outlet Communications, Inc., assumed responsibility for personnel management. Guy P. Marchetti, Manager - Operation Services, Providence Gas Co., was to review the management of vehicles and facilities. George A. Prete, Manager of Purchasing and Administration, Electric Boat Division, was given responsibility for reviewing City purchasing.

### Formation of the Team

The Operating Committee began its orientation to and preparation for the PMS in February. Simultaneously, the Chamber was busy recruiting the 25 additional management specialists, whose number and necessary skills had been outlined by RIPEC.



After a brief orientation, the team leaders immediately began to interview various department heads and others to better acquaint themselves with City operations and initially identify where opportunities for improvements might lie.

At the same time, RIPEC assisted the Operating Committee in defining a set of procedures to govern day-to-day operations of the Study Team and in drafting a discussion outline for team members to help them identify possible areas of inquiry. Those items were subsequently adopted by the Operating Committee and distributed to team members.

#### Interim Task Force Named

Once the full team (see list at front) had been recruited and oriented to the Study Team's procedures, the PMS timetable called for the "study phase" to commence in April.

However, the resignation of Mayor Cianci added a new twist to events. When Acting Mayor Joseph R. Paolino, Jr., who had been City Council President, was sworn in as Mayor on April 25, he named an interim "Mayor's Management Task Force (MMTF)" to do a number of things related to the PMS's charge, but on a daily operating basis. For example, the MMTF was charged with:

- Ensuring that the daily operation/administration of the City was conducted in a business-like, efficient and prudent manner;
- Advising the administration in the areas of financial management, purchasing, facilities management, personnel and labor relations, program administration, and other activities as requested by the Mayor;



- Suggesting systems and procedures to strengthen the efficiency of municipal government; and
- Cooperating with the scheduled management study.

Not only did their roles overlap, but some of the participants were the same. The MMTF consisted of: Gary Sasse and George Prete, in addition to the City's Finance Director, two non-PMS private sector representatives and two volunteers from the general public with previous business and governmental experience. Because of the similarity in their missions, a number of PMS team members actually helped with various projects during the MMTF's existence, which essentially ended at the close of May.

Among the MMTF's recommendations, as they relate to this study, were the temporary slowing down of all purchases and personnel actions and the implementation of interim purchasing procedures, which, among other things, centralized the purchasing activity under the Mayor until the PMS recommendations were available and could be implemented.

In a related matter, Mayor Paolino also requested and received assistance from the Rhode Island Department of Transportation (RIDOT) relative to the organization and operation of the City's Department of Public Works. Since the RIDOT provided a plan in May, which was adopted, for reorganizing the public works department and improving its organizational effectiveness, that aspect of what was to have been part of the PMS's work plan was essentially completed with only minimal Study Team involvement. The RIDOT recommendations are not, therefore, specifically included in this report.



### Development of PMS Recommendations

The study phase of the project formally began in late April and extended through July. City personnel contributed significantly to this effort by discussing their operations with Study Team members and offering suggestions. As research and analysis was completed on each agency or function, recommendations were drafted for consideration by the Operating Committee.

This report basically presents a summary of PMS recommendations affecting selected functions and, in a few cases, individual departments--but not all City departments. Specifically, recommendations are offered to improve City purchasing, personnel management, financial management, vehicle and facility management, and other selected City activities. In addition, several "common threads" were identified that ran through the recommendations for individual operations. These are identified in the "Overview of Operations" section that follows.

### Implementation

The major purpose of this study was to determine how City government services could be provided to Providence citizens in a more cost efficient and effective manner. Emphasis was placed on immediate improvement opportunities that could be realized from appropriate executive or administrative action; recommendations were also made which will require legislative action, and even City Charter reform.

Once implemented, many of these recommendations will eventually provide substantial financial benefits and service improvements for City taxpayers. However, it must also be recognized that in some instances, an initial investment will be necessary before these benefits will be possible.



In the final analysis, the success of the PMS will be judged by the success of implementation efforts. The major responsibility for implementation rests, of course, with individual departments. To assist these departments and to monitor implementation, the Mayor should appoint a full-time Implementation Director to his staff. (The final section of this report is devoted to making this and other recommendations relative to implementation.)

Finally, the sponsors and contributors to this study would be remiss if they did not offer their continued support and assistance to this and future efforts to deliver more cost-effective services to City taxpayers. RIPEC, as always, stands ready to further assist Providence, and any other municipality, in its efforts to improve government operations. The Chamber has pledged its continued involvement through its independent monitoring of implementation efforts. And the team members and their companies will gladly help in any way to continue the momentum for reform which they hope their own investment in this Study has begun.



## OVERVIEW OF CITY OPERATIONS

When the financial crisis in 1980 was discovered, Providence finances and management were in disarray, and the City had a substantial operating deficit. The hiring of a qualified Director of Finance changed that, at least on the financial administration front. While his attention to controlling the "bottom line" has produced operating surpluses in recent years, he obviously could not ensure that each individual department is operating as efficiently and effectively as it might, and should. This is the responsibility of individual department directors, and, fortunately, some of them have effectively managed their agencies and lived within their budgets.

When RIPEC and the Chamber agreed to sponsor the Providence Management Study, they knew that any organization could benefit from an independent review of its activities and an updating of its operational techniques. They fully expected one of those benefits to be the identification of cost-cutting and cost-saving recommendations, and several are indeed included in this report.

They were not, however, fully prepared for what the Study Team found--a lack of qualified managers in certain key areas, few productivity measures, and inadequate information systems/data bases. Thus, the focus shifted from a traditional management efficiency study that would identify opportunities for financial benefits in City operations, department-by-department, to an identification of needs in certain essential functional areas--needs for more qualified people, better management techniques, improved data processing applications, and more and/or better information systems. Most of these



needs will obviously require an initial investment, but the payback in future years could be tremendous.

Thus, rather than only suggesting immediate ways to run City government more efficiently, this Study recommends approximatey 100 improvements to make Providence operations more effective, most of which will also help to make it more efficient over time. Significant opportunities for cost control and revenue enhancement have also been identified in several functional areas, but again, an initial investment may be required to realize these benefits.

Once the recommended systems, people, and organizational structures are in place and adequate data bases exist to accurately measure workloads, the PMS Team will be glad to return and assist individual departments in their efforts to become more cost-efficient. However, it may require two years before the City will have many of these vital recommendations fully implemented.

Some of these recommendations call for the reorganization of certain Departments, like Public Property, and specific functions, like Personnel, or the consolidation of similar activities, like the Department of Planning and Urban Development and the Mayor's Office of Community Development. Some call for the establishment of new positions, like a Director of Administration, or the hiring or training of qualified people to fill existing posts. Many will require City Charter amendments to fine-tune and improve this relatively new document, which established the principle of "home rule" by Providence residents.

All will require--and the Study Team believes, deserve--the careful consideration, understanding, and support of City administrators and elected



officials, and the people themselves, who will be the beneficiaries of more efficient and effective City services.

The following "common threads" in City operations were identified by the various Study Teams during their deliberations:

Provide and Develop Better Managers

The qualifications of all City employees, and particularly department heads and key managers, should be reviewed carefully before their hiring. A "professional screening committee" approach is suggested to ensure that professionalism, not patronage, is the criterion for filling critical positions.

A crucial element of an on-going program to improve City operations should be a greater effort to provide training opportunities for agency and program heads in basic management concepts and techniques. Such instruction should also be made available to middle-level operating managers.

Proposals have been made to accomplish this in such areas as personnel, vehicle/facility management, and the use of data processing. However, additional training programs for both management and staff should be identified or developed within public and private institutions of higher education, professional associations, and other appropriate organizations.

Provide Managers with Better Operating Information

Providence does not have in place the centralized systems and procedures to



ensure control of agency resources. Managers often lack basic operating information needed to effectively direct their operations.

The existing financial and personnel reporting "systems" should be modified, therefore, to provide line managers with such data on a timely basis. In this way, managers will have basic information to measure performance and can be held accountable for operational effectiveness. Other types of information are also needed to identify appropriate staffing levels, evaluate employee performance better, and monitor work loads.

In line with the expanded reporting requirements, the City's data processing function needs to be overhauled and made more responsive to user needs. To accomplish this, an in-depth analysis and investment in systems will be required. This effort should be assisted by a panel of senior City managers as well as an Advisory Committee composed of private sector experts.

#### Develop a Comprehensive Approach to Labor Relations

The Study Team has recommended the establishment of an in-house capability in the critical area of labor relations. This will enable the Personnel Department, after consultation with individual departments and the Mayor, to better prepare for and guide negotiations with labor unions. It will also help the City to cope better with grievance and arbitration cases.

By giving department heads and their staffs more input into and providing them more guidance in these crucial areas, a by-product of this recommendation will be the further development of a cadre of managers who more closely identify with the City administration. Other suggestions for ways to foster the continued development of such managers appear throughout the report.



### Establish Guidelines for City Employees

The City does not currently have a set of uniform policies and procedures governing the terms and conditions of employment. Job descriptions are not kept up-to-date. Measurable standards for specific tasks are non-existent. The use of time-clocks and sign-in/sign-out sheets is a very recent development. Sick leave, vacation time, and absenteeism are not closely monitored.

Equally important, the City does not currently have written procedure manuals to outline for its workers, step-by-step, how their jobs are supposed to be performed. Such manuals are recommended in the vital areas of budgeting, purchasing, personnel, and vehicle/facility maintenance, to help direct City workers. Productivity should also be enhanced by implementing these suggestions.

None of these conditions are conducive to effective management of employees or good employee relations. The definition of employees' responsibilities and the documentation of employer expectations would ensure more equitable treatment of employees while preserving the City's rights as an employer.

### Establish a Program to Adjust Agency Staffing

Implementation of many PMS recommendations may require staff reductions or reassignments. Thus, a top priority should be the establishment of an effective attrition program to adjust staffing levels without adversely affecting current employees. This program would also help the City make personnel changes that might result from on-going cost containment efforts of the departments once improved management systems and procedures are in place.



Under this attrition program, managers would be required to provide adequate justification for the continuation of any positions which fall vacant.

Given the difficulties of laying off people under the existing Laborers' Contract, and its interpretation by arbitrators, a top priority should also be to renegotiate that layoff selection process in order to give the City more flexibility in adjusting staffing patterns, when necessary.

#### Improve Working Conditions

Providence City Hall, other than the recently renovated public areas, is in deplorable condition. Other City buildings are in similar shape. This creates a poor work environment for City workers, creates a poor public image to taxpayers and visitors conducting business in these facilities, and endangers not only these people, but also the many invaluable records stored in them.

To improve this situation, a renovation program should be initiated to provide a better work environment and correct fire and life safety hazards. Provision should also be made for the prompt filing and/or recording (and microfilming, as appropriate) of the many valuable documents which are indexed and "safe guarded" in City buildings in order to better protect them.

Not only will employee morale and productivity be improved once the existing backlog is removed and those corrections are made, but the public will be better served by the timely recording and maintaining of records, and the City's historic documents and vital statistics will be properly preserved for future generations.



### Control Fleet Size and Use

The Study Team not only found City buildings and working conditions in need of improvement, but it found the City fleet (with the exception of a few individual departments) to be in disarray and disrepair. Little control was exercised over vehicle usage and, in fact, the City did not know where all its vehicles and equipment were located.

Procedures are recommended to correct these deficiencies, as well as to limit personal use of City cars, downsize vehicles when replaced, monitor fuel usage, and properly service the fleet so replacement will not be necessary as often. These policies and procedures will eliminate past and potential abuses, should help ensure that Providence residents know where their tax dollars are going, and boost the morale of City employee who do not have "take home" privileges.

### Establish an On-Going Program to Improve Management Effectiveness

City programs must constantly remain responsive to changing citizen needs. This in turn requires the continuous evaluation of staff and agency operations to ensure the cost-effective allocation of resources. The efforts of the PMS have demonstrated that opportunities do exist for greater cost control. In addition, several proposals address specific ways in which overall management effectiveness might be strengthened and ultimately allow for more cost-efficient operations.

A specific program should now be established to ensure that department managers are constantly looking for additional ways to save tax dollars. Furthermore, a forthcoming report on City communications systems, which was not completed in time for inclusion in this report, is expected to detail cost



control techniques and other improvements in that area. In addition, the possible consolidation of similar but discrete Departments, like Parks and Recreation or Public Works and Traffic Engineering, or the combining of similar functions, like the Recorder of Deeds, the Division of Vital Statistics, etc., under a Department of "Public Services," might be considered eventually.

Another area where dis-economies may exist is the duplication in administrative services between general municipal government, the School Department, the Water Supply Board, etc. The Study Team has recommended centralizing their purchasing activities under a professional Director of Purchasing and coordinating their vehicle and facility management policies and procedures through a new Department of General Services. However, specific plans should be developed to consolidate and/or better coordinate these and other administrative activities, and thereby reduce the City's total overhead expenses.

When resources are limited, it is incumbent upon all employees, from the directors on down, to remain vigilant for such opportunities. The hiring/development of qualified managers, the initiation of meaningful training programs, the introduction of better management systems, the documentation of work standards, etc., should all contribute to this on-going effort.

#### Revenue Enhancement Opportunities

In this report, opportunities to enhance the City's revenues are recommended in the areas of improving tax collections, improving the assessment function, and strengthening cash management. The Study Team did not have time to study



the City's fee structure, which could also present opportunities to increase revenues; therefore, no recommendation can be offered in that area.

Another opportunity does exist, however, for revenue enhancement, but it was beyond the Team's scope--Rhode Island's policy on state aid to cities and towns. The so-called Swearer Commission report on state and local government finances recognized Rhode Island's general over-reliance on the property tax and, therefore, offered several specific suggestions, including the levying of service fees on non-profit institutions, initiating a revised and expanded state "general revenue sharing" program to increase aid to needy communities (like Providence), and reforming and increasing state aid for local education to make its distribution more equitable. In fact, the City did benefit from modifications to the state aid to education formula enacted by the past session of the Rhode Island General Assembly.

More could be done in this regard, however, and since each of the above suggestions by the Swearer Commission requires legislative action to implement, the Mayor and City Council should study them and make their opinions on these proposals known to legislative leaders and Providence's Representatives and Senators before the next session of the General Assembly is convened.



## II. FINANCE



PLAN OF ACTION TO REFORM FINANCIAL MANAGEMENT

Executive Summary of the Finance Team Report

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Kevin Moran, Coopers & Lybrand

Alan Reed, New England Telephone

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Joan Shea, Arthur Young & Company

Establish the Position of Director of Administration

There is presently no individual in city government solely responsible to coordinate administrative functions and thus act as the Director of Administration on behalf of the City's Chief Executive. Therefore, the Providence Management Study Finance Team recommends that the Charter be amended to create the position of Director of Administration and specify the qualifications and responsibilities of this position.

The function of the Director of Administration would be to provide management for the City's internal operations, such as finance, personnel, purchasing,



etc. Creation of this position would provide a focal point in City government for anticipating and identifying administrative problems, formulating responses and stimulating actions to improve municipal efficiency. Having department head status, the Director of Administration should be responsible for advising the Mayor on all matters pertaining to finance, purchasing, and personnel at this time, although consideration should be given to expanding his responsibilities to include General Services (see the Vehicle and Facility Team report) and data processing at a later date.

The existence of a highly skilled professional Director of Administration should enable the Mayor to spend his/her time more effectively: 1) exercising general supervision over operating departments; 2) establishing priorities and focusing on broad-gauged policy development and implementation; and, 3) looking outwards and more effectively representing the interests of the City with community groups, business, and the state and federal governments to promote City-wide social and economic progress.

To assure that a qualified and experienced professional is hired as Director of Administration, a screening committee composed of two senior level executives from the private sector and the Chairman of the Providence Review Commission should recruit and propose three candidates for the Mayor's consideration, consistent with the minimum qualifications suggested by the Study Team. The appointment of the Director of Administration should be made subject to City Council confirmation.

#### Upgrade the Data Processing System

The City's data processing systems were developed twelve to fifteen years ago and continually modified since that time. Currently, they function to meet



minimal requirements and do not satisfy the managerial information needs of the City.

The Study Team recommends that the City develop a comprehensive data processing (DP) plan with the assistance of outside professionals. To that end, the Team suggests that the City extend for one year the current DP facilities management contract (until the plan can be developed), upgrade and fill the Data Processing Coordinator position, establish a DP advisory committee composed of outside professionals, and involve the City's senior managers in the development of the plan. In addition, the Team feels that greater attention should be paid to computer user education and that a charge-back system should be developed to allocate costs to user departments.

Without prejudging the direction of the plan, the Study Team recommends areas to be developed, with a high priority on the development of a revaluation, assessment, billing and collection system to coincide with the state mandated reassessment.

#### Summary of Other Recommendations

The other recommendations of the Finance Study Team are summarized below. The full report of the Team includes suggested procedures, forms and guidelines necessary to implement these recommendations.

Formalize operating and capital budgeting procedures by:

- Adopting an Operating Budget Procedures Manual.
- Improving communications with operating departments by conducting formal administrative budget hearings and having the Mayor review



pertinent sections with affected department heads.

- Developing an effective capital budgeting system including establishment of a Capital Improvement Program Review Committee.

Assessment administration improvements include recommendations to:

- Expand and upgrade to computerized the real estate tax system to efficiently maintain the tax rolls and more effectively administer the property tax from the standpoint of assessing, tax billing, and collections.
- Improve the auditing of the business personal property tax.
- Mechanize the personal property assessment systems.

Revenue collection recommendations are to:

- Modernize tax billing/collecting systems.
- Intensify efforts to collect delinquent real estate taxes by having employees in the Collector's Office call delinquent taxpayers, and by moving the tax sale date up.
- Improve excise tax collections by entering into an agreement with the Registry of Motor Vehicles as now permitted under state law.

Recommendations to improve payroll processing include:

- Redesigning the payroll systems and procedures.
- Developing interim written policy and procedure guidelines for this vital function.



- Developing management reports to aid managers' control of payroll expenses, vacation time, sick leave, and attendance.

The City should continually monitor cash management techniques with an eye toward possibly establishing concentration and zero balance accounts and a lockbox system of cash receipts. Other cash management recommendations are to:

- Provide for an automatic bank reconciliation program.
- Develop investment yield standards tied to market indicators in order to monitor the performance of investments.
- Computerize cash forecasting techniques.
- Develop a policy for taking advantage of payment term discounts for materials and supplies, which offers a potential investment alternative.

Pension administration reform opportunities include:

- Restructuring the retirement board so that representatives of management comprise a majority of the membership.
- Discontinuing the practice of making loans to members in order to increase the return on investments and minimize taxpayer contributions, reduce administrative overhead, and improve cash flow.
- Strengthening administration of the plan by an annual confirmation that benefits are not being paid to deceased pensioners.
- Preparing cost estimates of plan amendments suggested during the negotiation of any union contract for inclusion in the fiscal



impact statement discussed under Labor Relations.

- Modifying benefits for future employees who join the retirement plan as follows:
  - Basing the benefit on the average salary over a three year period.
  - Integrating retirement benefits with social security.
  - Changing the normal retirement benefit to age 65, and discounting benefits paid at retirement between age 55 and 65.
- Protecting against possible fraud by establishing a policy to press criminal charges when false or fraudulent affidavits or affirmations concerning any disability are made.
- Developing investment standards for the pension portfolio.
- Modifying actuarial assumptions to minimize the effects of short-term market fluctuations.
- Establishing a competitive bid for actuarial services.

Recommendations are also made to:

- Modify certain debt limitations to provide greater debt management flexibility.
- Increase the ceiling on transfers of budgeted amounts between departments.
- Clarify the responsibilities of the Budget Officer.



FINANCIAL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

Finance Team:

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# FINANCIAL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

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Attachment 1 - Draft Operating Budget Procedures Manual



## FINANCIAL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

### Present Operations

The Finance Team's analysis of the City's financial management practices and procedures was directed at the divisions and functions that are housed in the Finance Department: the Controller's Office, the Employees' Retirement System, the Data Processing Office, the Collector's Office, and the Assessor's Office. However, the Team did not have time to conduct an analysis of all the Controller's Office functions. Furthermore, the Team's charge did not include the Office of the City Treasurer, who is elected by the City Council, although a few recommendations would have a positive impact upon that Office.

The fiscal year 1985 operating budget for the Finance Department is approximately \$3.3 million. In addition, financial management responsibilities are also assigned to the Treasurer's Office and the Board of Tax Assessment Review, whose operating budgets total about \$147,000.

The following table summarizes authorized expenditure levels for the organizations presently responsible for financial management:

Financial Management Fiscal Year 1985 Appropriations	
<u>Organization</u>	<u>Amount</u>
Director's Office	\$ 236,833
Controller's Office	444,616
Employee Retirement System	179,671
Data Processing Office	840,064
Collector's Office	622,604
Assessor's Office	967,459
Bd. of Tax Assess. Review	18,336
Treasurer's Office	<u>128,772</u>
Total	\$3,438,355



## Evaluation

The organizations responsible for financial management activities are generally staffed by competent professional employees. At the time of the financial crisis in 1980-81, the Finance Department was in disarray. Since that time, significant progress has been made to improve the operations of this Department, particularly in the areas of cash management and financial control.

However, many of the administrative and financial management systems are obsolete and cumbersome, and procedures are not well documented. If management and information systems are strengthened, it should be possible to increase employee productivity and reduce administrative overhead, provide operating departments with more useful and timely information, and enhance revenue collections.

Modernizing the operation and procedures of the finance function will, however, require an investment of several hundred thousand dollars per year over the next few years, particularly in the data processing area. The Study Team believes that this investment will more than pay for itself through improved revenue collections, better financial controls, and reduced overhead, which is spelled-out in the following recommendations.

The report of the Finance Team is divided into the following sections:

- Data Processing
- Operating and Capital Budgeting Procedures
- Assessment Administration
- Revenue Collection



- Payroll Processing
- Cash Management
- Pension Administration

Before getting to the specific recommendations in each of these areas, the Study Team feels the following organizational reform and Charter amendments, which are intended to better integrate overall administration and clarify the responsibilities and authority of key management staff, would help the City improve its overall operations:

#### ESTABLISH A DIRECTOR OF ADMINISTRATION

The home rule Charter vests the executive and administrative powers of the City in the Office of the Mayor. As a result, the Mayor serves as both the chief executive and chief administrative officer of the City of Providence. The Mayor, thus, has the responsibility to supervise, direct, and control the activities of all departments and agencies of City government in the manner provided in the Charter. In discharging these responsibilities, the Mayor must develop policies, implement those policies approved by the City Council, and ensure the honest, efficient and effective day-to-day administration of the City's business.

In operating a \$170 million municipal business in a rapidly changing urban environment, successful City management requires that there be a clear allocation of responsibilities for: 1) policy development and coordination; 2) operations of departments providing services directly to Providence taxpayers in the areas of public safety, transportation, community development, health and the environment, parks and cultural affairs, and education; and 3) administrative services and management controls for



financial management, personnel and hiring practices, City-wide purchasing, etc.

As currently structured, all department heads, whether they have line-operation responsibilities or administrative functions, report directly to the Mayor. The Mayor's chief of staff is not only responsible for advising the Mayor on issues of policy development and program and departmental coordination, but also for dealing with a variety of internal administrative problems. As a result, there is presently no chief operating officer in the City responsible to the Mayor for administration and management.

The Mayor's myriad responsibilities and the imperatives of time, plus the need to better coordinate and integrate administrative services indicated to the Study Team that creation of the position of Director of Administration is important for the efficient and effective administration of the City.

Therefore, Charter amendments are recommended to create a Director of Administration and specify the qualifications and responsibilities of that office, as well as to have the finance, personnel, and purchasing functions report to and be coordinated by that individual. Eventually, his responsibilities should be broadened to include General Services (see the Vehicle and Facility Team report) and direct responsibility for data processing.

The function of the Director of Administration would be to provide management for the City's internal operations and be responsible for efficiency in the delivery of City services. Creation of this position would also provide a focal point in City government for anticipating and identifying administrative



problems, formulating responses and stimulating action to improve municipal efficiency.

Furthermore, the existence of a highly skilled professional Director of Administration should enable the Mayor to spend his/her time to more effectively: 1) exercise general supervision over operating departments; 2) establish priorities and focus on broad-gauged policy development and implementation; and, 3) look outward and more effectively represent the interests of the City with community groups, business, and the state and federal governments to promote City-wide social and economic progress.

The success of this recommendation is dependent upon the skills and experience of the person appointed Director of Administration. The individual that fills this position should have the appropriate education, e.g., a degree in business or public administration, and at least 7-10 years high level management experience in business or government. This person must have the ability to apply modern managerial techniques, drawn principally from business practices, to municipal operations.

To protect against the appointment of an unqualified individual, the Study Team recommends that the Charter be amended to specify the qualifications of this mayoral appointment and that the appointment should be subject to confirmation by the City Council. Furthermore, a screening committee composed of two senior level private sector executives and the Chairman of the Providence Review Commission should recruit and propose three finalists to the Mayor.

The Director of Administration should have department head status, and be responsible for advising the Mayor on all matters pertaining to finance, personnel, and purchasing. Therefore, the Director of Administration would



supervise and coordinate the activities of these major administrative functions.

The cost of implementing this recommendation will be approximately \$100,000, which would fund the salary and fringe benefits for the Director, one secretary, and overhead expenses. The annual salary for the Director of Administration might have to be in the range of \$55,000-\$60,000 to attract a qualified person, but this figure should be verified by the Mayor and the Personnel Director.

### DATA PROCESSING

#### Background

The City's data processing needs are serviced by an outside vendor, Computer Assistance, Inc. (CAI), under a data processing facilities management contract. The contract requires that CAI provide equipment and personnel to run, maintain and upgrade City-owned applications for a fixed amount (approximately \$41,000/month) plus certain direct expenses (in the range of \$125,000-\$150,000 last year), with provisions for additional systems development and processing to be paid for by the City. The contract is for three one-year periods, the last of which expires on September 30, 1985.

CAI began the contract in October 1982 and has made a substantial effort toward maintaining and upgrading the City's systems, most of which had been developed between 1967 and 1973. The contract outlines the process to be used for the development of new and improved systems, which includes the preparation of a "Master Plan" based upon user requests, estimated development costs and



priorities determined by the City. While no formal Plan was developed, CAI has worked closely with the City's Data Processing Coordinator and the Director of Finance to implement the changes noted below.

The maintenance and development program was directed primarily toward making the systems more efficient to operate. As a result, the City's applications are easier to operate, have a shorter turn around time and are more accurate. The improvements made to the systems include the following:

- Conversion of six applications from card processing to tape processing.
- Improvements in the area of Input/Output control and certain edit functions.
- Automated job execution.
- Improvements in operations documentation to allow operators less experienced with the City's system to operate them, providing for less risk in the event of employee turnover.
- Conversion of certain computer programs from an outdated computer language (Auto Coder) to a more current language.

Further, certain systems were modified and developed to provide the City with additional information, including:

- The tax system, to better identify delinquencies, prepare automated tax levy letters and provide more accurate address information for billings.
- The parking ticket system, to provide microfiche and non-compliance notices.
- The School Department state reimbursement reporting system.



- A rewrite of the pension system, incorporating several new functions.
- Packaged software to generate financial reports.

All data processing services provided to the City are coordinated and expedited by the City's Data Processing Coordinator under the direct supervision of the Director of Finance. His primary focus had been operations--assisting with user interface, helping solve operations problems, etc. Currently, this position is unfilled and requires immediate attention--both to upgrade this position and to hire a replacement (see below).

The development of major new systems has generally not occurred. This appears to be attributed largely to the fact that:

- In the first year, the Data Processing function was in transition from a previously existing service bureau to the current vendor, and required an inordinate amount of attention.
- The City has not sufficiently invested in systems development.
- The user departments are generally unaware of the benefits available from a more sophisticated system.
- The Data Processing Coordinator was more operations-oriented than systems development-oriented.

As a result, the City's data processing systems are twelve to fifteen years old and are based upon the technology of the late sixties. (Industry standards generally refer to average system life cycles of 5 to 7 years; municipal standards may be slightly longer because the changes in municipalities' needs are not as frequent as in private industry). The applications



have been modified and re-modified with limited documentation (until recently) and are not generally responsive to user needs. They require an increasingly inordinate amount of time to maintain, resulting in insufficient attention to new system development. As the applications (and related equipment) become older and technologically outdated, there are fewer knowledgeable people available to operate the system.

The City's data processing applications can be characterized, therefore, as a patchwork system based upon the technology of the late sixties, which require extensive knowledge by the operators, run inefficiently, and are not responsive to user demands.

#### Recommendations

Based upon these facts, the Study Team has made a series of related recommendations in this crucial area, detailed below. In summary, these recommendations are to: extend the Data Processing Facilities Management Contract for one year; develop a comprehensive data processing plan using outside professional consultants; implement a Data Processing Advisory Committee; upgrade and fill the position of Data Processing Coordinator; develop a charge-back system for allocation of data processing costs to user departments; and develop a user education program.

#### EXTEND THE CONTRACT FOR DATA PROCESSING FACILITIES MANAGEMENT

The City's contract with CAI will expire in September, 1985; the process of identifying the terms of a new contract are likely to extend past that date. The Study Team recommends that the City immediately develop mutually agreeable terms for the one-year extension (through September 1986) of the present



contract. Members of the Study Team have met with representatives of CAI and the Director of Finance and believe that it is in the interest of the City and CAI to extend the contract on the basis of its current rate.

CAI may be required to extend their own third-party software agreements which, on a one year basis, may increase. The Study Team believes that such increases can be mitigated by: 1) negotiation; 2) matching the extension of the software agreements to the timing of new systems proposed below (i.e., certain software will be required for an additional three years while new system development occurs; the City can agree to acquire this software in the event CAI is not a party to any new facilities management agreement); or 3) de facto month-to-month extensions.

#### DEVELOP A COMPREHENSIVE DATA PROCESSING PLAN

The Study Team recommends that the City develop a long-term, comprehensive plan for upgrading the City's data processing capabilities. The plan needs to consider the future data processing needs of all users, including not only the Finance Department, but also Personnel, Purchasing, General Services, Public Safety, Public Schools, etc. It needs to consider the type of equipment, type of processing, nature of the outsiders' involvement in terms of a facilities management contract, the selection of packages, extent of integration, timing of development and the costs associated and benefits to be derived from various aspects of the plan. The Study Team recommends the use of outside consultants to assist in the development of the plan and believes the cost to develop such a plan would be in the range of \$40,000-\$60,000.

The cost of implementing a comprehensive data processing system cannot be estimated without reaching conclusions regarding the nature of the new systems



and the implementation plan. However, experience indicates that the investment will be substantial--perhaps \$300,000-\$500,000 per year over the next five years.

While not attempting to prejudge the conclusions of the Data Processing Plan, the Study Team did develop some preliminary conclusions about the direction the plan should take or consider:

- The Team believes that the City's reliance on outside contractors (facilities management) to provide data processing services is a realistic solution. Further, it believes that such arrangements need to be long-term to provide the outside contractor sufficient time to recover his investment, to make a reasonable profit and to provide the City with a cost-effective system, while it learns the needs of the City and becomes "part of the team" interested in the mutual benefits to be derived. The Team believes that a 5-7 year contract meets this criterion. A long-term contract should include appropriate performance measurements and escape provisions for non-performance, escalators based upon additional processing, salary indices, etc.
- The Study Team reviewed a number of areas that could benefit from introducing or enhancing computerized systems. Many of those applications are listed in more detail in other sections of this report; others which could benefit from automation were not reviewed by the Team. Although the following list may not be all inclusive, it appeared clear to the Team that the following areas



would provide significant benefit by improved data processing systems:

- Revaluation, tax roll accounting (assessing), billing and collections. The City expects to spend in excess of \$1,000,000 for a state mandated revaluation of all property in the City. It appears appropriate to address this system immediately to take advantage of the clean starting point and assist in the process, if possible. The Team believes that this portion of the Data Processing Plan should be completed first and implemented before completion of the rest of the plan. These applications might be integrated into the financial management system or might stand alone.
- An integrated financial management system to include: budgeting, appropriations, purchasing accounts payable, cash disbursements, payroll, general ledger and management reporting. While not necessary for the financial management system, the payroll system needs to interface directly with the personnel and retirement systems.
- The Data Processing Plan should consider the use of both micro-computers (personal computers) and mini-computers in filling short-term and/or specialized needs. Consideration should be given to a mini-computer based system for special applications, such as the revaluation and assessment system discussed above. Consideration should also be given to the use of micros for a variety of applications, such as



financial analyses (weekly or monthly cash forecasts), word processing, data communication, manpower scheduling, etc. A coordinated effort here might significantly reduce the scope or provide information to allow earlier implementation of other systems.

- The development of a Data Processing Plan will require the involvement of the senior managers within the City to provide information and define a direction for the future. Such high-level managers should include the Directors of Administration, Finance, Personnel, and General Services, the Commissioner of Public Safety, and the Superintendent of Schools, as well as selected other individuals. Involvement of these individuals will:
  - Ensure that development efforts proceed in an orderly and efficient manner to the completion of the projects.
  - Focus on appropriate organizational issues to ensure the effective use of computers in the City.
  - Ensure the compatibility of information systems with the City's strategies and needs.
  - Ensure that the lines of communication remain open to provide for an exchange of information to keep management up-to-date and allow the data processing people to make the appropriate decisions in their day-to-day activities.

Prior to implementation of the Data Processing Plan, these major users should be consulted and concurrence should be obtained with



regard to: project plans, project priorities, and equipment strategies.

The process for development of a Data Processing Plan would typically be structured as follows:

1. Set objectives and constraints, and organize tasks.
2. Prepare guidelines for user interviews.
3. Conduct interviews with users, high-level managers (see above), and the Data Processing Advisory Committee (discussed below) to identify critical success factors, information requirements and existing strengths and weaknesses as well as user sophistication.
4. Review existing systems to determine current input/output and their uses, management practices, needed standardization, usefulness of existing systems, etc.
5. Define systems requirements and develop requirement specification reports. Such reports should focus on:
  - Descriptions of required features and functions.
  - Required inputs/outputs.
  - Software compatibility, grouping similar items as needed for cost-effective software development.
  - Required processing logic.
  - Required security and back-up features.
  - Manual procedures and controls.

The system requirements should establish critical priorities for each system so that the most immediate needs can be addressed to compress the implementation timetable. This activity should also



identify a limited number of vendor packages and related hardware alternatives. This phase needs significant interaction with the senior managers and the Advisory Committee as well as the Mayor.

6. Develop the Request for Proposal to include the requirement specification report, the technical requirements, and general considerations and evaluation criteria. (Again, significant input is required from the high-level managers and the Advisory Committee). Once agreed to, the RFP should be sent to vendors who should be invited to a Bidders' Conference.
7. Evaluate responses. This phase involves development of vendor evaluation criteria, analyzing responses to RFP, ranking vendors, and developing recommendations (with significant input from the Advisory Committee).
8. Prepare Data Processing Plan including cost/benefit analysis to include the cost of hardware, software (package, if applicable), software modification (package, if applicable), conceptual design, programming, construction and implementation, the benefits to the City based upon improved efficiency, economy, and controls. The benefits derived will, of necessity, require subjective judgements and soft estimates, but should be sufficiently realistic to support the proposed course of action.
9. Prepare the implementation plan to reflect the City's priorities, timing requirements, funding availability, training needs, etc.

#### IMPLEMENT A DATA PROCESSING ADVISORY COMMITTEE

The Study Team recommends that a Data Processing Advisory Committee be formed to assist and counsel the City in those matters relating to computer systems,



equipment, policy, etc., where considerable expertise in the data processing field is required.

The objectives of the Advisory Committee would be as follows:

- Assist the City in making sound decisions regarding the vital data processing issues with which it will be confronted.
- Keep the City current with respect to trends and developments in data processing.

Some functions of the Advisory Committee would be to advise the City:

- In matters concerning vendor evaluation(s) and contract negotiations with vendor(s).
- Regarding software and/or hardware acquisitions.
- Regarding a suitable physical location and other requirements of a data processing operation.

The Advisory Committee should be comprised primarily of management level people from the business community (who are not interested in bidding on City data processing business) rather than from within the City government. Exceptions to this would be the City's Director of Administration and Data Processing Coordinator, both of whom should serve on the Advisory Committee. Others sitting on the Advisory Committee should have expertise in the following areas: facilities management; computer operations; computers and computer related equipment; and the physical requirements for a data processing operation (wiring, temperature control, security systems and fire protection, backup generators, etc.).



The Advisory Committee should meet regularly and members should be accessible and able to convene on fairly short notice.

#### UPGRADE AND FILL THE POSITION OF DATA PROCESSING COORDINATOR

The Team recommends upgrading and filling the position of Data Processing Coordinator within the City's management structure--that is, eventually to report directly to the Director of Administration at a level comparable to other functional managers, e.g., purchasing and personnel. Furthermore, the annual salary for this position might have to be in the area of \$35,000 to attract the calibre of person required; however, this figure is subject to verification by the Director of Administration and the Personnel Director.

The primary responsibilities of the Data Processing Coordinator would be to:

- Coordinate activities between the users and the facilities management people and to act in a liaison capacity.
- Assist users to improve performance through the use of data processing capabilities and resources.
- Monitor performance of the facilities management team to ensure that they are performing their duties in a timely and efficient manner and that they are in compliance with their contract with the City.

The duties of the Data Processing Coordinator would include the following:

- Become familiar with user operations and identify areas of potential improvement.
- Document requirements for new or improved systems.
- Evaluate proposed design solutions and determine their



feasibility and practicality in the user environment.

- Guide user management in selection and implementation of automated systems.
- Assist in training user personnel in the operation of new or modified systems procedures.
- Establish systems acceptance criteria for the user(s).
- Review systems operations and help resolve problems.
- Fulfill administrative reporting requirements.

Required skills for this function are: training in systems analysis with special emphasis in project management, user relations, data gathering techniques; some knowledge of data-processing requirements for municipalities would be desirable; some training in management practices, supervisory techniques, project control, budgeting and planning; and some familiarity with computer operations with regard to equipment, scheduling, security and backup procedures.

#### DEVELOP A CHARGE-BACK SYSTEM FOR ALLOCATION OF COMPUTER COSTS TO VARIOUS USER DEPARTMENTS

In addition to serving as a cost allocation mechanism, a charge-back system would provide an excellent tool for controlling costs and making budget estimates. It could help to promote effective and efficient utilization of computing resources by both the users and the computer operations area and allow management to deploy available computing resources among users and application areas in a way that yields maximum benefit for the organization as a whole.



## DEVELOP A USER EDUCATION PROGRAM

The importance of user understanding and user education cannot be overemphasized. It is essential that an education process be instituted whereby significant users within various departments would be given the opportunity to become familiar with the capabilities of the computer resources available to them and how those resources can help them perform their tasks in a more thorough, accurate and efficient manner.

As new technology is introduced (personal computers, on-line terminals, etc.), and to ensure maximum results from the new technology, it is of the greatest importance that users be given adequate training and education in the use of the equipment and the software in order to overcome any reluctance ('fear of the unknown') that they might have.

An ongoing, comprehensive education process is essential to the future success of any data processing operation, in the private or public sector.

## OPERATING AND CAPITAL BUDGETING PROCEDURES

The City charter requires that the budget officer

...write, revise and maintain proper standard procedure instruction manual to be followed by all officers, departments, board and other agencies of the government to insure uniform budgetary procedures.

A written operating budget procedures manual provides a necessary formal budget planning, preparation and control process. However, such a document does not currently exist in the City of Providence.



## ADOPT AN OPERATING BUDGET PROCEDURES MANUAL

Budget preparation and administration of a \$170 million spending plan is a complex process. One major problem is to communicate instructions and information regarding preparation of the operating budget. The manual suggested by the Study Team (Attachment 1) is designed to provide clear and concise sources of such instructions and information.

Obviously, the Finance Department might find it necessary to fine tune and make technical modifications to the Study Team's proposal, possibly for such reasons as making it more data processing compatible and to recognize certain nuances in the daily operations of the City. However, the basic documentation information outlined in this recommended Manual regarding units of activity, justification of personnel and operating requests, vehicle replacement information, multi-year revenue projections, and expenditure classification by projected service levels are fundamental to any sound budgeting system.

The most meaningful budget process is one which provides ways of measuring the effectiveness, efficiency, and need of services rendered. This requires a clear definition of objectives, communication of these objectives to all administrative levels, establishment of quantitative measures of accomplishment whenever possible, and permitting and encouraging decision-making not just at the highest levels but also at the lowest responsible levels of administration.

The recommended Operating Budget Procedures Manual is the first step in accomplishing these financial planning and management objectives. The Manual



should be provided to all personnel directly involved in the budgeting process.

#### IMPROVE COMMUNICATION WITH OPERATING DEPARTMENTS

The Finance Department is the agency of City government that must balance program and operating needs with available funds. Therefore, this department must report spending plans and recommend priority allocations to the Mayor. In meeting this responsibility, effective and open communication is critical.

The Study Team recommends that formal, administrative hearings be conducted by the Finance Department after it has reviewed major departmental requests and prior to recommending a budget for the Mayor's consideration. Furthermore, before the Mayor submits his budget proposal to the Council, the pertinent sections should be reviewed and discussed with the affected department directors.

#### DEVELOP AN EFFECTIVE CAPITAL BUDGETING SYSTEM

The City Charter empowers the City Plan Commission to

...review and approve for submission to the city council the capital improvement plan as prepared by the department of planning and urban development.

The Charter also requires that

At the same time that the mayor submits the operating budget to the city council, the mayor based upon estimates and recommendations of the city plan commission...shall prepare and submit to the city council a capital budget for the ensuing fiscal year and the next four (4) fiscal years thereafter....

and, the Finance Director shall

compile the capital budget in cooperation with the city plan commission.



Given this division of responsibility between the Finance Director and the City Plan Commission, the Study Team recommends that coordinated procedures for the development of the City's capital budget and plan should be articulated.

Specifically, the Study Team recommends that a Capital Improvement Program Review Committee (CIP Review Committee) be established to coordinate the development of a comprehensive capital budget and program. This committee should consist of the Directors of the Departments of Planning and Urban Development, Finance, Community Development, and Public Works.

The following steps should be followed in developing the comprehensive capital improvement program:

1. The Director of the Department of Planning and Urban Development (DPUD) should issue a call for each agency of the City of Providence to submit project requests for inclusion in the capital improvement program. DPUD should provide each agency with a procedures manual, including a definition of eligible projects, request forms, and specifying other necessary supporting information.

2. After the budget call, the DPUD staff should review with each appropriate operating agency the proper procedures to follow in completing the request forms, and also review the results of municipal and state comprehensive planning reports affecting the operating units' areas of responsibility.

3. Upon receipt of project requests and supporting data, DPUD should:

- Verify the request forms for completeness of information;
- Compare the proposed program to the current CIP;



- Analyze requests in relation to planning commission policies and City-wide comprehensive plans; and
- Relate proposed projects to those of the State of Rhode Island and other units of local government.

4. DPUD should next submit all project requests to the Finance Department, and the Finance Department should review:

- The fiscal accuracy of the project requests;
- The eligibility of projects for inclusion in the capital improvement program;
- The accuracy of revenue estimates;
- The impact of the requests on the operating budget; and
- The appropriateness of funding sources requested, including federal, state and local revenues.

5. When the financial analysis is completed, the CIP Review Committee should then analyze a draft of the capital plan.

6. At the conclusion of the CIP Review Committee analysis, a revised draft of the capital improvement program should be presented to the City Plan Commission. The Commission should review the proposed program and submit a recommended capital improvement program, including the financial plan, to the Mayor.

7. The Mayor should forward his recommended capital improvement program to the City Council for consideration and adoption. The City Council should conduct legislative hearings on the Mayor's capital improvement program and adopt a CIP for the City.

To effectively administer the CIP, the CIP Review Committee should meet in October, January, April, and July in order to monitor and review the progress



of the capital improvement program. After consultation with affected departments, the committee may recommend to the Mayor that the CIP be amended.

Implementation of the Study Team's recommended capital improvement program development procedures will require an amendment to clarify the City Charter regarding development and presentation of the Capital Improvement Plan and Budget.

The following four recommendations, which impact upon the development of the Operating and Capital Budgets and the administration of them, will also require amendments to the City Charter:

#### MODIFY BOND REPAYMENT REQUIREMENTS

The Charter currently requires that all bonds issued shall be paid in equal or diminishing annual installments. The Study Team believes that under most circumstances this approach is proper. However, given the possibility of rapidly changing conditions in the economy and financial markets, the requirement of "equal or diminishing" installments should be modified. This change would give greater flexibility to future City Councils in managing and scheduling debt service payments and might increase the marketability of City bonds. Alternative Charter language should be developed in consultation with the City's fiscal agent and bond counsel.

#### IMPROVE DEBT MANAGEMENT CAPABILITIES

The Charter places a three year time limit on the issuance of bonds with the City Council given the authority to extend the time limit another two years. For the reasons mentioned above, the time limit on the issuance of bonds



should be extended to a total of seven years (5 year time limit plus authority to extend 2 years) through a Charter amendment.

#### CLARIFY THE AUTHORITY TO TRANSFER APPROPRIATIONS

The Mayor is authorized to transfer unencumbered appropriations within or between departments in an amount up to \$5,000 annually. If the aggregate amount of such transfers exceeds \$5,000 annually, the Mayor must request Council approval. The \$5,000 limit can be exceeded by a two-thirds vote of the City Council following a public hearing. Transfers in excess of \$5,000 must be approved by resolution of the Council.

In effect, this procedure allows an ordinance (appropriation) to be amended by a resolution. The Study Team believes any ordinance should only be amended by passage of another ordinance, not just a resolution. Implementation of this recommendation requires a modification of the Charter.

Also, the Study Team suggests that the \$5,000 limit is unrealistic given the fact that the City budget now exceeds \$170 million; therefore, the \$5,000 limit should be increased to \$15,000. The current Charter provides that the limitation can be modified by a two-thirds vote of the City Council following a public hearing.

#### CLARIFY THE RESPONSIBILITIES OF THE BUDGET OFFICER

The Charter currently includes the positions of both a budget officer and a budget analyst. At the direction of the Finance Director, all responsibilities for budget preparation and fiscal and management planning should be assigned to one individual--the Budget Officer. The questions of how many or what assignments should be made to budget analysts are



properly left to management, in this case, the Budget Officer and/or the Director of Finance. Therefore, budget analyst positions are not appropriate for inclusion in the City's Charter.

The following powers and duties should be added to the responsibilities of to the Budget Officer and all reference to the position of budget analyst should be deleted from the Charter:

- To plan for the future fiscal integrity of the City.
- To conduct efficiency studies and project future payroll, maintenance and utility costs of the City.
- To carry on a continuous research program in systems and methods so as to keep current in all phases of data processing, business methods and the like.
- To make recommendations from time to time to the Finance Director for using the newest equipment and methods.
- To prepare and submit to the Mayor and the City Council a fiscal note for all ordinances with a fiscal impact.

#### ASSESSMENT ADMINISTRATION

The Assessor's Office is responsible for assessing all real and personal property located in the City of Providence. Additionally, the department maintains the City map showing all parcels of land within the City, and provides counter service to residents regarding taxes, abatements and exemptions. This Office annually determines assessment on approximately 6,000 personal property accounts, 108,000 motor vehicles, and 44,000 parcels of real property.



The Assessor's Office is professionally administered and carries out its responsibilities in a timely manner. However, it does not employ state-of-the-art data processing and information applications, which could improve the productivity and efficiency of this office.

#### COMPUTERIZE THE REAL ESTATE TAX SYSTEM

Over the next two fiscal years, the City will spend approximately \$1.0 million to implement a state mandated revaluation. To efficiently maintain the tax rolls and more effectively administer the property tax from the standpoints of assessing, tax billing and collections, computerization should be given a high priority.

The cost of automating the assessing system could vary considerably depending upon the applications required. However, the Study Team recommends that, in connection with the comprehensive Data Processing Plan discussed earlier, the plan give immediate attention to developing a Request for Proposal (RFP) to automate the assessing system. Such an RFP should include, as a minimum, the following:

- Interface with billing and collection module.
- Interactive file maintenance for ownership changes, etc.
- Generate:
  - Annual tax roll
  - State statutory reports
  - Comparative analysis reports
  - Abatement and exemption reports
  - Sales ratio reports
  - Appraisal file cards



- Provide inquiry capability for:
  - Tax roll data, including billing
  - Comparable property search
  - Appraisals
  - Land by plat/lot, classification, etc.
  - Buildings
- Capability to assess property or portions thereof using income, original cost, market value, sales, and other methods.

The Study Team believes that when fully implemented, an automated assessment system will improve the productivity of the Assessor's Office. For example, four people spend most of their time recording sales transactions, establishing Assessor records and sales abatements. Data required for this function could be captured mechanically once and then used to compile/update City maps, title/counter information, sales abstracts, and the tax roll with a possible savings of two positions.

#### IMPROVE AUDITING OF BUSINESS PERSONAL PROPERTY TAX

Businesses are required to file a return by January 31 of each year to the City Assessor stating the value of all tangible personal property, including inventory owned on December 31 of the preceding year. Leased property is also subject to tax via the owner. (The tax on manufacturers machinery and equipment will be phased out in 1986.)

According to the Assessor, approximately 2,700 personal property returns were filed in 1983 out of a known base of 6,000. To strengthen the administration of the personal property tax, the method of auditing returns should be strengthened as follows:



- Insure non-filing taxpayers are audited.
- Reduce field visits to taxpayers filing returns of relatively small values.
- Schedule field visits throughout the year.
- Develop standards for analyzing returns by comparison with other returns in the same business and with the model (i.e., a "desk" audit).
- Rotate appraisers annually so the same individual does not review the same properties each year.
- Establish an internal control provision to audit field reviews made by appraisers.
- Establish an audit procedure to increase filing compliance by using a variety of sources (such as Name and Address listing of State Income Tax returns filed or a listing from the telephone company of Providence businesses) and select a sample for a field visit to verify filing status and the accuracy of the assessment and the tax roll.

#### MECHANIZE PERSONAL PROPERTY ASSESSMENT

Mechanization would provide for timely management reports to schedule field visits and implement the procedures to improve auditing techniques outlined above. It would allow direct input by the Assessor's Office on all data needed for processing, billing, and determination of value, including depreciation.



## REVENUE COLLECTIONS

Responsibility for the collection of City revenue generally resides with the City Collector. The Collector's Office is responsible for tax billing and the collection of all taxes, water and sewer assessments, and amounts collected from other City departments, government agencies, Municipal Docks, and courts are remitted to this office. The Collector initiates and controls the annual "tax sale" of real estate taken for non-payment of taxes.

Fees, permits, licenses, fines and parking tickets are assessed, billed and collected by the department or entity responsible for that function and sent to the collectors office for deposit.

### MODERNIZE TAX BILLING/COLLECTING SYSTEM

(See related Recommendations under "Assessment Administration".)

The collection function within City Hall should be modernized through the introduction of an on-line/interactive computer system providing three to four terminals for tellers. The system should meet the following general criteria for billing/collection:

- The tax billing system should be capable of storing information necessary to generate the required volume of real estate and personal property bills, including the excise tax. The system should have the capability of updating outstanding balances and printing "Demand" notices. It must also be able to compute interest and charges added to taxes and any liens or betterments (special assessments) which may become part of the total amount due.



- The system should provide on-line file maintenance, and be referenced by plat and lot for billing, cash posting, and inquiry capabilities. The system should also produce hard copy reports (such as trial balance or accounts receivable), and allow for input via the keyboard when necessary.
- Receipts should be posted on-line with interest on delinquent accounts calculated to date. Prior years unpaid taxes should be linked to current taxes. Receipts entered into the system should be listed on an edit report and on a daily cash listing. Receipts should be identified daily by tax type with a schedule of the collector's payments (Schedule of Receipts) to be delivered to the Treasurer.
- Assessors Office and Collectors Office should have capability to enter data independent of each other and without affecting the other department's data base, i.e., change of mailing address without effecting the address of the plat and lot.
- The taxpayer and the mortgage holder must be cross-referenced to allow for both billing and cash receipts to be summarized by bank as well as by taxpayer.
- The accounts receivable system should have the following additional capabilities:
  - Maintain files for prior years.
  - The file must be capable of deleting paid in full accounts.
  - Generate reports for any prior year.
- General requirements:
  - Account maintenance.
  - Tax bill preparation.
  - Ability to handle installments.



- Generate lien certificate preparation.
- Cash collections: analyze weekly receipts by type and account; cash posting; inquiry to account status; cash receipts update; interest and penalty assessment; account adjustments; trial balances; refunds; abatements; and title search charges.
- Aged receivables reporting.
- Delinquent tax accounting.
- Dunning notices.
- Year end updates.
- Special assessments such as Hurricane Barrier Assessments.
- Prepayments.
- Account lists.
- Property ownership transfers by new owner and old owner.
- Parcel splits, mergers.

The development of a Request for Proposal to implement this recommendation should be part of the RFP for data processing recommended for the "Assessors Office." Implementation of this on-line system with appropriate controls and management reports could eliminate the following manual functions within the Collectors Office:

- Teller listing.
- Receivable ledger.
- Journal of receipts.
- Schedule of receipts.

#### INTENSIFY EFFORTS TO COLLECT DELINQUENT REAL ESTATE TAXES

A vigorous effort should be made to increase delinquent property tax



collections by:

- Developing procedures which demonstrate a regular and progressive collection effort from supplemental notices to warnings to legal notice of lien or tax sale.
- Assigning Collector's Office employees to collect outstanding taxes using the telephone once the Collector's office is mechanized. The approach should be informal, suggesting the City wants to give the taxpayers an opportunity to pay before taking further action.
- Moving the tax sale date up. With the aid of the computer system described above, initiation of the tax sale process could begin earlier for properties with outstanding payments.

#### IMPROVE EXCISE TAX COLLECTION

Currently the City is only collecting about 77% of the taxes levied against motor vehicles within the first year. The City can increase its collections by \$154,000 for each one percent that it collects. To address this opportunity, the Study Team recommends that the City enter into an agreement with the State Registrar of Motor Vehicles for the collection of the motor vehicle excise tax, as allowed under Public Law 381, which was passed in the 1984 session of the Rhode Island General Assembly.

Under the provisions of this recent law, a tax collector or a finance director of any city or town may enter into an agreement with the Registrar of Motor Vehicles for the collection of motor vehicle excise taxes and/or motor vehicle registration fees and/or the issuance of motor vehicle registrations on a mutually agreed cost sharing basis. Pursuant to an agreement with a municipality, the Registrar may delegate to a tax collector or finance



director of any city, the authority to issue motor vehicle registrations, to collect motor vehicle registration fees, to retain a portion of such fee for administrative expenses, and/or to withhold the issuance of a motor vehicle registration until either the delinquent excise tax and interest thereon has been paid in full or the appropriate pro rata quarterly excise tax has been paid in full.

Therefore, the Study Team recommends that the City enter into such an agreement, that would operate as follows:

- The City of Providence would receive all motor vehicle registration renewal forms.
- The City would determine if the motor vehicle excise tax was delinquent or not. In cases where no back taxes were due, the City would mail the renewal forms to the taxpayers. The taxpayers would then remit the registration renewal fee to the Registry of Motor Vehicles as is the current practice.
- In situations where the motor vehicle excise tax is delinquent, the City would notify the taxpayer that the registration renewal form can be obtained at City Hall upon payment of past due motor vehicle taxes.

#### PAYROLL SYSTEM

The present payroll system is characterized by:

- A duplication of functions and records.
- A lack of management reports and control elements.



- Inadequate and inflexible data processing support.
- A lack of written policies and guidelines.

Functions performed within operating departments are duplicated in the City Hall Payroll Office, Personnel and Data Processing. For example, payroll worksheets are filled out and proofed within the operating departments, then sent to the City Hall Payroll Department where they are proofed, and sent to Data Processing where they are proofed and then input.

Vacation and sick time is recorded in each department and also maintained by the Personnel Department in City Hall. Records are manual and no attempt is made to reconcile departmental records to personnel records.

The automated payroll system functions primarily to produce payroll checks and summaries of taxes and benefit payments. Sub-systems have been developed to accumulate certain detailed reports needed to provide tax-related and budget-related data. However, no vacation and sick time accounting capability exists within the system. In addition, there are no reporting capabilities to provide department heads and supervisors with summaries of time worked, sick time, vacation time, etc.

Data processing support is constrained by the fact that the present payroll system is a combination of a software package and programs written to support the unique needs of the City. These revisions and additions to the basic package makes it much more difficult to access the personnel features of the software package.



Implementation of this recommendation obviously should be coordinated with the Study Team's previously stated recommendations on data processing. This is essential because it is necessary to integrate the payroll and personnel information systems with other financial and management systems.

#### DEVELOP INTERIM WRITTEN POLICY AND PROCEDURE GUIDELINES FOR PAYROLL PROCESSING

The City's payroll systems have little feedback to aid in management control. Thus, there is little accountability since policies and procedures are not specified or documented. Therefore, written payroll policies should be included in the Personnel Procedures Manual that has been recommended by the Personnel Team.

#### DEVELOP MANAGEMENT REPORTS TO AID MANAGER CONTROL OF PAYROLL EXPENSES, VACATION TIME, SICK LEAVE, AND ATTENDANCE

A consistent package of reports should be developed and become a routine output of the payroll and personnel system. Reports should address budget versus actual payroll expense within the department for time worked, vacation time, and sick time. A position control report based on the City staffing ordinance should be produced for the City as a whole and for each department. Accruals of vacation and sick time by individual employees should be provided within each department.

Exception reports should be produced for leave accruals greater than some set maximum so that the accruing of vacation and sick time can be controlled. An overtime report by person, by department should be produced routinely.

Interdepartmental charge outs (for example, Federal Program work) should be produced by the payroll system to provide allocations of payroll expense.

Another report should be produced on sick time taken on Fridays and Mondays to



determine if sick time is being abused. There should also be a summary of all additions, deletions, and dollar changes to the payroll in any given period which can be reviewed to determine if appropriate changes were made.

#### CASH MANAGEMENT

The City's performance in the area of cash management has been effective. It has achieved this result primarily based upon the existing relationship between the City and its lead bank. Unless these circumstances change, formal cash management procedures which would normally help the City earn more on its existing cash position are unlikely to yield any savings. Therefore, the Study team recommends continually monitoring the performance of the City's cash management practices by comparison to more formal procedures, such as the following:

- Establishing a "lockbox" remittance processing service with a financial institution; the benefits to be derived include reduction and/or reassignment of two tellers, speedier deposit of City funds (which would, under certain circumstances, accelerate funds availability and increase interest income) and accelerated return items processing.
- Establishing Concentration and Zero Balance accounts--thereby keeping all available City funds earning interest until outstanding checks are presented for payment.

Such procedures provide the additional benefits of additional control, a more professional approach and establishing procedures that will "outlive" the personal relationships.



#### PROVIDE FOR AN AUTOMATIC BANK RECONCILIATION PROGRAM

The City of Providence should consider transferring the monthly accounts payable check reconciliation, now performed manually, to a bank's automatic reconciliation program. To do this, the City should first upgrade and/or automate their current punch-card system so as to provide the bank with complete and accurate input data for the reconciliation process.

The use of automated bank services can reduce the demands on accounting and treasury staffs and enable management to redirect their efforts. The following benefits could be obtained:

- More timely reconciliation of bank accounts;
- Reduction of costs; and
- Improved controls.

The Study Team surveyed the costs of such a recommendation. A Rhode Island bank, on a no-name basis, quoted a monthly charge of \$35.00 plus \$.035 per check with punch-card input. Assuming 15,000 accounts payable checks per month, the annual cost of such a program would be \$6,720. Once the City can provide better input data, the cost will be even less.

Such a program would: eliminate the duplication of effort in the Treasurer and Controller's Office for monthly account reconciliation and eliminate the need for the Assistant City Treasurer to manually determine the number and dollar amount of checks outstanding each month.

#### DEVELOP INVESTMENT YIELD STANDARDS

The City currently has no mechanism to monitor the performance of its investments. Therefore, it should develop standards of investment yields



tied to market indicators to monitor the performance of its investments. An example of an acceptable benchmark would be the weekly or monthly yield of the Common Fund or Fidelity Government Securities Fund.

#### COMPUTERIZE CASH FORECASTING TECHNIQUES

The City of Providence should purchase or develop a microcomputer based program to automate its cash forecasting procedures.

A more automated short-term cash forecasting discipline to anticipate and monitor cash requirements can enhance control and planning. The tools for an automated cash forecasting model will cost between \$4,000 and \$7,000, but will enable the City to perform sensitivity analysis on its receipts and disbursements and fine tune its investment projections.

#### DEVELOP POLICY FOR TAKING ADVANTAGE OF PAYMENT TERM DISCOUNTS

The use of payment term discounts for materials and supplies the City purchases offers a potential investment alternative. Therefore, the City should develop an internal policy for accepting or rejecting discounts.

For example, the following table indicates that payment terms of 1% 10, net 30 is the equivalent of an 18% annual interest rate. Therefore, if the City borrows (or invests) at less than 18%, it should take advantage of the accelerated payment. Other examples are shown below.

<u>Term</u>	<u>Yield</u>
1/2% 10 N 30	9%
1% 10 N 30	18%
2% 10 N 30	36%



## PENSION ADMINISTRATION

### Present Operations

The Employee Retirement System of the City of Providence was established by Rhode Island Public Laws of 1923, Chapter 489 as amended. The plan is managed by the Retirement Board, which is comprised of the following 11 members: the Mayor, the Chairman of the Finance Committee of the City Council, the City Controller, two elected by City Council (not officers or employees of the City), two Class A employees, one Class B employee (Fire Department), one Class B employee (Police Department), one retired Class A employee, and one retired Class B employee.

The regular term of elected members is four years and all board members serve without compensation. Some of the major duties of the board are as follows:

- Report fiscal transactions annually to the City Council;
- Secure the services of physicians to make medical examinations as required under the act;
- Collect data for preparation of mortality and service tables;
- Certification of contribution payable by the City of Providence;  
and
- Establish investment policy and invest all funds not immediately required.

The plan covers two groups of employees:

- Class A - general employees, including laborers, mechanics, clerical, administrative, professional and technical workers, and
- Class B - fire and police department employees.



Within certain restrictions, each member contributes 8% of his compensation for every payroll period. Members may also deposit additional amounts in the annuity savings to provide for an additional annuity. A member who has attained the minimum age for retirement (55 years old) or a minimum service period (25 years-Class A; 20 years-Class B) may retire with full benefits.

The day-to-day operations of the Retirement Board are handled by a four person staff under the direction of the City Controller. The major functions performed by this group are:

- Maintaining files on all active and retired members.
- Processing of monthly retiree payroll.
- Preparing and distributing annual statements for annuity savings funds.
- Preparing and distributing of W-2's for retirees.
- Processing loan applications.
- Preparing the annual report.

#### Observations/Evaluations

Funding - The system is currently funded using the aggregate cost method with the City funding 70% of the liabilities of the plan. The City's contribution for 1983 was approximately \$11 million.

Portfolio - The basic investment policy of the Retirement Board is one which stresses preservation of capital as the primary consideration with yield and capital gains potential as secondary factors. It is the Board's policy to maintain a balanced portfolio of mostly marketable securities with a 50%-50% split between debt and equity securities at market value. It is the



Board's objective to earn a yield on book at least equal to the actuary's 8.5% assumed rate of investment.

Loans to Members - Any member may borrow up to one-half of his contributions after three years of employment at an annual rate of 6% and continue to earn 2% on his account. In addition to the administrative problems discussed below, the financial implication is that the yield on member loans is 4.5% less than the actuary's assumed rate of return.

The Retirement Board processes approximately 2,000 loan applications annually. Each application requires approximately one-half hour to process in its entirety. Therefore, the processing of loans requires the equivalent of one full-time person for one-half of the work year. Obviously, this creates a tremendous burden on the staff of the Retirement Board.

Benefit Calculation - Currently, the benefit calculation is based upon the employee's highest annual compensation. This calculation allows for potential abuse of the system. For example, if an employee works for 20 years at an annual rate of \$15,000 and for one year at \$30,000, the benefit is calculated based upon the \$30,000 compensation.

Protection Against Fraud - By law, the penalty for making or presenting any false or fraudulent affidavit or affirmation concerning any claim for pension or payment is a sum not exceeding two hundred and fifty dollars. Clearly, this penalty may not be a significant deterrent to committing a fraudulent act.



Valuation of Assets - The valuation of assets for actuarial purposes is based upon market value at the end of the period.

Class B Benefit Payment - Class B employees (as well as Class A employees) are allowed a full pension at age 55. This provision costs approximately 20% more than a pension at age 65. The automatic 67.5% joint and survivor benefit for Class B employees adds another 10% to the cost. Finally, the 3% cost of living increase adds another 20% to 25%. This means that the Class B pension is worth approximately 50% to 55% more than a normal life annuity at age 65.

Integration of Benefits with Social Security - In addition to the City's Retirement System, all City employees participate in social security. Further, the City makes contributions to the union's retirement plan. Many private sector plans are designed so that the pension benefit plus the social security benefit less applicable federal income taxes is equal to spendable income prior to retirement. (Spendable income prior to retirement equals salary less work related expenses, less FICA taxes, less federal income taxes). The accompanying table illustrates the percentage of pension benefit required to maintain an equal level of spendable income before and after retirement and compares that with the City's plan (not including the union plan). It indicates, for example, that a 20-year employee earning \$25,000 could have a 16% reduction (50%-34%) in his benefit percentage and maintain his spendable income equal to when he was working.



Final Earnings	Benefit Needed as a % of Final Earnings	City Plan				
		10 Years	15 Years	20 Years	25 Years	30 Years
\$ 10,000	22%	25%	37.5%	50%	60%	70%
15,000	26	25	37.5	50	60	70
20,000	30	25	37.5	50	60	70
25,000	34	25	37.5	50	60	70
30,000	39	25	37.5	50	60	70
35,000	44	25	37.5	50	60	70
40,000	49	25	37.5	50	60	70
75,000	65	25	37.5	50	60	70

When comparing the pensioners' need to what the City plan provides, it is obvious that the City Plan provides liberal benefits.

#### Recommendations

As stated, the City is funding the plan at a 70% level. When compared with many other public employee retirement systems, the City's funding policy is prudent and conservative. However, the Study Team finds that the pension program can be further strengthened in several ways:

#### DISCONTINUE THE PRACTICE OF MAKING LOANS TO MEMBERS

Since the interest rate charged on these loans is far below the market rate, the yield on the fund assets is reduced and the taxpayers' contribution needed for future funding is increased. Additionally, the loan is so attractive that most employees borrow the maximum necessitating substantial administrative costs. The Team, therefore, recommends that the practice of making such loans be discontinued. Benefits from implementing this suggestion include:

- Increasing return on investment;
- Reducing administrative overhead; and
- Improving cash flow.



### STRENGTHEN ADMINISTRATION OF THE PLAN

One administrative improvement which can be implemented immediately is the annual confirmation of retirees. This will help insure that benefits are not being paid to deceased pensioners. The Board should require that the confirmation be signed by the retiree, notarized and returned by a specific date. If all these requirements are not met, the payment of benefits should cease.

### RESTRUCTURE THE RETIREMENT BOARD

The composition of the Retirement Board should be restructured so that representatives of management comprise a majority of the membership. Given the current make-up of the Board, with the employees controlling a majority, it is less likely to institute changes that benefit the City. The Study Team recommends this change to better define the management function since the City contributes approximately \$11 million, while the employee contribution totals \$3.5 million. Further, the City has the ultimate financial liability for payment of benefits and thus should be responsible for the financial decision-making. Implementation of this recommendation will require a Charter amendment.

### PREPARE COST ESTIMATES OF PLAN AMENDMENTS

The Study Team recommends that city negotiators quantify all suggested changes to the retirement system during the negotiation of any union contract. (See also Recommendations regarding financial disclosures on contract settlements in the Personnel Team report on labor relations.)



## MODIFY BENEFIT STRUCTURE

The following modifications in determining benefits should be considered for future employees who join the retirement plan:

- Benefit Calculation - Base the benefit upon the average salary over a three-year period. In the private sector, the IRS requires an average salary over no less than a three-year period. This will produce the following results:
  - Elimination of one-year aberrations.
  - Reduction of benefits payable.
  - Reduction of unfunded liabilities.
- Integration with Social Security - The City should consider some form of integration with social security benefits, either in the benefit formula or by trading a benefit reduction for a supplement to be paid before age 65, when full social security benefits are applicable. This will help the plan to become more realistic from an actuarial standpoint and would also result in a decrease in benefits payable.
- Benefits Payment - Consideration should be given to changing the normal retirement age to 65 and discounting benefits paid at an earlier retirement age. Also, the automatic 67.5% joint and survivor benefit for Class B employees should be reexamined. This will provide:
  - Decrease in benefits payable.
  - More realistic in light of private sector pension plans.
  - More equitable provisions for all members.



### PROTECT AGAINST POSSIBLE FRAUD

To protect against possible false or fraudulent affidavits or affirmations concerning any disability claims, the City should establish a policy to press criminal charges in cases of fraud. This action would hopefully become more of a deterrent against possible fraudulent actions.

### DEVELOPMENT OF INVESTMENT STANDARDS

The Retirement Board currently receives investment performance information from its investment advisors without reference to benchmarks or other target indices, making evaluation of the portfolio management difficult. The Study Team recommends the establishment of measurement standards and a reporting format which will provide the Board with more objective information and a better management tool.

### ACTUARIAL ASSUMPTIONS

The Actuary should adopt an asset valuation method that minimizes the effect of short-term market fluctuations. This will result in more predictability and less fluctuation in the City's annual contribution as well as in a more realistic reflection of the City's ultimate liability.

### BIDS FOR ACTUARIAL SERVICES

The Retirement Board's annual fee to the actuary is approximately \$50,000. Given Charter requirements and the significance of the service, a competitive bidding process should be implemented.

The Study Team recommends that the specifications for the request for proposal be developed under the direction of the City's Finance Director. The specifications should include, as a minimum, the following:



- Description of the plan.
- Actuarial assumptions and methods.
- The data to be accumulated--employment history by employee (start date, salary, class, age, sex, etc.), number of employees.
- Form of data (i.e., cards, tape, disk, etc.) and how transmitted.
- Recurring services to be required (e.g., annual portfolio valuation, future liability estimates, appropriation (funding) requirements, accounting disclosure requirement, etc.).
- Special services to be required (e.g., individual benefit calculation, statistical analyses, recurring presentations, etc.).

Implementation of this recommendation will result in specifications being developed based upon management's objectives, and ensure professional independence in developing the specifications.



Attachment 1

DRAFT

OPERATING BUDGET PROCEDURES MANUAL

FINANCE DEPARTMENT

CITY OF PROVIDENCE



## Introduction

The annual budget is the most important municipal document prepared each year. It determines the level of governmental services and the methods of distributing costs to the various segments of the community through collection of taxes and general revenues.

Providence, like most American cities, is faced with increasing demands for public services. Sources of revenue are limited--by Charter and state law--and those available are strained. It is more important than ever, therefore, that City-wide goals and objectives be clearly defined and budget functions be improved and strengthened. The primary purpose of the governmental budgeting process is to provide for the allocation of available resources to satisfy the ever-increasing demand for public services. The budgeting process also provides the basis for monitoring governmental activities to assure that the services being provided are within available funding constraints and that the established goals and objectives are achieved.

This manual provides a formal budget planning, preparation, and control process for the City of Providence. The procedures outlined in this manual emphasize the importance of relating expenditure levels clearly and directly to the need for and desirability of services being provided or proposed.

Under the Mayor-Council form of government, the Council has final responsibility for establishing program and fiscal policies, approving the annual operating budget and setting the tax rate. The Administration is responsible for proposing programs and recommending funding levels to the Council, and for implementing service programs in accordance with established goals and objectives. It is incumbent upon the Administration to develop and present soundly conceived programs and methods for carrying them out and to



document fully the need for and cost of these programs.

Expenditures are stressed because they are much more variable and discretionary than are revenues in the operations of most departments. Revenues are generally established by legislative action and collected by prescribed procedures allowing for little, if any, discretion. Initiation of proposals for revenues and better methods of collection, however, will continue to be an important responsibility of those departments having revenue functions.

This manual will be revised and updated periodically. Suggestions for improvements in procedures will be welcomed.



## The Budget Process

The budget process involves much more than balancing anticipated revenues and expenditures. It is a policy and administrative tool, a method by which priorities are established and resources are allocated to meet public service needs. It is the "municipal standard of living." Effective budgeting requires continuing inquiry, analysis, review, feedback, and planning if maximum service is to be provided to the community from available resources.

Ideally, a budget provides for the most economical and efficient use of personnel, materials, supplies, and equipment. The budget document approved annually by the Council sets forth the final decisions concerning the City's service program and how it is to be financed.

The most meaningful budget process is one which provides ways of measuring the effectiveness and efficiency of services rendered. This requires a clear definition of objectives, communication of these objectives to all administrative levels, establishing quantitative measurements of accomplishment wherever possible and permitting and encouraging decision-making not just at the higher levels but at the lowest responsible levels of administration.

### Fiscal Policy

The objective of fiscal policy is to make certain that expenditures are in proper balance with revenues. Fiscal policy determines which services are to be instituted, continued, or terminated and at what levels. It governs the rate and timing of expenditures and the degree of utilization of available revenue sources.

The Administration has the responsibility of examining the economic and financial conditions of the City and outlining the general nature of



program services to be provided. This involves consideration of the expressed desires of the citizens, policies previously adopted by the Council, and recommendations from within the Administration. The Administration has the further responsibility of recommending to the Council a fiscal policy and, within it, service-level priorities.

#### Budget Planning

The operating budget represents the primary instrument of financial planning and control. It is a projection of revenues and expenditures for regular and recurring operations.

#### Budget Administration

Administration of the budget is perhaps the most important phase of the budget process. It is here that budgetary objectives and plans are evaluated by performance, and the groundwork laid for measuring efficiency and effectiveness as well as future budgetary requirements.

During the fiscal year, adjustments in programs and expenditures may be required because of unanticipated conditions or emergencies. Sound budget administration is important because it provides the flexibility to meet program objectives when factors not anticipated during budget preparation have to be considered.

#### Budget Manual

Budget preparation and administration for a city the size of Providence is a complex process. One major problem is to provide instructions and information regarding preparation of the operating budget. This manual is designed to provide clear and concise sources of such instructions and information. It will be provided to all personnel directly involved in budgeting. Statements of policy and procedure are presented, as well as samples of forms to be used. Examples are given in many instances to



help clarify the procedures.

Included in Appendix I is a complete listing of expenditure object codes with descriptions and examples. Appendix II includes a complete listing of revenue codes. Appendix III includes a complete listing of the organizational levels of the City of Providence. [Appendices I, II and III will have to be included in the final procedures manual adopted by the City; they are not included in this draft manual.]

Provisions of the manual may be superseded by administrative directives from time to time. These directives will be incorporated annually as revisions to the manual. A record of persons to whom the manual is distributed is to be furnished to the budget office and updated by each department director as needed. This is necessary to permit proper distribution of administrative directives and revisions to the manual in the future.



## Operating Budget Preparation

### Expenditure Classifications

In order for the operating budget request for any organizational unit to be used as an effective tool for decision-making purposes, anticipated expenditures should be classified in the following manner:

1. Continuation of Existing Services and Service Levels

This classification basically represents the total estimated expenditures associated with providing existing services at the current level of service. Included in this classification would be expenditures for the maintenance of existing facilities, salaries for current employees, etc.

2. Expansion of Existing Service Levels

This classification includes the incremental expenditures associated with increasing the service level of existing services. Included in this classification, for example, would be expenditures for providing additional life-saving equipment on Fire Department ambulances, etc.

3. Incremental Expenditures Associated with the Proposed Capital Improvement Program (CIP)

This classification includes the incremental expenditures which will be incurred to operate and maintain facilities included in the proposed capital improvement program. Included in this classification, for example, would be expenditures for operating new community centers, etc.

4. Introduction of New Services

This classification includes the incremental expenditures associated with proposed new services heretofore not provided by



the organizational unit.

By using the above expenditure classifications, department heads will be better able to summarize in written form their proposed service programs and anticipated expenditures for the coming fiscal years.

Following preparation of the organization budget requests, and review and approval by the department directors, the budget requests are submitted to the Finance Director for review. Administrative hearings are held for each department, and, following necessary revisions, the budget is consolidated and presented to the Mayor for his consideration and approval.

The Mayor presents the recommended budget to the Council in his budget message. The Council then holds budget hearings prior to adopting the budget and tax rate ordinances.

#### Budget Calendar

Budget preparation requires careful scheduling if the responsible officials are to be given adequate time and the complete information needed for sound budget decisions. The large volume of data to be compiled into a clear, concise budget request requires that the steps in the budget-making process be taken in a scheduled and logical sequence. The budget calendar shown on page 8 provides, in chronological order, the key dates to be met to assure prompt and efficient budget preparation and adoption.



## Fiscal Year 1986-87 Operating Budget Calendar

(Specific dates to be filled in.)

Budget manual distributed to department directors.

"

Workshop conducted to discuss budget policy and preparation.

"

Departments return completed budget requests to budget office.

"

Budget office furnishes data processing with complete budget requests.

"

Department directors receive data processing print-outs of budget requests.

"

Administrative Budget Hearings -

"	"	"
"	"	"
"	"	"
"	"	"
"	"	"
"	"	"
"	"	"

"

Budget office furnishes data processing with Mayor's budget request.

"

Mayor submits budget request to City Council.

"

Budget ordinance and tax rate ordinance - 1st reading.

"

Budget ordinance and tax rate ordinance - 2nd reading.



## Revenue Estimates

Revenue producing departments will submit their estimates of anticipated revenues for fiscal years 1986, 1987 and 1988. The revenue estimate form is shown on the following pages with instructions. A list of revenue codes and titles is presented in Appendix II.

The Finance Department will prepare debt service estimates based on principal and interest requirements for retiring outstanding bonds and short-term notes.

### Revenue Estimate Form (R-1)

The revenue estimate form should be completed by each organization which produces revenue for the City of Providence. It is to be completed in duplicate with the original being transmitted to the Director of Finance and one copy being retained by the department director. Please round off figures to the nearest dollar. (Use revenue codes and sources in Appendix II only.)



Instructions for Completing Revenue Estimate Form (Form R-1)

Revenue Code Number (column 1)

Enter the code number assigned to the particular revenue source from Appendix II.

Revenue Source (column 2)

Enter the revenue source from Appendix II.

FY1983 Actual (column 3)

Enter in this column the amount actually collected during fiscal year 1983. This information is required as part of a "base" line to determine revenue trends.

FY1984 Actual (column 4)

Enter in this column the amount actually collected during fiscal year 1984. This information is required as part of a "base" line to determine revenue trends.

FY1985 Budget (column 5)

Enter in this column the amount appropriated for fiscal year 1985. This figure, when compared with estimate of current experience can indicate how closely actual revenues during the budget year may be expected to approximate the budget estimate.

Estimate for FY1985 (columns 6-8)

These columns are to be completed by entering actual revenue collections during the first six months of fiscal year 1985, the amount estimated to be collectible during the succeeding six months, and an estimate of the total revenue to be collected.

Estimate for FY1986 (column 9)

Enter in this column the amount estimated to be collected during fiscal year 1986.



Estimate for FY1987 (column 10)

Enter in this column the amount estimated to be collected during  
fiscal year 1987.

Estimate for FY1988 (column 11)

Enter in this column the amount estimated to be collected during  
fiscal year 1988.

Comments

This space should be used to explain revenue estimates which differ  
significantly--either upwards or downwards--from the trend established  
in the comparative information. Also include any recommendations for  
raising or lowering fees.



Revenue Estimate Form (R-1)  
For Fiscal Years 1986, 1987, 1988

Prepared by \_\_\_\_\_ Division \_\_\_\_\_  
 Organization Code \_\_\_\_\_ Bureau \_\_\_\_\_  
 Organization \_\_\_\_\_

Revenue Code No. (1)	Revenue Source (2)	FY1983 Actual (3)	FY1984 Actual (4)	FY1985 Budget (5)	FY1985		FY1985 Total (8)	FY1986 Estimate (9)	FY1987 Estimate (10)	FY1988 Estimate (11)
					6 Mo. Actual (6)	6 Mo. Estimate (7)				
12										

Comments:

Signature: \_\_\_\_\_  
 Bureau Head



## Expenditure Requests

### Expenditure Estimates

Department directors are responsible for preparing and submitting expenditure estimates for fiscal year 1986. The forms and schedules to be used in making these submissions are as follows:

1. Letter of transmittal
2. Units of Activity
3. Personnel Request
4. Materials and Supplies Request
5. Capital Outlay Request
6. Vehicle Replacement Program

Procedures to be used in preparing these forms and schedules are described in the following sections. Persons preparing the budget request forms should follow the procedures with care to ensure uniformity and accuracy.

### Letter of Transmittal

The budget request for each department is to be submitted by the director to the Finance Director with an accompanying letter of transmittal. The letter should include a brief narrative statement of the operations of the department and the major factors affecting budget needs for fiscal year 1986. The letter of transmittal should also set forth specific information concerning recommended expenditure changes resulting from:

- a. Continuation of existing services and service levels;
- b. Expansion of existing service levels;
- c. Incremental expenditures associated with the proposed capital improvement program; and
- d. Introduction of new services.



Each organizational unit should also submit a narrative statement of goals and objectives including a concise explanation of the activities to be undertaken to accomplish its goals and objectives. The narrative statement shall also include descriptions of services to be provided as well as explanations of plans for improving or deleting existing services and adding new services.

#### Units of Activity

To more completely advise the Administration and Council, and to create a better awareness of an organization's activities, a summary of major services to be provided is to be included in the budget request. Directors and bureau heads must appraise the major activities carried out within their respective areas of responsibility. Major activities are those that are essential to justify the continued existence of the organization and can be quantitatively measured. For example, a major activity in the Traffic Engineering Division may be traffic sign installation or the painting of street lanes as opposed to other activities such as parking meter repairs. This provides an excellent time to review and appraise the methods, techniques, types of equipment, and number of personnel to be utilized.

It is important to note that the work units accomplished and the man hours to perform this work load is a very basic tool used in the budgetary process. Therefore, careful thought and consideration should go into this area so that the budget request can be fully justified.

Use the Units of Activity Form, shown on page 17, to record information pertinent to the major activities for each organization. Fill in all title spaces applicable at the top of the form and complete the form as follows:



## Description

List all major programs/activities currently being performed. If additional programs/activities are anticipated, list them under the heading of "Additional Activities" below current level activities.

### Type of Work Unit (column 1)

Determine the applicable work unit for each program/activity listed. As a guide to the selection of valid work units, each should meet the following criteria:

1. The work unit must be countable;
2. The work unit must express output;
3. The work unit must have consistency;
4. The work unit must be meaningful in relation to the organizational structure; and
5. The work unit must be understandable and recognizable.

Examples: Type of units or transactions (each), miles, lineal feet, parcels, routes, stops, inspections, etc.

Each of the following columns (2, 3 and 4) are divided into sub-column "a" and sub-column "b." Please note that:

Sub-columns 2a, 3a, and 4a should show the quantity of work units. For example, if the work unit is in miles, and there are 500 work units performed, then the figure 500 should be placed in the appropriate sub-column "a."

Sub-columns 2b, 3b, and 4b should show the number of man hours required to perform the units of activity shown in the corresponding sub-column "a." If it is estimated to take 800 man hours to perform 500 miles, put 800 in the sub-column "b," under



"man hours."

Actual Work Units - Fiscal 1984 (column 2)

Indicate the work units accomplished during fiscal 1984, based on number of work units and man hours completed in fiscal year 1984.

Enter in column 2a the number of work units accomplished and in column 2b the number of man hours expended.

Estimated Work Units - Fiscal 1985 (column 3)

Estimate the work units to be accomplished during fiscal 1985, based on work units and man hours completed to date, and an estimate for the remainder of the fiscal year. Enter number of units in column 3a and man hours required in column 3b.

Proposed Work Units - Fiscal 1986 (column 4)

Compare previous and current year work loads and forecast the work load for fiscal 1986, taking into consideration such factors as population, area, recipients of services, economic conditions, etc.

Enter in column 4a the number of work units proposed to be accomplished if the budget request is granted. Enter in column 4b the number of man hours necessary to complete the total number of work units requested.







## Personnel Request

Expenditures for personnel services constitute approximately \_\_\_\_% of the City's total operating budget. To ensure maximum efficiency in budgeting for personnel, all requests for new or existing personnel must be documented. In requesting funds for personnel, it will be necessary to complete the following:

1. Form P-1 "Personnel Budget Request" which appears along with instructions on pages 19 and \_\_\_\_.
2. Form P-2 "Justification for Requested Personnel - Fiscal 1986" which appears along with instructions on pages 20 and 21.

Budget amounts for personnel costs, other than regular wages and salaries, such as fringe benefits, overtime, holiday pay, etc., will be calculated by the finance department and included in the agencies total budget request.

Personnel Budget Request forms are furnished in two copies; the original is to be transmitted to the Director of Finance and the copy is to be retained by the department director. The requests are to be prepared for the organizational levels as shown in Appendix III.







Justification for Requested Personnel - Fiscal 1986 (Form P-2)

Every position requested in fiscal 1986, both existing and additional, must be justified on the form titled "Justification for Requested Personnel - Fiscal 1986." An example of this form is given on page 21. This form should be completed for each position requested in fiscal 1986. Instructions for completed Form P-2, "Justification for Requested Personnel - Fiscal 1986," are as follows:

Organization & Number

The organization name and number (see Appendix III) in which job title is requested.

Job Title

Job title of position that is being justified. Only one job title per form.

Number of Requested Positions

The number of positions requested for the job title being justified.

Number of Months Required

This is to be the number of months required in fiscal 1986 for this position. (Three months, six months, nine months, etc.)

Expenditure Classification

Check one of the four expenditure classifications in which job title and positions are requested.

Justification

This section should include workload and other supportive evidence of the need for the job title as well as the number of positions.



Justification for Requested Personnel - Fiscal 1986

Organization & Number \_\_\_\_\_

Job Title \_\_\_\_\_

Number of Requested Positions \_\_\_\_\_

Number of Months Required in Fiscal Year \_\_\_\_\_

Expenditure Classification (Check only one)

Existing Service \_\_\_\_\_  
Expanded Service \_\_\_\_\_

C. I. P. \_\_\_\_\_  
New Service \_\_\_\_\_

Justification \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## Requests Other Than Personnel

Materials and Supplies Request and the Capital Outlay Request Forms are furnished in two copies, with the original to be transmitted to the Director of Finance and the copy being retained by the department director. In requesting funds for this category, it will be necessary to complete the following:

1. Form B-1-1986: Operating Budget Request - Materials and Supplies, which appears along with instructions on pages 23 and 24.
2. Form B-2-1986: Justification by Object of Expenditure Form, which appears along with instructions on pages 25 and 26.
3. Form B-3-1986: Operating Budget Request - Capital Outlay, which appears along with instructions on pages 27 through 29.
4. Form B-4-1986: Operating Budget Request - Capital Outlay Justification, which appears along with instructions on pages 30 through 32.
5. Form B-5: Vehicle Replacement Program, which appears along with instructions on pages 33 through 35.



Operating Budget Request - Materials and Supplies (Form B-1-1986)

This form should be completed by each organization requesting funds for materials and supplies. It is to be completed in duplicate with the original being transmitted to the Director of Finance and the copy being retained by the department director. Please round off figures to the nearest dollar. Complete Form B-1 as follows:

Organization titles and organization codes are found in Appendix III. Fund numbers will be entered by the Budget Office.

Object Code

This pre-printed column will contain all approved object codes as listed in Appendix I.

Object of Expenditures

This pre-printed column will contain all approved object titles as listed in Appendix I.

Existing Services

Enter in this column the expenditure request for the continuation of existing services.

Expansion of Existing Services

Enter in this column the request for expenditures associated with increasing the service level of existing services.

Incremental Costs - CIP

Enter in this column the request for expenditures associated with operating and maintaining facilities included in the proposed capital improvement program.

New Service

Enter in this column the request for expenditures associated with proposed new services heretofore not provided.

Total Request

Enter in this column the total requested expenditures.



Operating Budget Request - Materials and Supplies  
Fiscal Year 1986

Department of \_\_\_\_\_

Prepared by \_\_\_\_\_

Organization Title \_\_\_\_\_

Approved by \_\_\_\_\_  
(Division Head)

Organization Code \_\_\_\_\_

Submitted by \_\_\_\_\_  
(Department Director)

Fund No. \_\_\_\_\_

Object Code	Object of Expenditures*	Existing Services (1)	Expansion of Existing Services (2)	Incre- mental Costs (CIP) (3)	New Services (4)	Total Requested (5)
	<u>Materials and Supplies</u>					
	<u>Office Supplies</u>					
	<u>Operating Supplies</u>					
	<u>Operating Materials</u>					
	<u>Repairs and Maintenance</u>					
	<u>Communications</u>					
	<u>Transportation</u>					
	<u>Miscellaneous</u>					
	_____					
	*Use City Chart of Acts.					



Justification by Object of Expenditure (Form B-2-1986)

All Materials and Supplies Category (Object Codes \_\_\_\_ through \_\_\_\_)  
expenditure requests for fiscal 1986 are to be justified on the "Justification  
by Object of Expenditure Form" (Form B-2). Detailed justification must be  
submitted for each object of expenditure code. The justification should be  
divided into the four classifications of expenditures. Justifications should  
be given in terms of the factors involved, i.e., a change in cost of goods or  
services; a change in level of activity related to increase or decrease of an  
organization's function, etc. Proper justification is necessary in preparing  
an accurate forecast of needs and in providing the Administration and City  
Council with sufficient information for budgetary review. Justifications  
should be carefully edited, up-to-date, clear, brief, and factual--not  
indefinite, specialized in language, or pleading. Tabulations are more  
desirable and effective than long written statements. Care should be given  
to ensure that coordination of requests is accomplished, i.e., request  
gasoline for 16 cars and tires for 20, etc. An example of a completed  
justification form is given on pages \_\_\_\_-\_\_\_\_.



Justification by Object of Expenditure  
Fiscal Year 1986

Organization Title \_\_\_\_\_ Organization Code \_\_\_\_\_

Object Title	Object Code	Appropriation Requested
<u>Existing Services:</u>		

New Services:

Total:

New Services:

Total:



## Operating Budget Request - Capital Outlay

Capital outlay requests record anticipated requirements for depreciable asset purchases needed to maintain the organization's proposed level of services. Depreciable assets are defined as any item purchased which has an expected life of at least one year, costs a minimum of \$100.00, and is to be accounted for under the provisions of the City's annual asset inventory maintained by \_\_\_\_\_. Form B-3 is furnished in two copies, with the original to be transmitted to the Director of Finance and the copy being retained by the department director. These forms provide for every object of expenditure code authorized and columns are provided to break down each object request by expenditure classification. Complete Form B-3 as follows:

### Object Code

This pre-printed column will contain all approved object codes as listed in Appendix I.

### Object of Expenditure

This pre-printed column will contain all approved object titles as listed in Appendix I.

### Existing Services

Enter in this column the expenditure request for the continuation of existing services.

### Expanding of Existing Services

Enter in this column the request for expenditures associated with increasing the service level of existing services.

### Incremental Costs - CIP

Enter in this column the request for expenditures associated with operating and maintaining facilities included in the proposed capital improvement program.



New Service

Enter in this column the request for expenditures associated with proposed new services heretofore not provided.

Total Request

Enter in this column the total requested expenditures.



Operating Budget Request - Capital Outlay  
Fiscal Year 1986

Department of \_\_\_\_\_

Prepared by \_\_\_\_\_  
(Organization Head)

Organization Title \_\_\_\_\_

Approved by \_\_\_\_\_  
(Division Head)

Organization Code \_\_\_\_\_

Submitted by \_\_\_\_\_  
(Department Head)

Fund No. \_\_\_\_\_

Object Code	Object of Expenditures	Existing Services (1)	Expansion of Existing Services (2)	Incre- mental Costs (CIP) (3)	New Services (4)	Total Requested (5)
	<u>Capital Outlay Category</u>					
	<u>Properties</u>					
	<u>Replacement Properties</u>					
	<u>Total Capital Outlay</u>					
	<u>Total Request</u>					



Operating Budget Request - Capital Outlay Justification (Form B-4-1986)

The capital outlay requests should be completed for each category of items (i.e., automobiles, desks, typewriters, chairs, major tools, etc.). Requests for budget appropriation in this category will not be considered unless Capital Outlay Justification Forms (B-4), properly completed, are submitted. Fill in the spaces at the top as applicable: organization priority, object expenditure code number, and complete the form as follows:

Section 1 - Equipment Description

Describe equipment being requested, number of units requested, and cost per unit. If unit costs vary, use separate forms. Trade-in values should also be shown and subtracted from total cost in order to show total net cost.

Section 2 - Explain Need for This Expenditure

Check the appropriate box.

Section 3 - Justification

In the space provided, explain the necessity for and benefits expected from the equipment.

Section 4 - Similar Units on Hand

Insert the number of similar units on hand.

Section 5 - Specify the Item(s) That Will be Replaced by the Above Item(s)

List the item or items to be replaced, the age of the item or items, the prior year maintenance costs, and the prior year time lost due to breakdown (estimate if necessary).

Section 6 - Recommendation for Disposition

Check the appropriate box.

Section 7 - Personnel Increase

Check the appropriate answer as to the necessity for a personnel allotment increase, should the capital outlay request be granted. If



checked "yes," indicate the number of persons involved. Indicate if additional allotments have been requested in personnel budget requests.

Section 8 - Approvals

No capital outlay request will be considered without the approval signatures.



Capital Outlay Request - (Depreciable Assets Only)  
Fiscal Year 1986

Department of \_\_\_\_\_

Priority \_\_\_\_\_

Division \_\_\_\_\_

Object Title \_\_\_\_\_

Object Code \_\_\_\_\_

## 1. Equipment Description:

Number  
of UnitsCost Per  
UnitTrade-in or  
Auction ValueTotal Net  
Cost

## 2. Explain Need for This Expenditure:

☐ Schedule replacement☐ Present equipment obsolete☐ Replace worn out equipment☐ Cut personnel time☐ Increase safety

## 3. Justification:

## 4. Number of Similar Units on Hand:

## 5. Specify the Item(s) that Will be Replaced by the Above Item(s):

Item	Age	Prior Year	
		Maintenance Cost	Time Lost Due To Breakdown
1.			
2.			
3.			
4.			

## 6. Recommendation for Disposition:

Possible use by other department \_\_\_\_\_ Trade-in \_\_\_\_\_ Salvage \_\_\_\_\_ Auction \_\_\_\_\_

## 7. Will Expenditure Necessitate Increase of Personnel: Yes \_\_\_\_\_ No \_\_\_\_\_

## 8. Signatures:

Prepared by \_\_\_\_\_ Date \_\_\_\_\_

Approved by \_\_\_\_\_ (Division Head) \_\_\_\_\_ Date \_\_\_\_\_

Submitted by \_\_\_\_\_ (Department Director) \_\_\_\_\_ Date \_\_\_\_\_



## Vehicle Replacement Program (Form B-5)

In conjunction with the advanced planning of major equipment purchases, organization heads are requested to present a three-year vehicle replacement program. This report represents an organization's tentative ideas regarding replacement of the vehicles assigned to his organization. It is not designed to be an absolute frame of reference for future years' equipment purchases; however, it should serve as a fairly accurate schedule for specific items. This list should be updated and revised periodically prior to presentation each budget year. Organization heads with no rolling stock are not required to fill out the Vehicle Replacement Program Form (B-5).

The Vehicle Replacement Program Form shown on page 35 is to be filled out as follows:

Place all vehicles on the list starting with the oldest first and proceeding forward by years.

Column 1. Vehicle Number. In this column you are to insert the number of the vehicle as it is currently being listed on your vehicle inventory.

Column 2. Description of Vehicle. In this column you are to enter a brief description of the vehicle.

Column 3. Date First Placed in Service. In this column you are to insert the date the vehicle first performed the service it was designed for. This column is not to be used for the date the vehicle was purchased under contract, but rather the actual delivery date or the date first used if later than the delivery date.

Column 4. Life History Mileage to Date. In this column you are to insert the mileage of the vehicle from the time it was first placed in service (column 3) until the present. Either an entry should be made in column 4 or an entry should be made in column 5.



Column 5. Life History Hours of Usage to Date. In this column you are to insert the total number of hours that this vehicle has been used from the time it was first placed in service (column 3) until the present. This column is primarily to be used for equipment that is used in such a manner that mileage doesn't reflect an accurate indication of the vehicle's age and condition. Some pieces of equipment that fall into this category are: tractors, grapples, compactors, fork lifts, and compressors. Either an entry should be made in column 4 or an entry should be made in column 5.

Columns 6, 7, and 8. To be Replaced. Under this heading you are to insert the estimated cost of equipment to be purchased during the next three years with an entry in the appropriate "To be Replaced" column for every vehicle for every year that vehicle is to be replaced. For example, if any entry is made in the column labeled 1986, no entries should appear in columns labeled 1987 or 1988, unless the equipment is going to be replaced again during those years.

Each division director is requested to submit a division-wide re-cap of all vehicles to be bought in fiscal years 1986, 1987 and 1988. The re-cap should also include an estimate of all vehicles to be taken out of service in each of these fiscal years. This re-cap is to be submitted in the department director's budget request.







APPENDIX 1

CLASSIFICATION OF EXPENDITURES BY OBJECT CODES

[To be included in manual finally adopted by City.].



APPENDIX 2

CLASSIFICATION OF REVENUE SOURCES

[To be included in manual finally adopted by City.]



APPENDIX 3

CLASSIFICATION OF ORGANIZATION LEVELS

[To be included in manual finally adopted by City.]



### III. PURCHASING



## PLAN OF ACTION FOR CITY PURCHASING REFORM

### Executive Summary of the Purchasing Team Report

George A. Prete, Electric Boat Division - Team Leader

Marilyn Bardell, Gilbane Properties

Edward M. Boudreau, Rhode Island Hospital

M. Joseph Flaherty, Puritan Life Insurance

Louis Tomolonis, B.T. Equipment Co.

#### Professional Leadership Needed

The Providence Management Study Purchasing Team found the City's purchasing function needed to be professionalized and completely restructured. The first step in achieving this objective is the hiring of a qualified purchasing professional.

To accomplish this principal objective, a screening committee should be immediately created to recruit and recommend three candidates for the position of Director of Purchasing to the Mayor within thirty days. The screening committee should include a private sector purchasing professional, the State Purchasing Agent, and the City's Directors of Administration and Personnel.

#### Charter Reform Also Needed

Several City Charter provisions regarding the purchasing function can be strengthened to enhance the development of sound professional purchasing procedures. Therefore, the following Charter amendments are recommended to streamline the purchasing function:



Reassign the Purchasing Department to the New Director of Administration.

To provide for the proper linkage between financial management and purchasing decisions, the Purchasing Department should report to the new Director of Administration recommended by the Finance Team, not to the Director of Public Properties as at present.

Abolish the Board of Contract and Supply. A twelve member Board of

Contract and Supply, which consists of representatives of the legislative and executive branches of government, is responsible to make all contracts for purchases of materials, supplies, services, equipment, and property when the cost exceeds \$2,000.

The existence of this Board does not assure the checks and balances which the framers of the City Charter probably intended. In fact, it represents an additional step in City purchasing procedures that slows the process down and it impedes the development of a centralized-professional purchasing function. Furthermore, since the Mayor appoints a majority of the members of this Board, any notion that the Board serves an independent function is simply not a fact.

Specify the Qualifications and Responsibilities of the Director of Purchasing.

Nowhere in the existing City Charter are the qualifications of the Director of Purchasing spelled-out. The Charter should include the minimum qualifications for the Director of Purchasing as well as the responsibilities of the position.

Centralize all Responsibility for Purchasing. The Director of Purchasing

should be responsible for establishing rules and procedures under which all City and school purchasing and contracting is conducted, including all boards,



commissions, authorities, etc. The Charter should specifically assign this responsibility to the Director of Purchasing and give him the authority to require compliance by all City agencies.

For example, duties currently assigned to the Director of Public Properties and the Board of Contract and Supply to receive bids and make awards should become the responsibility of the Director of Purchasing. In lieu of a Board to make contracts for purchases in excess of \$2,000, this authority should be shifted to the Director of Purchasing, the Director of Administration and the Mayor, consistent with rules and regulations adopted by the City Council. Furthermore, the ability of individual departments to make purchases of under \$500 should be eliminated to insure a truly centralized purchasing system.

With the implementation of this recommendation, the Director of Purchasing should establish rules and procedures governing emergency purchases. In addition, the Charter should be amended to provide an exemption from competitive bidding requirements for single/sole source items, with appropriate safeguards. Furthermore, the Charter requirements governing informal bids and written confirmation of same need clarification.

#### Summary of Other Recommendations and Benefits

The other recommendations of the Purchasing Team are summarized below. The full report of the Team includes suggested procedures, forms and policy directives necessary to implement these recommendations.

In addition to hiring a professional Director of Purchasing and amending the City Charter, the Team's recommendations are to:



- Provide for and develop standard purchasing reference materials
- Upgrade the staffing of the purchasing function
- Adopt a City purchasing policy, revise forms, streamline the purchasing system and standardize purchasing procedures
- Strengthen vendor relations
- Establish "blanket" purchase ordering
- "Piggyback" on state blanket agreements
- Restrict "emergency" purchases to real emergencies
- Take steps to shorten the vendor payment cycle
- Eliminate potential abuse of change order procedures
- Strengthen procedures for cancellation/termination of purchase orders/contracts
- Improve administrative/clerical aspects of the purchasing function
- Reassign non-purchasing related activities to more appropriate areas

The Management Team estimated that City controllable purchasing totals approximately \$12-14 million annually; this figure excludes fixed cost items such as utility charges, postage, certain contractual expenditures such as revaluation and garbage collection, etc. Implementation of the purchasing techniques and procedures listed above has the potential of reducing purchasing expenditures by an estimated 5% to 10% per year. At current expenditure levels, this benefit could amount to approximately \$1 million annually. However, to achieve this benefit, an investment in professional staff (two buyers), library materials, and new forms and manuals will be required, which the Team estimated to total approximately \$65,000.



CITY PURCHASING - ANALYSIS AND RECOMMENDATIONS

Purchasing Team:

George A. Prete, Electric Boat Division - Team Leader

Marilyn Bardell, Gilbane Properties

Edward M. Boudreau, Rhode Island Hospital

M. Joseph Flaherty, Puritan Life Insurance

Louis Tomolonis, B.T. Equipment Co.



# CITY PURCHASING - ANALYSIS AND RECOMMENDATIONS

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## CITY PURCHASING - ANALYSIS AND RECOMMENDATIONS

### INTRODUCTION

This report on City purchasing includes: (a) observations and recommendations by the Mayor's Management Task Force (MMTF) as well as by the Providence Management Study Purchasing Team, (b) a summary of interim procedures implemented during the first week of MMTF activity (Attachment 1), and (c) long range actions recommended by the Purchasing Team. It also recommends changes to the Providence City Charter and City Ordinances, as they pertain to the Purchasing activity and organization.

To her credit, the Acting Director of Purchasing has already taken steps to correct some of the deficiencies noted in the following recommendations.

### OBSERVATIONS AND RECOMMENDATIONS

The City Purchasing Department is the agency that controls the outflow of approximately \$12-\$14 million dollars in controllable spending each year. As such, it logically follows that the Purchasing Department's relative position in the overall City organization should be one of importance and worthy of close attention by the Mayor and the new Director of Administration (see recommendation by the Finance Team).

A purchasing professional who is directly responsible and accountable to the Director of Administration should head the Purchasing Department. This Director of Purchasing should possess the formal education, previous purchasing



management experience and interpersonal skills to interface with the Mayor, department heads, the public, and various vendors/suppliers with whom the City conducts business.

The Director of Purchasing must be a true municipal executive, who is constantly attuned to, and studies and anticipates changing "state of the art" techniques, such as the place of automation, current and future market conditions and trends, and department operations. The Director of Purchasing must analyze the routines and policies governing the purchasing activities of the entire City and provide sound professional advice to the Mayor and City Council.

The part the Director of Purchasing can play in the Administration makes the position a valuable one for the City in responding and reacting to the various demands placed upon it. One recognition of the Director of Purchasing's constantly growing importance is the part he should play in cost reductions, value analysis, system improvements, various efficiencies and ultimately the cost of City government borne by the taxpayers of the City. The vast amount of dollars expended by the City for materials, supplies, equipment and services calls for careful, sensitive and skillful administration by qualified purchasing personnel.

#### IMMEDIATELY HIRE A PROFESSIONAL DIRECTOR OF PURCHASING

The first step toward the professionalization of the City's purchasing function, therefore, is the hiring of a qualified professional Director of Purchasing to head the Purchasing Department. The Director of Purchasing's duties and responsibilities should include:



1. Administering the powers and duties relating to purchasing for all City departments and agencies.
2. Planning, organizing and directing the activities of the staff engaged in contracting and purchasing supplies, materials, equipment and services required by the departments and agencies of City government.
3. Prescribing forms and procedures to be used in purchasing requisitions, purchase orders, bid invitations, bid awards and inventory systems.
4. Administering a standards and specifications program.

In order to ensure that this individual does indeed possess the requisite skills to administer this department, the following minimum qualifications are suggested when advertising for this position:

1. A Bachelor's Degree from an accredited university/college in a business-related discipline or equivalent education, training and experience.
2. At least five (5) years of buying or purchasing experience in an industrial or governmental purchasing department. This experience shall include: (a) the buying of maintenance and repair materials and/or services; (b) contracts involving construction projects and other capital type purchasing programs.
3. A working knowledge of contracts and contract law.
4. Strong negotiating and management skills.
5. Well-developed communication skills.



Furthermore, a professional screening committee consisting of the Director of Administration, a private sector purchasing specialist, the State Purchasing Agent, and the City Personnel Director is recommended to review the qualifications of all applicants for the position and to suggest the names of three finalists to the Mayor for his consideration. In order to attract a qualified, professional Director of Purchasing to this post, a salary in the area of \$35,000 per year might be required, but this figure should be verified by the Mayor and the Personnel Director.

#### REASSIGN PURCHASING TO THE DIRECTOR OF ADMINISTRATION

Because the Purchasing Department should play a central role in the reduction of City spending and in the development of cost control measures, this department should report to the new Director of Administration, rather than to the Director of Public Properties as at present. This will give the Director of Purchasing greater prominence as a member of the City management team and will keep him in the mainstream of the decision-making process.

This change will require an amendment to the City Charter. In addition, the following three recommendations to help expedite the development and administration of sound professional purchasing procedures will also require Charter changes:

#### SPECIFY THE QUALIFICATIONS AND RESPONSIBILITIES OF THE DIRECTOR OF PURCHASING IN THE CITY CHARTER

No where in the existing City Charter are the minimum qualifications and the responsibilities of the Director of Purchasing currently spelled out (see also above). Since this individual can and should be a key member of the City's management team, this oversight should be rectified and the City Charter



amended to include the minimum qualifications and the duties and responsibilities for this post.

#### ABOLISH THE BOARD OF CONTRACT AND SUPPLY

The existence of this 12-member Board does not provide the system of checks and balances intended, but merely represents another step in a currently cumbersome process for acquiring necessary goods and services for City agencies. The hiring of a professional Director of Purchasing and the implementation of subsequent recommendations should provide the necessary safeguards to protect the integrity of City purchasing and to further streamline the purchasing system.

In lieu of a Board to make contracts for purchases in excess of \$2,000, therefore, this authority should be shifted to the Director of Purchasing, the Director of Administration, and the Mayor (consistent with rules and regulations adopted by the City Council) through an appropriate Charter amendment.

The Charter should also be amended to remove the ability of individual City departments to make purchases under \$500 and instead centralize all purchases under the Purchasing Department. The Director of Purchasing should, however, establish rules and procedures governing emergency purchases.

Finally, the Charter should be amended to provide an exemption from competitive bidding requirements for single/sole source items, with appropriate safeguards. Furthermore, the Charter requirements governing informal bids and written confirmations of same need clarification.



### CENTRALIZE THE CITY PURCHASING FUNCTION

Prior to this study, various operating departments (e.g., Public Works, Water Supply Board, School Department, etc.) each, to varying degrees, verbally awarded their own Purchase Orders to various suppliers of goods and/or services. Then, at a later date the "paperwork" was sent to the Purchasing Department for "processing," in order to achieve payment to vendors.

This type of activity, in effect, relegates the Purchasing Department to a clerical, "rubber-stamp" function--a situation inconsistent with sound and prudent business practices. This decentralized, assumed authority tends to create an anomaly in organization and provides an environment for inefficiencies, lack of controls and potential abuses. This, in fact, was characteristic of the Purchasing activity when the Management Study/MMTF came into being.

To avoid this situation in any business environment, whether public or private, a centralized purchasing function is the preferred organizational and operational system. Centralized purchasing is the method of organization and procedure by which purchasing of all goods and services is concentrated in, or channelled through, a single agency, under the direction of purchasing professionals rather than handled on an unorganized basis or as an incidental function in connection with other duties of various department heads or other officials. The Purchasing Department should be the only agency authorized to award or enter into contracts for the purchase of goods and services.

The Providence City Charter and existing State laws and statutes provide for exceptions from the centralized purchasing method and allow certain agencies



or boards of the City to enter into contracts and/or award purchase orders in support of their activity. Several legal opinions have been received corroborating that some City activities (e.g., Providence Redevelopment Agency, Civic Center Authority, Housing Authority) have autonomy and are, as a result, exempt from those provisions of the City Charter regarding purchasing. .

However, all agencies of the City, whether autonomous or not, should be required to follow the rules and procedures promulgated by the Director of Purchasing. In fact, the current City Charter specifically provides that School Department purchasing comes under the jurisdiction of the purchasing agent (Purchasing Director), and this provision should be enforced. Furthermore, the Charter should be amended to specifically provide similar authority over all boards and commissions.

The prime objective is that a centralized purchasing function be established to provide all purchasing services City-wide.

#### UPGRADE THE STAFFING OF THE PURCHASING FUNCTION

After observation and evaluation, it was concluded that the City purchasing personnel generally did not possess the technical skills and experience required to appropriately carry out their responsibilities. None of the four purchasing agents and four purchasing clerks had "purchasing" experience prior to coming to work for the City. Since that time, none have had any appropriate training or been exposed to purchasing-techniques education. While it is not absolutely mandatory that buyers have purchasing experience prior to assuming buying functions, they must receive at least adequate and appropriate "on the job" direction, instruction and guidance in the mechanics and techniques of purchasing as a profession.



In the City Purchasing Department under the previous Chief Purchasing Agent, there was virtually no direction, no guidance, and the total absence of appropriate purchasing procedures and policies. Buying assignments were totally unorganized. Buyers or purchasing agents often overlapped in buying certain commodities or services. For example, a purchasing agent might be in the process of buying automotive parts for the Public Works Department, while simultaneously, a second purchasing agent was buying automotive parts for the Parks Department. By and large, "commodity buying" techniques were not employed, which resulted in further inefficiencies.

Performance evaluations by department management as well as purchasing policies and procedures were found to be nonexistent during the Study. Based on the above observations and evaluations it has been recommended that the City hire a thoroughly professional Director of Purchasing. Upon his or her identification and hiring, the prospective Director of Purchasing should immediately begin to conduct regular on-the-job training sessions educating the existing purchasing staff in the latest and traditional purchasing skills.

It is also recommended that two experienced and appropriately educated buying professionals be added to the Department. These additional staff could help the new Director of Purchasing create an atmosphere of confidence and respect in the City Purchasing Department by those other departments who are in need of purchasing services and have, in many instances, indicated a lack of confidence and professional respect for the previous organization.

Perhaps in time, through attrition, the Purchasing Department's staffing level could be reduced. Appropriate manning or staffing levels are difficult to assess in the absence of properly trained purchasing personnel and written



policies and procedures. Until these deficiencies are addressed and rectified, the appropriate staffing level will be difficult to discern.

PROVIDE AND/OR DEVELOP STANDARD PURCHASING REFERENCE MATERIALS

Reference materials commonly used and essential as tools in most purchasing organizations are virtually nonexistent in the City Purchasing Department.

Such materials include, but are not limited to the following:

- The Thomas Register--a 15-20 volume set of books listing all businesses in the U.S. and abroad by commodity and service they provide (cross-indexed).
- Vendor Capability File--submitted from various vendors/suppliers wishing to do business with the City and requesting to be added to the City's Bid List.
- Vendor Catalogues - (Self-explanatory)
- Various Trade Journals - (Self-explanatory)
- Professional Publications regarding the purchasing profession
- An Approved Vendor List (AVL)
- An Approved Product Listing (APL)

All of the above and various other aids to help purchasing personnel keep abreast of market conditions and the latest state-of-the-art developments should be provided.



ADOPT A CITY PURCHASING POLICY, REVISE FORMS,  
STREAMLINE SYSTEM AND STANDARDIZE PROCEDURES

Following the Purchasing Report are several attachments, including: a suggested Purchasing Policy Manual, recommendations regarding revised purchasing forms and systems, suggested standards to govern blanket purchase orders and terms and conditions of purchases, and a draft Procedures Manual for the purchasing function. If these and the other purchasing recommendations are implemented, the Study Team estimates that the City could save perhaps 5%-10% of its current controllable purchasing expenditures (about \$12-14 million annually), or approximately \$1 million per year. On the other hand, implementing the recommendations to hire two added buyers, secure library materials, revise forms, etc. are only expected to cost about \$65,000.

STRENGTHEN VENDOR RELATIONS

Vendor relations by purchasing agents (other than telephone calls to obtain pricing information or to award orders) was virtually nonexistent based on the observations and evaluations by the Study Team.

New vendors wishing to conduct business with the City sometimes met with the previous Chief Purchasing Agent who rarely added new competition (vendors) to a very limited list of suppliers. Virtually no salesmen ever visited with the remaining purchasing agents/buyers--a very abnormal and inappropriate situation.

More appropriately, it is recommended that purchasing agents/buyers have regular and proper relationships with salespersons and vendor/supplier representatives. Such sales people and representatives should be accorded prompt, courteous, fair and professional consideration.



The Director of Purchasing should ensure and maintain sound relations with vendors and work with them (and through subordinates) to improve items and services purchased by the City, while seeking constantly to develop new and improved sources of supply.

(For further suggestions regarding "Vendor Relations" see the draft Purchasing Policies attachment to this report).

#### ESTABLISH "BLANKET" PURCHASE ORDERING

The City of Providence has not used or employed a commonly accepted method of procurement of high volume, repetitive-type items and/or services known as "blanket" orders, master pricing agreements, contract/systems purchasing, etc. As a result of not using these types of contract arrangements, the purchasing functions or activities throughout the various departments have not realized many of the benefits and economies associated with "blanket" agreements. The City cannot take advantage of lower unit prices that accrue as a result of volume discounts; dis-economies result from non-standardization or duplication of procurement and additional administrative costs.

In order to attain lower prices and to assist in assuring availability, it is normally good practice to combine annual requirements to the maximum extent possible. Blanket purchase orders, master pricing agreements, requirements contracts, systems contracts, etc. are a very effective and efficient way of combining like requirements on an annual basis, especially when precise requirements for specific items are unknown in advance or vary significantly from time to time. The City of Providence should take full advantage of these types of opportunities and should utilize these forms of contracts whenever practicable.



The use of these blanket ordering contracts could provide savings to the City of Providence. Failure to utilize blanket ordering contracts will perpetuate the myriad of dis-economies and the various disadvantages mentioned previously. A "blanket" agreement is an offer to buy substantially all of the City's requirements for a particular service or commodity over a given period of time (usually one year) at a pre-determined price. These agreements list the commodity or service, and other data concerning the release and delivery of items or accomplishments of services. All blanket agreements must be put out to bid on competitive basis annually. In the Purchasing Department Procedures attachment to this report, the mechanics used to employ this concept are presented in detail.

#### "PIGGYBACK" ON STATE AGREEMENTS

In addition to failing to initiate its own "blanket-type" agreements, the City has missed the opportunity to "follow-on" to contracts negotiated by the State of Rhode Island for the purchase of high volume, repetitive-type items. The State has had the insight to negotiate clauses in their contracts which would extend the same pricing arrangements to all municipalities within the State. The City of Providence has not, however, taken advantage of this option provided for by the State Purchasing Division.

As a result of that decision not to "follow-on", the following is an example of the many inefficient and costly errors made in the management of the City purchasing functions: The State Division of Purchases negotiated a Blanket Contract for automobile and truck tires and extended the same prices, terms and conditions to all Rhode Island municipalities. The City of Providence was notified by a vendor in Rhode Island of the option, but refused to participate or follow-on. Instead, the City Purchasing Department opted to place purchase



orders separately with another vendor at a price which was approximately 50% more than the State contract would have allowed!

Many other commodities and services lend themselves to blanket ordering and/or "follow-on" action to State of Rhode Island negotiated contracts, such as:

- Paper products
- Automotive parts
- Automotive and Truck repairs
- Plumbing supplies and services
- Electrical supplies and services
- Janitorial supplies
- Gasolines, motor oil and other lubricants
- Paint supplies
- Office supplies
- Roof repairs
- Overhead garage door repairs
- Exterminating services
- Elevator repairs

The Study Team strongly recommends that the suggested policy and procedures in this regard attached to this report be immediately implemented in order for the City to achieve the multitude of economies which result from using the "blanket" ordering methodology and/or from "piggybacking" on state orders.

#### RESTRICT "EMERGENCY" PURCHASES TO REAL EMERGENCIES

The Study Team determined that an excessive number of transactions in the Purchasing Department were handled as "emegencies." Many factors could have



been responsible for such "emergency" transactions. For example, the "purchasing cycle," or the time-period required to effect the purchase of an item or service, may take from six to eight weeks because of the many steps involved from the processing of the requisition to the actual award. Originating departments attempting to avoid that cycle would, therefore, state that the requirement was an "emergency" and must be awarded immediately.

Classification as an "emergency" would eliminate soliciting competitive bids and eliminate or by-pass Board of Contract and Supply action and review, but would cause budget and payment-to-vendors problems and in general, a multitude of violations of the purchasing provisions of the City Charter. In addition to a chaotic purchasing environment, a potential for abuse was created.

The Director of Purchasing should, therefore, issue rules and procedures governing true "emergency" purchases, particularly once the ability of departments to purchase items under \$500 is removed, as recommended earlier.

The attached charts (see Attachment 3) depict the various steps required for the processing of a Purchase Requisition as observed and charted by the MMTF as well as the proposed Work Flow/Interdependency Network to be used in conjunction with the proposed purchasing forms.

#### TAKE STEPS TO SHORTEN THE VENDOR PAYMENT CYCLE

Payment of vendor invoices for purchased goods and services by the City's Accounts Payable section of the Finance Department averages from 90 to 120 days after submittal of the invoices. One of the frequent causes of this situation is that the Purchase Order was awarded by the requesting department, a



violation of the current City Charter. Long after receipt of the goods or services by the requesting department, the purchase "requisition" would be forwarded to the Purchasing Department for processing (to effect payment). Again, the Purchasing Department was relegated to a "rubber-stamp" role.

The improprieties associated with this practice have already been noted. However, with regard to vendor payments and in relation to the previously discussed 6-8 week time-frame required for processing a "normal" purchasing transaction, the 90-120 day payment cycle is clearly evident in that context. This abnormal situation discourages companies from wanting to conduct business with the City due to the time required to receive payment for delivered goods and/or services. More importantly, those companies willing to continue conducting business might be tempted to inflate prices to the City in order to compensate for slow payments.

Again, the recommended transaction flow and interdependency network depicted in chart form (Attachment 3) and corresponding written procedures relative to this subject should considerably improve these significant problems.

#### ELIMINATE POTENTIAL ABUSE OF CHANGE ORDER PROCEDURES

It was observed that Change Orders, supplements, and amendments to existing purchase orders/contracts were processed subsequent to approval for such change by the Board of Contract and Supply using only a direct payment method, and not through the Purchasing Department. Sometimes, the "change" was for a greater amount than the original purchase order or contract. Such changes should be subject to all the controls and policies used in the original acquisition request.



The existing procedure is inadequate; rather, a formal Change Order request, or Amendment, should be processed in accordance with all the normal steps for control required for a purchase requisition which provide the documentation and rationale in the original Purchase Order/Contract file.

The purchasing procedures section provided later in this report details the steps required to effect the necessary controls and prudent practice.

#### STRENGTHEN PROCEDURES FOR CANCELLATIONS/TERMINATIONS OF PURCHASE ORDERS/CONTRACTS

The Study Team observed that, when for various reasons, a Purchase Order or Contract is to be cancelled or terminated, this is accomplished only by issuing a letter to the vendor. While a letter notifying the vendor is a useful and timely tool, it does not "close out" the original transaction within the various City departments affected by the original transaction.

A detailed procedure is presented in the Purchasing Procedures section of this report which formally closes out and terminates the original transaction - dealing with "partial terminations" (where partial payment is appropriate) and "complete terminations" (where no payment is due).

#### IMPROVE ADMINISTRATIVE/CLERICAL ASPECTS OF PURCHASING FUNCTION

Subsequent to considerable observation and evaluation, the Team recommends a total change in the receipt, handling and especially filing procedures in the Purchasing Department. Purchase orders and attendant documentation are not properly filed. The administrative controls and practices with regard to the appropriateness and integrity of the filing system are inadequate. Not only



is the reference aspect not properly provided, but the integrity of an "audit trail" as required is compromised by such inefficiency.

Because of the importance of this problem relative to prudent records-keeping, immediate recommendations were made and actions taken to implement a new filing and clerical handling system within the department. Purchasing agents and clerks were instructed in groups in the "new" methods for administrative/ clerical and filing procedures. Above all, it was stressed that the Purchasing Department files must be sensitively administered so that the integrity of the audit trail aspect is not compromised. It is this kind of methodology that creates an atmosphere for prudent practices throughout the Department.

#### REASSIGN NON-PURCHASING RELATED ACTIVITIES TO MORE APPROPRIATE AREAS

In various instances, the Team observed that Purchasing personnel were engaged in activities that had little or no relation to Purchasing functions. For example, "revolving fund" activities relative to financial controls currently require that literally thousands of checks be issued by various departments for those services financed through the "revolving fund" account. These checks are collected, posted and processed by Purchasing Department personnel. Files and records are kept in the Purchasing Department for this activity. Clearly, this entire functional responsibility bears no relationship to the purchasing responsibility. It is recommended, therefore, that the physical issuing and handling of actual checks be reviewed and the possibility of the Finance Department assuming this responsibility through the use of "paper transfers" be investigated.



Another "non-purchasing" related activity performed by Purchasing personnel is the processing of other departments' material requisitions for office supplies and the like which are filled from the City's inventory (or Central Stores), rather than by an "outside" vendor. This was considered to be another example of poor organization and lack of management's attention in assigning job responsibilities to the appropriate department. After several discussions with the Director of Public Property, it was agreed that the responsibility for processing and accounting for this function would be in the Public Property Department.

Requisitions for the City Printers services, i.e., the printing of various forms used by the many City departments in their daily activities, had also been processed and administered by the Purchasing Division. Responsibility for processing and administering requisitions for City printing services should also be assumed by the Public Property Department.

These various "non-purchasing" functions required a significant amount of Purchasing staff manhours to perform. With the reassignment of these duties to more appropriate departments, manhours previously required to accomplish these tasks can be more efficiently allocated and expended in the performance of Purchasing functions.

#### CONCLUSIONS

The importance of a sound Purchasing function, employing professionals cannot be overstated in the City of Providence. Given recent events in the City and the apparent lack of confidence in the integrity of the City's purchasing function, the need to implement strong controls and restore confidence and integrity in this very sensitive area is readily apparent.



The Mayor's office should take immediate steps to follow-up the "Interim Purchasing Procedures" invoked during the MMTF tenure (Attachment 1) with the Purchasing Policies, Procedures and Instructions, the new systems and forms, etc. as recommended and provided herewith by the Providence Management Study.

Only after the purchasing methodology and philosophy toward the Department is effectuated by City elected officials will confidence be restored. In addition, the City's taxpayers will realize the various benefits accruing as a result of the implementation of the recommended policies and procedures submitted with this report.

Furthermore, once a professional Director of Purchasing is in place, assisted by a qualified staff following the policies and procedures recommended in this report, the City should consider computerizing the Department of Purchasing. This would provide a more efficient and effective purchasing function for the City of Providence.

Almost every phase of City business activity eventually touches or passes through the City Purchasing Department. It is strongly recommended, therefore, that close attention be paid to ensuring that the recommended policies and procedures be implemented with a minimum of "red tape" so that the new approach/methodology is not perceived as unworkable or unwieldy. However, the Purchasing Team is confident that with proper management attention during the implementation phase, the administration and Council will provide the citizens of Providence with a Purchasing system of which all can be proud.



Attachment 1

INTERIM PURCHASING PROCEDURES ADOPTED



## INTERIM PURCHASING PROCEDURES ADOPTED

Subsequent to the Mayor's Management Task Force's review of the Purchasing functions throughout the City, it was immediately evident that stop-gap type procedures and policies must be impelmented to quickly establish some semblance of order and prudence. The MMTF purchase group suggested and the Mayor's office did immediately issue the following Interim Purchasing Policies and Procedures memo as an executive directive to all City of Providence Departments, Agencies, Boards, etc.:

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In order to effectively control and monitor goods and services purchased by the City, effective immediately, the following interim procedures shall be implemented until such time as the Mayor's Management Task Force provides formalized Purchasing Procedures and Policies consistent with the Charter and related ordinances. There shall be no deviation from said interim procedures, except as explicitly allowed by the Mayor or his designate.

1. All purchase requisitions shall be sent to the Purchasing Department for all purchasing actions. Bidding, awards and negotiations shall be conducted only by the Purchasing Department. Purchasing will forward requisitions to the Finance Department for determination of availability of funding. The Funding Department shall also be responsible for controlling the release of Purchase Requisitions to the Purchasing Department for award.
2. Purchases for goods or services requiring action by the Board of Control and Supply will be presented to the Board via the agenda used for such meetings, and prepared and presented by the Purchasing Department. However, requisitioning departments shall be responsible for notifying the Purchasing Department of such action and requesting to be placed on the Board's agenda. The



requisitioning department shall be responsible for presenting all Specifications, general and special conditions and all other contractual requirements (bid package) with the request for Board action to the Purchasing Department. In addition, the Department Head of the requisitioning department shall be present at the Board meeting to provide input to the Board as may be required.

3. In all types of requisitions, the requisitioning department may suggest sources of supply (vendor); however, it shall be the sole responsibility of the Purchasing Department to develop the Bidder's List and the ultimate award of a Purchase Order and/or contract for those up to \$2,000.00. For Purchase Orders \$2,000.00 and above, the ultimate award and/or contracts shall be with the approval of the Board of Contract and Supply. The requesting department may be asked for technical assistance during the evaluation process and negotiations as determined by the Purchasing Department and/or Board of Contract and Supply. Above all, the requesting departments shall not obtain bids in any form.
4. Specifications and Scope of Work, required Period of Performance, and other special and general conditions shall be provided to the Purchasing Department as part of all bid packages by the requesting department.
5. The Director/Department Head shall be responsible for ensuring that each of the above requirements occur and so indicate his review of same by indicating via his signature on the purchase requisition, which also authorizes the Purchasing Department to proceed with the required action (bid, Board item, award, etc.). The Purchasing Department shall have on file a facsimile of each



Director/Department Head's signature. Stamps of signature are no longer allowed or acceptable as authorization, nor shall such signature authorization be delegated to subordinates.

6. All vendor contracts for the purpose of obtaining "price and delivery" information is the sole responsibility of the Purchasing Department. However, technical information regarding specifications, and "state of the art" data may be requested of vendors by those departments responsible for providing specifications in the bid package, etc.
7. Until new Purchase Order forms (currently being revised) are issued, the existing purchase requisitions and Purchase Order forms shall continue to be utilized.

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The issuance and establishment of the Mayor's "Interim Purchasing Policies and Procedures" were very successful in regaining order and control very quickly. The Mayor and the Task Force held many follow-up meetings with Department Heads to explain the interim procedures. By and large, interim procedures are short-lived, and are in many instances somewhat drastic measures required to halt chaotic conditions and re-establish order. The MMTF determined that in order to effect immediate order and to enable an objective study of purchasing activities throughout the City, these interim procedures/policies, however drastic, were necessary.

While many of the same basic tenets of the long-range, permanent policies and procedures provided for the City later in this report, are contained in the Interim Procedures, those requirements limiting authority to Executive's (Mayor's) office shall be delegated to the proper management levels of authority, once other provisions for control are established by the new



procedures and reorganization.



Attachment 2

DRAFT

PURCHASING POLICY MANUAL

PURCHASING DEPARTMENT

CITY OF PROVIDENCE



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## PURCHASING POLICY MANUAL

### INTRODUCTION

Presently, there does not exist a written Purchasing Policy Manual for the City's Purchasing Department. The Providence Management Study Team has developed, after careful study, the Purchasing Policy Manual which follows.

Accordingly, it is recommended that the City immediately adopt this Purchasing Department Policy Manual.

### PURPOSE OF MANUAL

The purpose of this Manual is to outline and define the purchasing policies and general purchasing practices that are used by the City of Providence.

Where applicable, the City Charter and appropriate City Ordinances are quoted and reference is made to appropriate City Purchasing Department Instructions (Procedures Manual).

The activities of the City Purchasing Department are governed by the Manual with all changes being approved by the Director of Purchasing. Each Purchasing Department employee must be familiar with the requirements set forth in this Manual. The City's Director of Purchasing must indoctrinate Purchasing personnel in the areas of responsibility and methods of operation established by the Manual in the daily operation of the Purchasing Department.

### OBJECTIVES AND LIMITATIONS

#### A. Objective

The objective of the Purchasing Department is to provide material,



equipment, supplies and services of specific quality and quantity at the right time, place, and price. The material, equipment, supplies and services shall be purchased with minimum investment, consistent with sound business practices.

To attain this objective, it is the Purchasing Department's responsibility to suggest changes in quality, quantity and delivery when the proposed change will result in a cost savings or is in the best interest of the City of Providence.

B. Limitations

1. The Purchasing Department does not determine which material, equipment, supplies or services are required in the City's operation. The decision as to need is the responsibility of the department in which the need arises. All purchases must be initiated by properly authorized purchase requisitions.
2. The Purchasing Department does not establish quality or design standards, nor can it make changes to establish quality or design standards.
3. The Purchasing Department does not purchase insurance, nor does it obligate the City to lease, purchase or rent real property.

RESPONSIBILITIES AND INTERDEPARTMENTAL RELATIONS

- A. Authority and responsibility of purchasing rests with the Purchasing Department. This places the responsibility on those who have the interest and skill to do with work properly and whose primary concern



is in the performance of this special task.

Fair dealing, frankness, maintenance of good quality, good delivery and fair prices are elements which have great weight in the City of Providence's continuation of business with a given source. The City of Providence must conduct its purchasing activities so that suppliers will value the City's business and make every effort to meet legitimate competition.

- B. The Purchasing Department shall foster good relations with other departments and provide all reasonable assistance in accomplishing the objectives of these departments. Advice shall be solicited from other departments, as appropriate, on major or complex purchases, with regard to selection of bidders, evaluation of proposals, negotiation plans, and final source determination.

No other department may place orders or negotiate with suppliers or potential suppliers without the participation or express approval of the Purchasing Department.

Purchasing Department personnel shall adhere to and enforce the above policy. Deviations shall be brought to the attention of the City Purchasing Director.

#### RELATIONS WITH VENDORS

It is the primary responsibility of Purchasing to maintain good relations with suppliers and potential suppliers. It is essential that an 'arm's length'



relationship be maintained to assure no 'conflict of interest' situations arise. All potential suppliers shall be afforded the courtesy of a fair opportunity to present their capabilities and products. Fair bidding opportunities shall be provided to all qualified and interested suppliers. To this end, bid opportunities should be rotated to the extent consistent with good business practice. Supplier proposals shall be treated in confidence with regard to technical approach, prices, and terms and conditions. Distribution of information contained in supplier quotations or proposals shall be limited to those having a "need to know," and under no circumstances will such information be made available to competitive suppliers.

A "Vendor Capability Form" will be provided to potential vendors on their initial visit. Completed forms will be placed in the Vendor Capability File for future reference.

Vendors' representatives will be received by Purchasing personnel and are to have an adequate opportunity for their sales presentations the first time they call. Courtesy to, and prompt reception of, salesmen are a matter of good ethics. However, Purchasing Department personnel shall exercise discretion and good ethics in time spent with vendor representatives. If the timing of the vendor's visit is not appropriate, Purchasing personnel should acknowledge the call promptly and arrange for a mutually acceptable meeting time.

Purchasing Department personnel should exercise good judgement and courtesy at all times.

Information concerning the proposed purchasing of supplies, including construction and maintenance projects, will not be released prior to the



issuance of invitations for bids/requests for quotations. This information will be released to all potential vendors at the same time so that no one potential supplier may achieve an unfair advantage.

No vendor will be advised of prices and terms submitted by competitors except in the case of public openings of Sealed bids or upon the Purchasing Director's approval of specific requests.

In the interest of fairness to all vendors, information with regard to pricing and for terms and conditions quoted will be treated in confidence. In addition, such information will not be circulated indiscriminately within the City Department, etc. Price information under most circumstances will be given to those authorized to receive it with an understanding that such information is sensitive to ensure fairness and propriety. Access to such information should be kept to a minimum.

The Purchasing Department is responsible for advising vendors that City commitments affecting purchases are made only in writing and only by the Purchasing Department.

#### ETHICS

The following Code of Ethics, adapted from the Principles and Standards of Purchasing Practice of the National Association of Purchasing Management, is endorsed by the City of Providence Purchasing Division:

To consider, first, the interests of the City in all transactions, and to believe in and carry out the City's established policies.



To buy without prejudice, while seeking to obtain the maximum ultimate value for each dollar of expenditure.

To subscribe to and work for honesty and truth in buying and selling, and to denounce all forms and manifestations of commercial and public bribery.

To accord a prompt and courteous reception, so far as conditions will permit, to all who call on a legitimate business mission.

To respect obligations and to require the obligations to the City be respected, consistent with good business practice.

To avoid sharp practices.

To counsel and assist fellow Purchasing Department personnel in the performance of their duties.

To cooperate with all organizations and individuals engaged in activities designed to enhance the development and standing of Purchasing.

#### OUTSIDE EMPLOYMENT

Purchasing Department personnel shall not accept outside employment or engage in outside activities on a basis which deprives the City of their efficient full-time services or involves the unauthorized use of City time, personnel or facilities. Under no circumstances shall Purchasing Department personnel be



retained or employed in any capacity by a present or potential supplier to the City.

#### RECIPROCITY AND GRATUITIES

Purchasing Department personnel are forbidden to accept gifts or gratuities in any form for himself/herself or his immediate family from suppliers or vendors now furnishing or desiring to furnish goods and/or services to the City.

Association on a social level between Purchasing Department personnel and present or potential vendors and/or their representatives creates the impression of favoritism and is, therefore, to be avoided.

Gifts or gratuities include, but are not limited to, money, merchandise, gift certificates, trips, cocktail parties, dinners, evening entertainment, sporting events, etc. Any individual offered gratuities of this nature will furnish a written report to the Director of Purchasing.

Rigid adherence to this policy offers evidence of attaining the objective of fair and impartial treatment to all individuals and firms doing or desiring to do business with the City. Deliberate disregard of this policy may result in disciplinary action or dismissal from employment with the City.

#### CHANGES TO PURCHASE ORDERS

It is a basic Purchasing policy that the entire agreement with the vendor shall, at all times, reside solely in the purchase order and its supplements. Accordingly, Purchasing personnel will ensure that all agreements and changes to scope of work are incorporated into purchase orders by Supplements (or Amendments or Change Orders).



Purchasing personnel should not commit the City to technical/contractual changes to the purchase order without first securing all necessary technical, Department Head, Board of Contract and Supply, financial and legal approvals as required. All discussions of potential changes, either verbal or written, will be disclaimed as not binding on the vendor or the City of Providence until formally incorporated in the original purchase order.

#### BLANKET AGREEMENTS

A Blanket Agreement is a offer to buy substantially all of the City's requirements of a commodity or service over a given period of time (usually one (1) year) at a predetermined fixed price. These agreements list the commodity or service, the estimated usage for the period, minimum ordering requirements and other data concerning the release and delivery of items or accomplishments of services.

It is the Purchasing Department's policy to maximize the use of blanket agreements in order to reduce operating expenses associated with repetitive, multiple/single purchases and to obtain quantity discounts based on annual volumes. All blanket agreements must be put out for competitive bids annually. Any exception to this policy requires the express approval of the Director of Purchasing.

#### CASH DISCOUNTS

It is the City's policy to take advantage of cash discounts in accordance with the following:



"DISCOUNT -

The cash discount period shall be calculated from the date an acceptable invoice is received by the City or from the date all the invoiced supplies are received by the City, whichever is latest in time."

DOCUMENTATION

Adequate written records shall be maintained in Purchasing Department files to document purchasing activity, reasons for selection of supplier's product, schedule information and justification of price. As a minimum, documentation shall include adequate justification of source selection and pricing.

Purchasing Department personnel shall document and maintain records of all actions with respect to the purchase for the purpose of:

1. Providing background information to assure informed decisions at each step on the purchase.
2. Justifying actions taken in the purchase.
3. Providing information for review and audits conducted by various City agencies, commissions and various Government agencies.
4. Furnishing essential facts in the event of litigation.

RENT OR LEASE OF EQUIPMENT

An economic evaluation of the relative advantages of renting/leasing equipment versus purchase/lease - purchase should be made when those options are



available.

#### FREIGHT TERMS AND MODES OF TRANSPORTATION

The right to determine the mode of transportation is a direct result of the F.O.B. terms set forth in the purchase order. Purchasing personnel should normally attempt to negotiate "F.O.B. Destination" (i.e., "delivered"). When a supplier refuses to quote "F.O.B. Destination," Purchasing personnel should specify the least expensive mode of transportation capable of ensuring safe and timely delivery.

The originating/requesting department shall be responsible for notifying the Purchasing Department if special transportation mode is required.

#### STANDARDIZATION

It is the policy of the Purchasing Department to assist all departments in standardizing purchasing materials to the maximum extent possible.

Standardization can minimize the number of different parts purchased and contribute to lower material costs by expanding competition. Purchasing personnel shall identify candidates for standardization to the appropriate material/services order department(s) for their consideration.

#### NEGOTIATION

Negotiation is the process of reaching agreement between Buyer and Seller on the terms of a contract or agreement. It is normally thought of as a purchasing tool for obtaining fair and reasonable pricing. However, its use extends beyond price considerations to include elements such as delivery, contract type, technical or quality requirements, F.O.B. point, cash terms,



contractual provisions, etc. Negotiations should be entered into on all procurements except where the cost of conducting the negotiation would exceed the available savings. Before entering into negotiations Purchasing personnel should develop and document the rationale that will be used as a basis for negotiation.

When negotiations are conducted with more than one bidder, all responsive bidders should be offered an opportunity to submit a "best and final" offer.

#### VALUE ANALYSIS

Formal value analysis techniques exist to develop cost improvements on various products, and use of techniques is encouraged. The initiative for application of these techniques may originate in any department but most frequently occurs through technically-oriented or purchasing organizations. Purchasing has a basic responsibility to question the quality and kind of material specified, in order that the best interest of the City of Providence be served. Suppliers shall be encouraged to offer lower cost alternatives when submitting proposals and to submit cost reduction proposals.

#### AUTHORITY TO CONTACT SUPPLIERS

The City Purchasing Department must be the sole contact point with vendors relative to the business, financial and schedule aspects of problems associated with requests for quotations, inquiries or issued purchase orders.

Purchase requisition originators are authorized to contact vendors or potential vendors to obtain technical data only. A Purchasing Department representative must be a party to any discussion, whether at a meeting or during a telephone conversation, when it involves price and/or delivery information.



SUPPLIER SELECTION - BID LIST FOR PURCHASES UNDER \$2,000.00  
(OR NOT REQUIRING PUBLIC ADVERTISEMENT)

Purchase orders will be placed with technically qualified, financially sound and responsive suppliers who meet the City's quality requirements. Purchasing Department personnel shall consult with operating personnel responsible for developing specifications and quality requirements when necessary to obtain technical evaluations of a supplier's capability. Purchasing Department shall maintain current file of Qualified Vendor Capability and shall update Vendor Capability File on a regular basis. Verification of a supplier's financial stability shall be secured through a review of financial statements, Dunn & Bradstreet reports and as appropriate, submittal of Performance and Financial Bonds.

In order to ensure the maintenance of a sufficient base of qualified suppliers, Purchasing Department personnel should devote a continuing effort to the development of new sources of supply.

COMPETITIVE BUYING

It is the policy of the City of Providence to purchase material and services on a competitive basis to the maximum extent practicable and in strict accordance with the requirements of the City Charter and related City Ordinances. It is Purchasing's responsibility to challenge all Single/Sole source recommendations to assure that they are fully justified and processed consistent with Charter requirements. It is also Purchasing's responsibility to attempt to develop new sources of Single/Sole source items.



Attachment 3

REVISED PURCHASING FORMS AND SYSTEMS



EVALUATION OF PURCHASE REQUISITION AND PURCHASE ORDER FORMS  
AND RECOMMENDED CHANGES IN FORM AND PROCEDURE

CURRENT PURCHASE ORDER FORMAT

Both the Central City Purchasing and the School Department Purchasing activities were inundated by antiquated purchasing forms. The forms utilized were many and took in an excessive number of steps from the time a requisition was initiated to award of a finished purchased order. The cumbersome formswork contributed to the 6-8 week timelapse for any one order to be processed. A "requisition" form was needed to place an order by a requesting department for both Central City Purchasing and School Department Purchasing for a material purchase under \$2,000. From this a separate purchase order was initiated and developed which entailed tab sheets, work sheets and various other documentation forms needed to complete the purchasing cycle. (See Exhibits 1 and 2 which illustrate the current workflow for City and school purchasing, respectively).

If the expenditure was over \$2,000, a request was prepared to advertise bids, submitted by the requesting department and another process is followed (Exhibit 3). Any purchase which fell into the category of \$500 or less was handled by the Department in need by procuring their own goods and services. In the case of emergency orders, which are numerous, because of the time involved to process a normal purchase order, another method was followed which was lacking of all purchasing protocol, professionalism and ethical standards. Competitive bidding was bypassed and bids awarded randomly. The system as it existed left much room for improvement and caused much due criticism.



## PROPOSED PURCHASE REQUISITION/ORDER FORMAT AND PROCEDURE

Under the new forms system, a "one-write" program will exist for all City purchasing. The requisition form will be combined with the purchase order, thus alleviating the necessity for two (2) separate forms. This new Requisition/Purchasing Form will have all the necessary copies for each department requiring a copy. This one-write form will also include the School Department purchases and will have the appropriate financial information which is unique to the School Department included on the form, thereby eliminating the need for separate requisition and purchase order forms. A draft of the new one-write form is attached as Exhibit 4 and the streamlined workflow for this new form is shown as Exhibit 5.

## BLANKET PURCHASE AGREEMENT FORMS

Blanket purchase orders (see Attachment 4) will combine the advantages of a volume discount and minimum paperwork. A Delivery Release will be developed and supplied to each department so they will be able to draw from the blanket order as needed, i.e., preparing a Delivery Release and forwarding it to the Purchasing Department. It will be Purchasing's responsibility to inform the vendor of the "Release" and distribute copies to all affected departments. The "Release" will be a multi-copy form which will be color coded similar to the Requisition/Purchase Order Form. A draft of this form is shown as Exhibit 6.

## "REQUEST FOR QUOTATION" FORMS

A single snap-out form will take the place of the old Quotation Form. The typist will be allowed to type names of several vendors on the original. However, the other copies will be shaded to show one vendor's name. The typist need only type the information once. Under the present system, the typist types a separate quotation for each vendor. The new form (a draft of which is

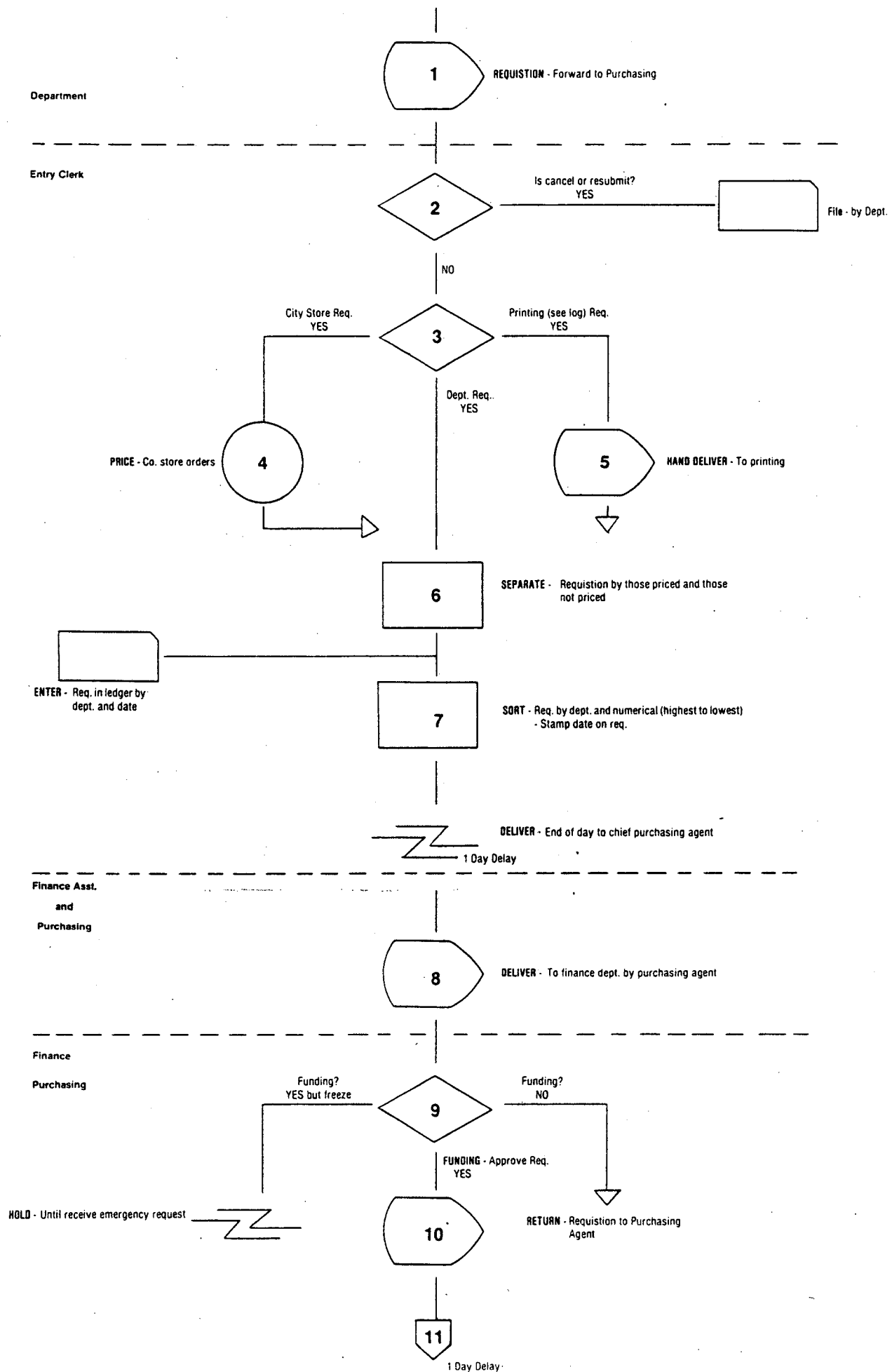


shown as Exhibit 7) will eliminate multiple typing.

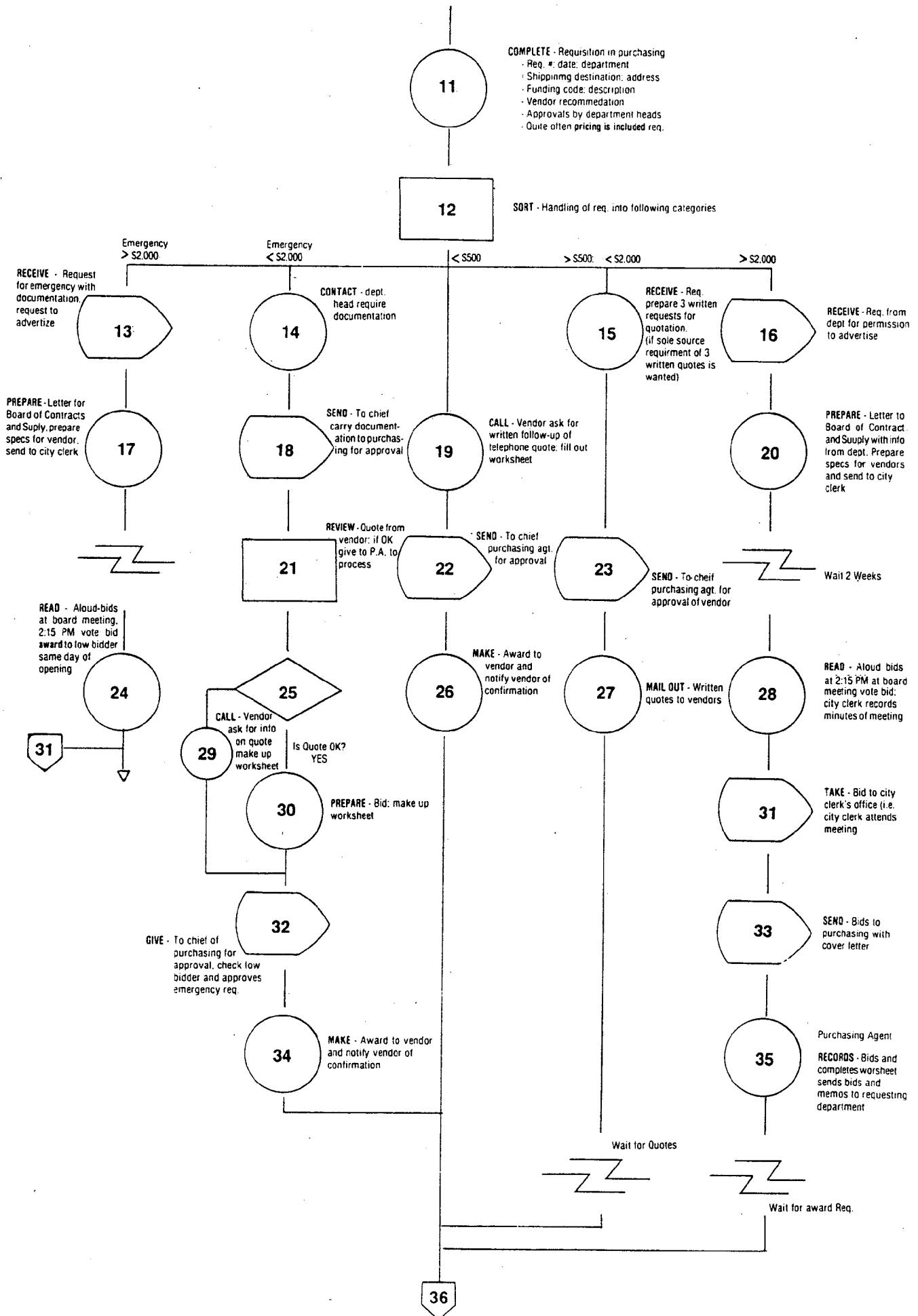
Once this new system is in effect, time and money will be saved resulting in a smoother operation.



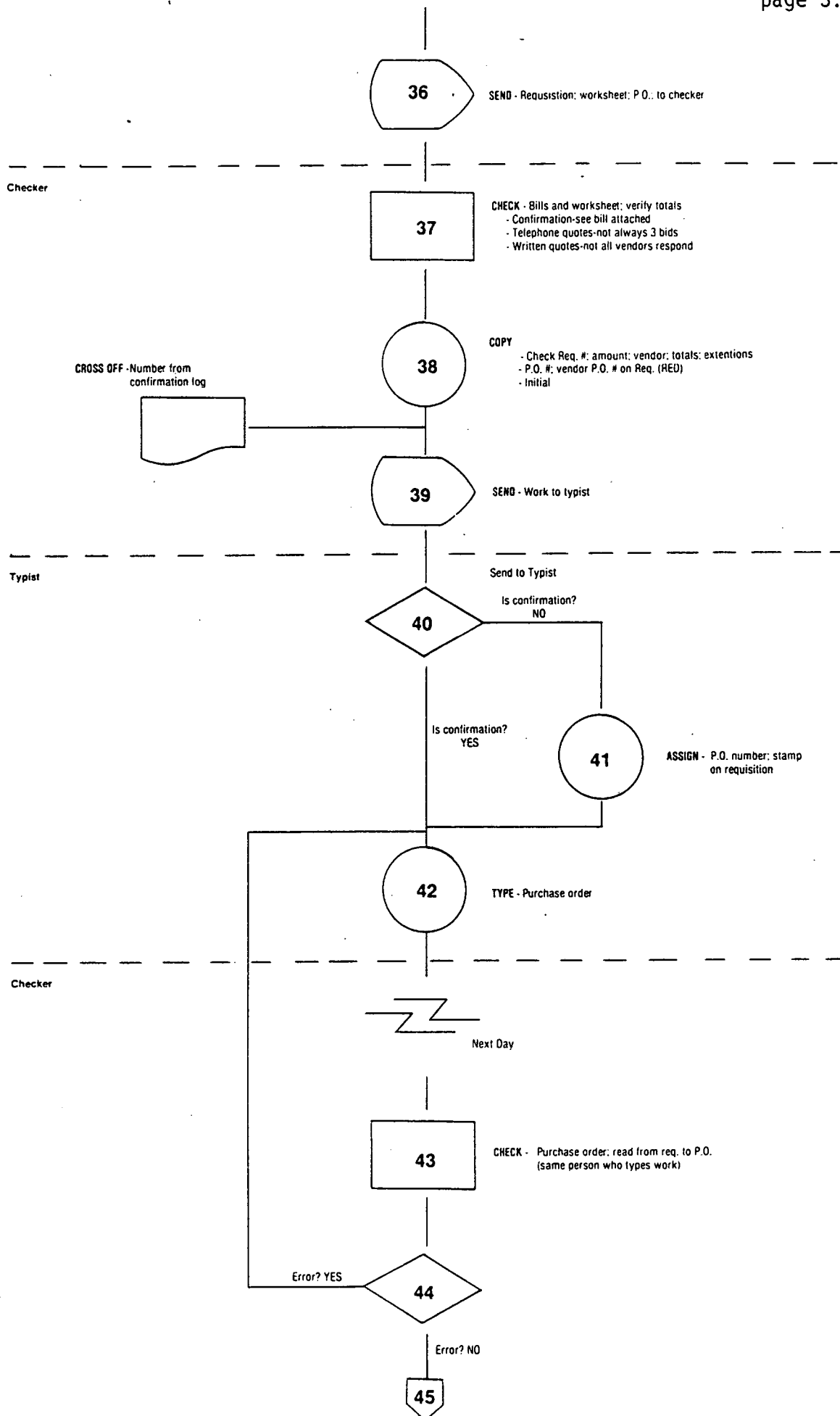
# Exhibit 1 Current City Purchasing Workflow



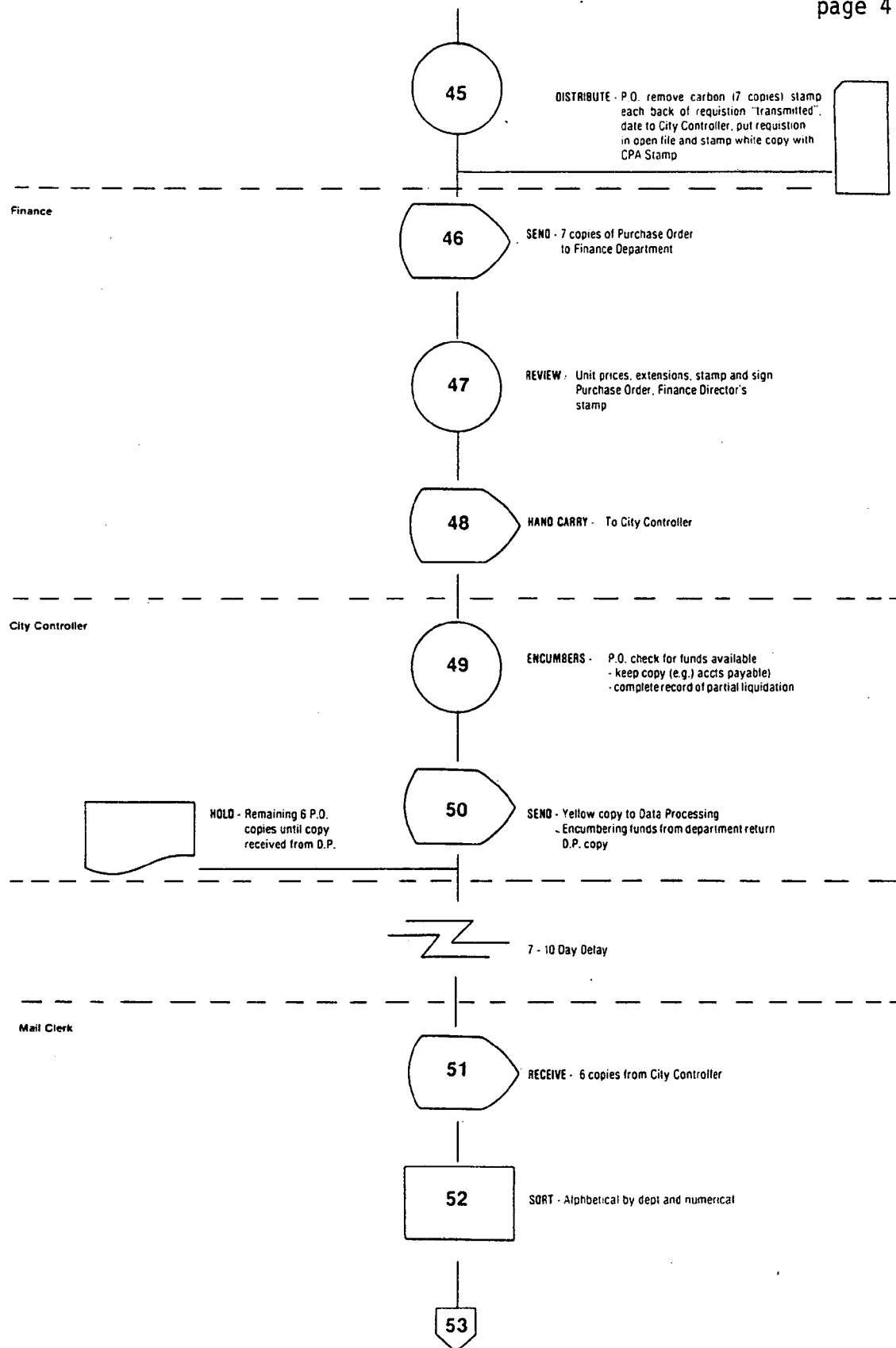




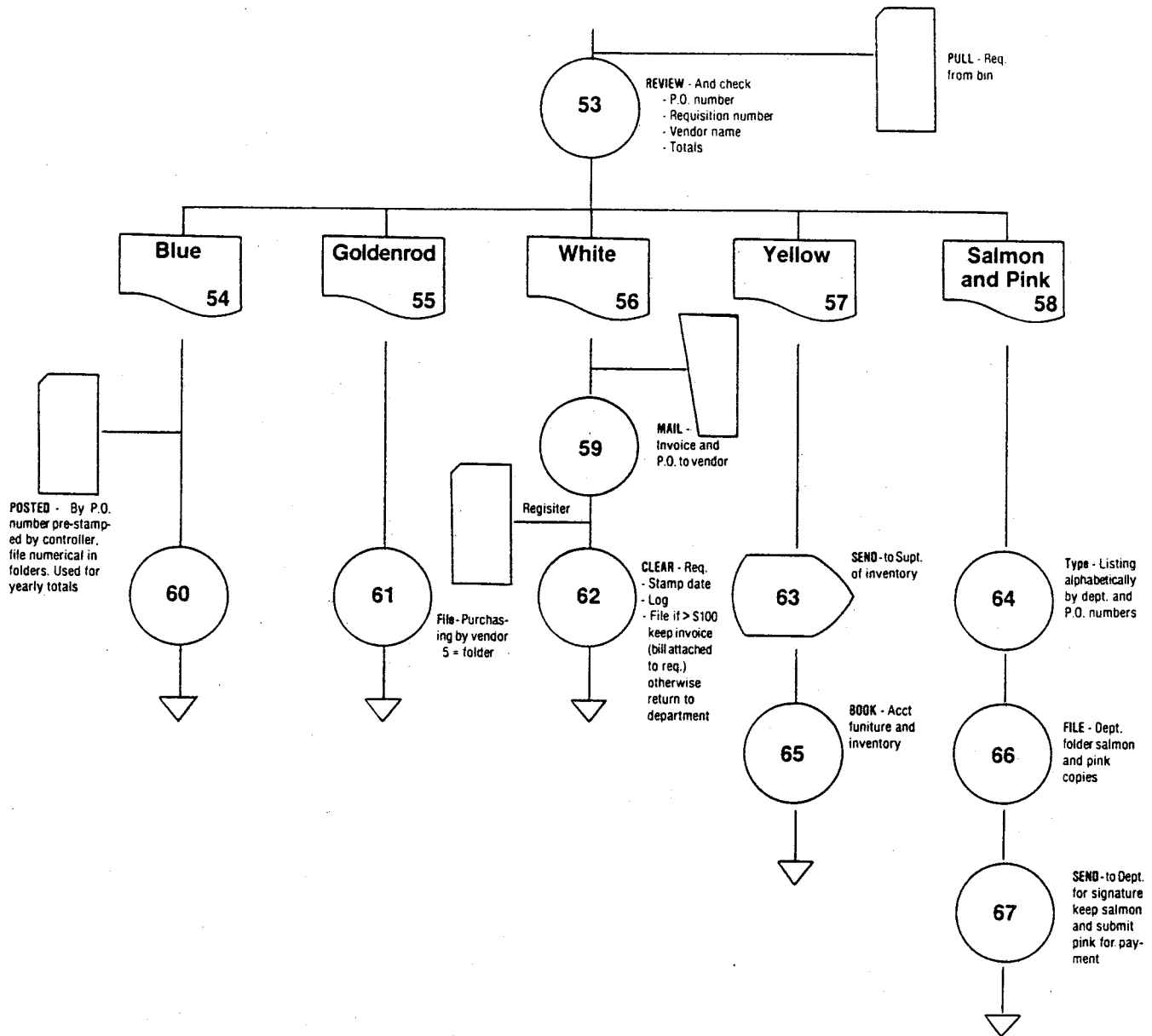






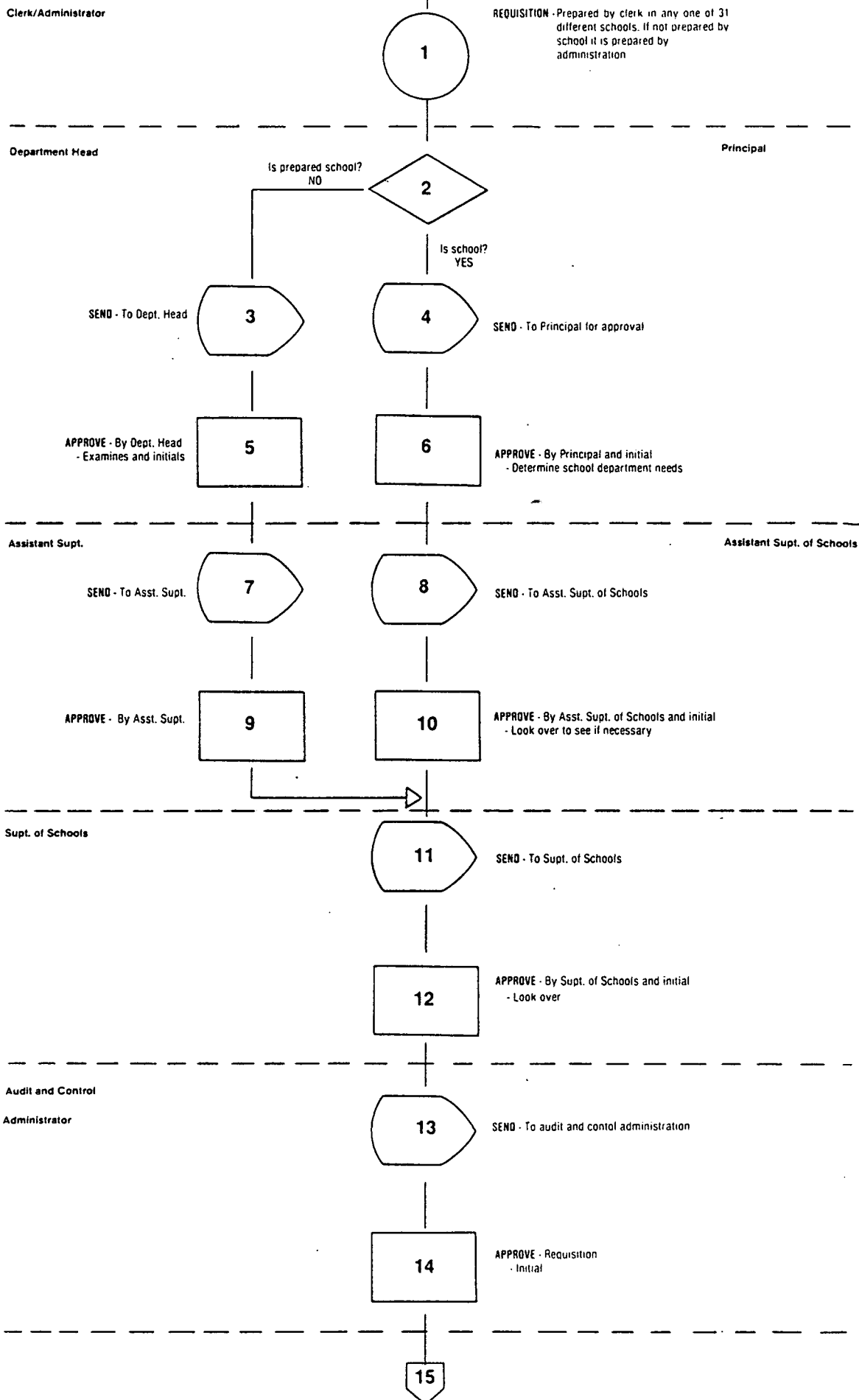






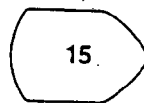


# Exhibit 2 Current School Department Purchasing Workflow

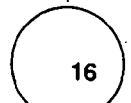




Budget Officer

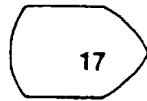


SEND - Requisition to budget officer (controller)

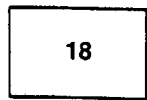


REVIEWS - Signs and confirms funds; pulls blue copy

Order Processing

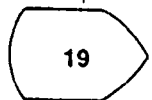


SENDS - To order processing



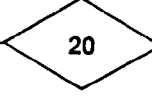
REVIEWED - By purchasing and supply expeditor. He assigns a category number.

Typist



SEND - To typist

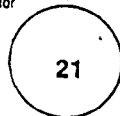
Multiple Quotes? NO



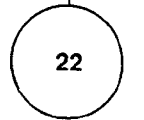
20

Multiple Quotes? YES

TYPE - Single Quotes  
- If sole source type vendor  
- Item; description  
- Category  
- Department  
- Requisition #



21



TYPE - Multiple Quotes  
- Item, description  
- Category  
- Department; vendor  
- Requisition #

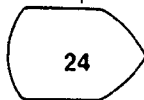
22

Clerk



SEND - Quotes and green copy of Req. to purchasing

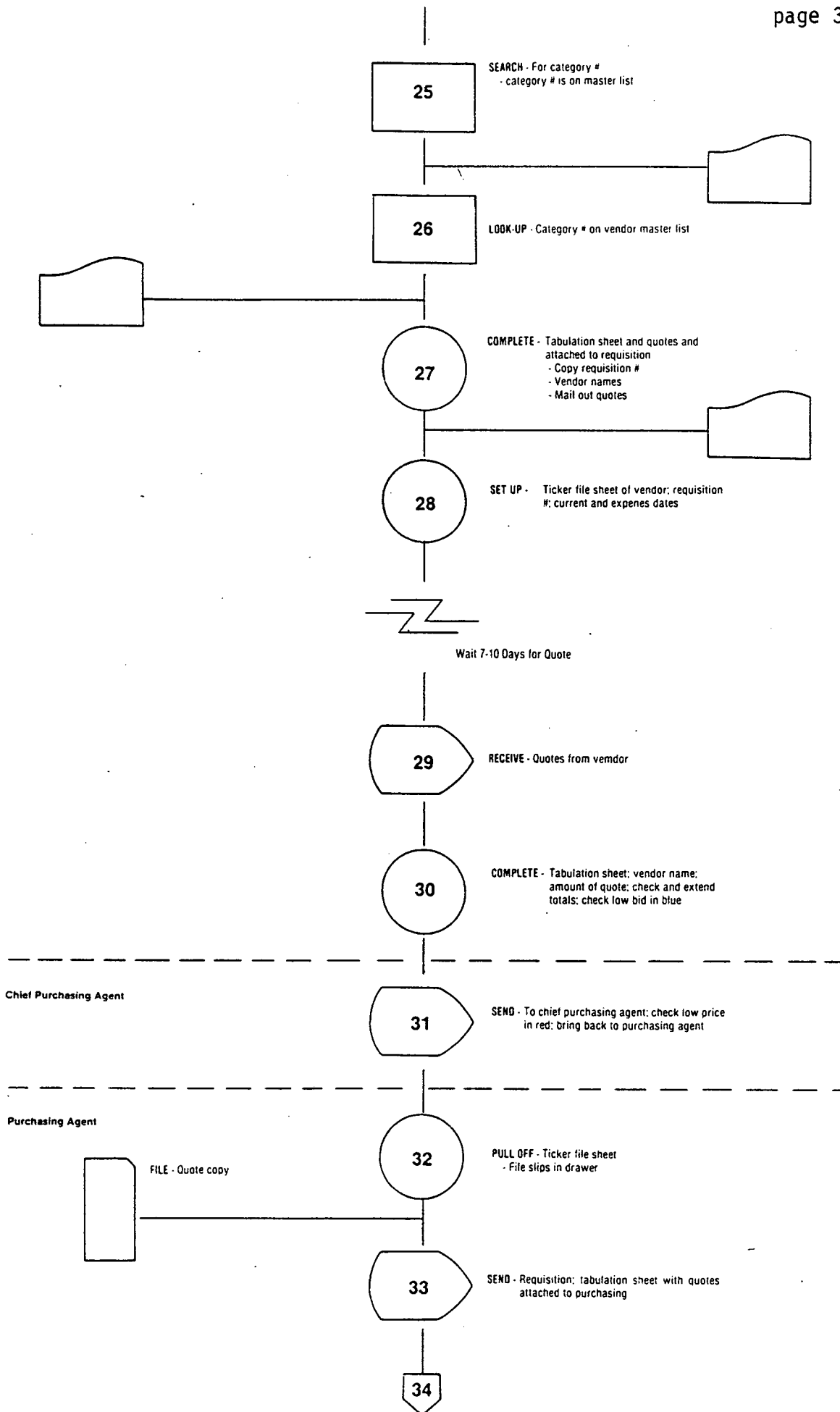
Purchasing Agent



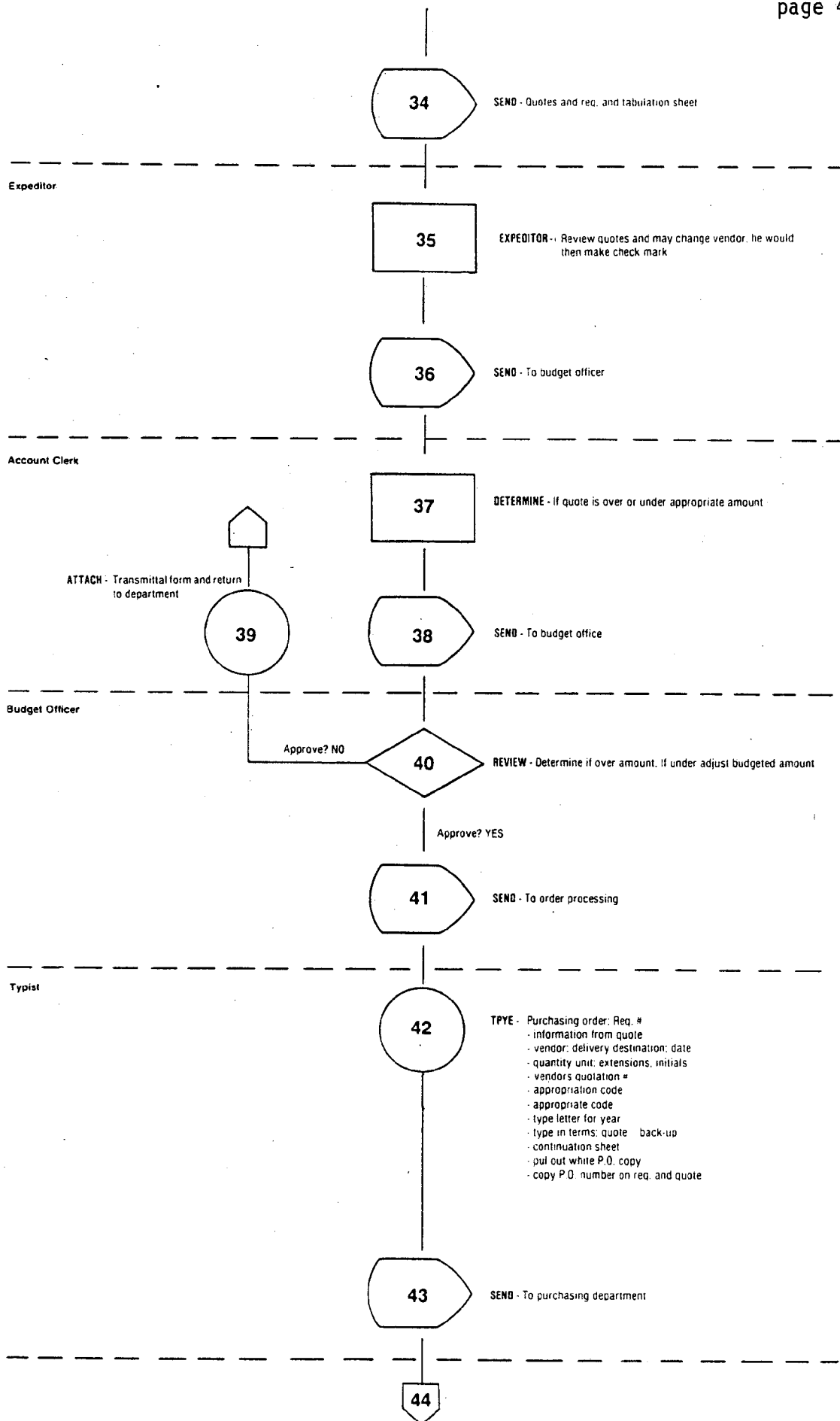
RECEIVE - Green copy of Req. with pink copy of quotes attached

25



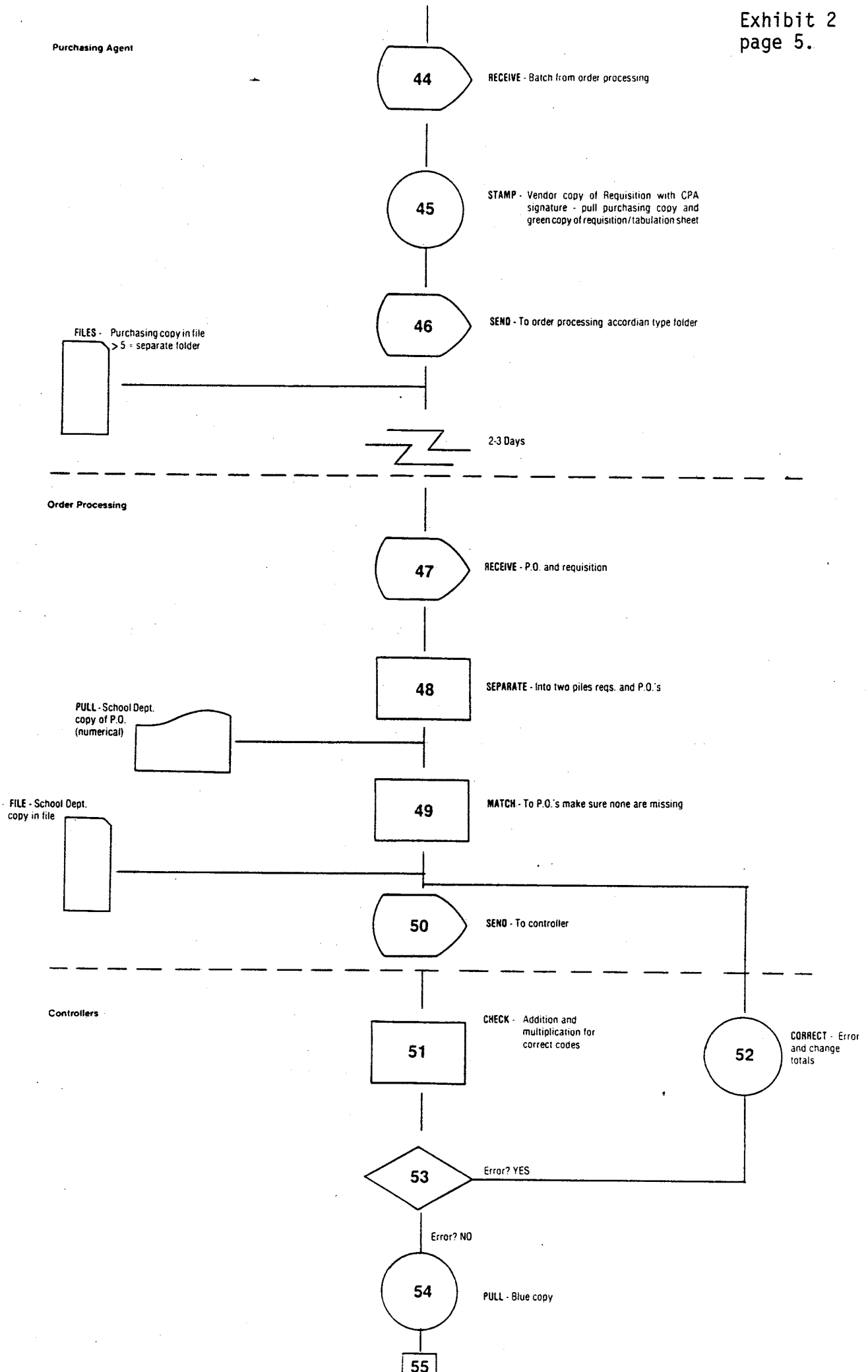








Purchasing Agent





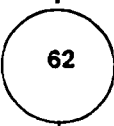
Order Processing

Mail Clerk

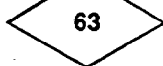
FILE - Alphabetical  
follow-up with  
vendor



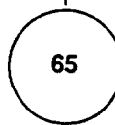
Yellow  
58



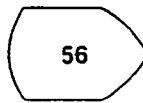
Goldenrod  
59



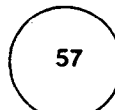
Inventory?  
YES



Type up card



SEND - To order processing



PULL - Vendor Copy  
- Atache copy of invoice  
- Mail to vendor

White  
66

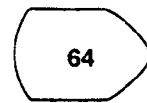


Inventory? NO



FILE - No order

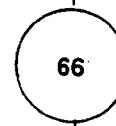
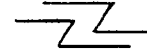
Pink and  
Green  
61



SEND -  
To dept.



FILE -  
Green

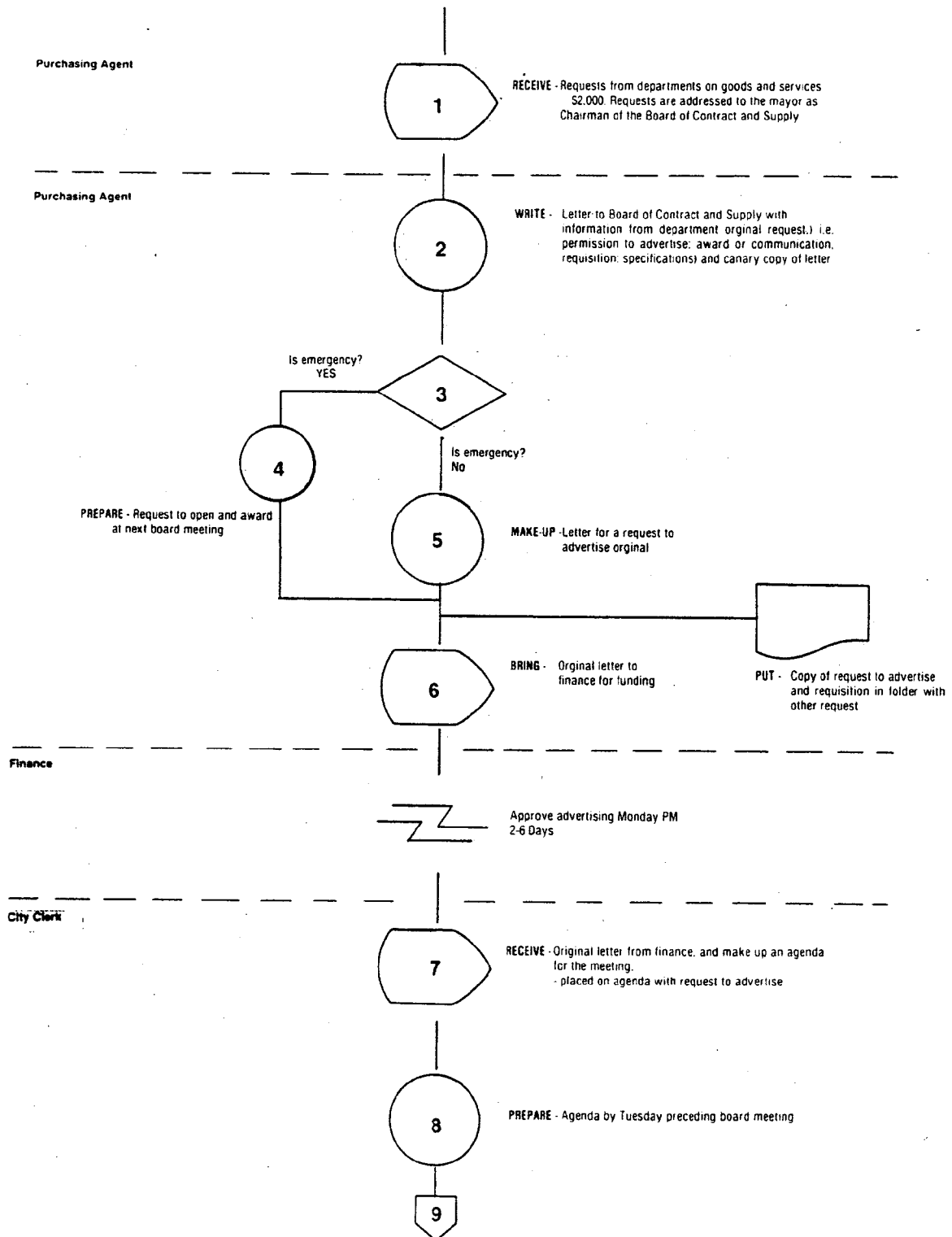


RECEIVE - Goods - send  
to controller

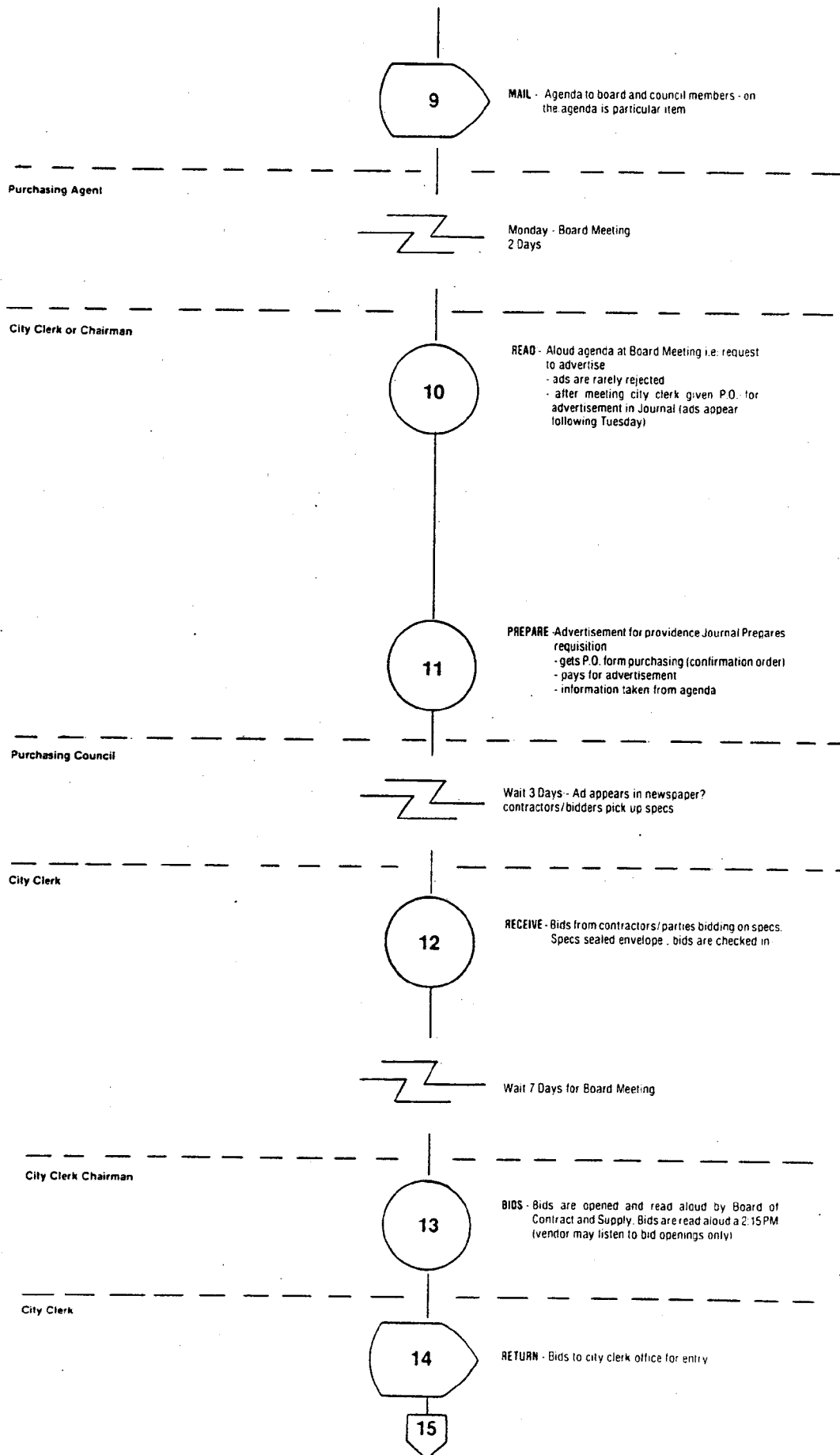




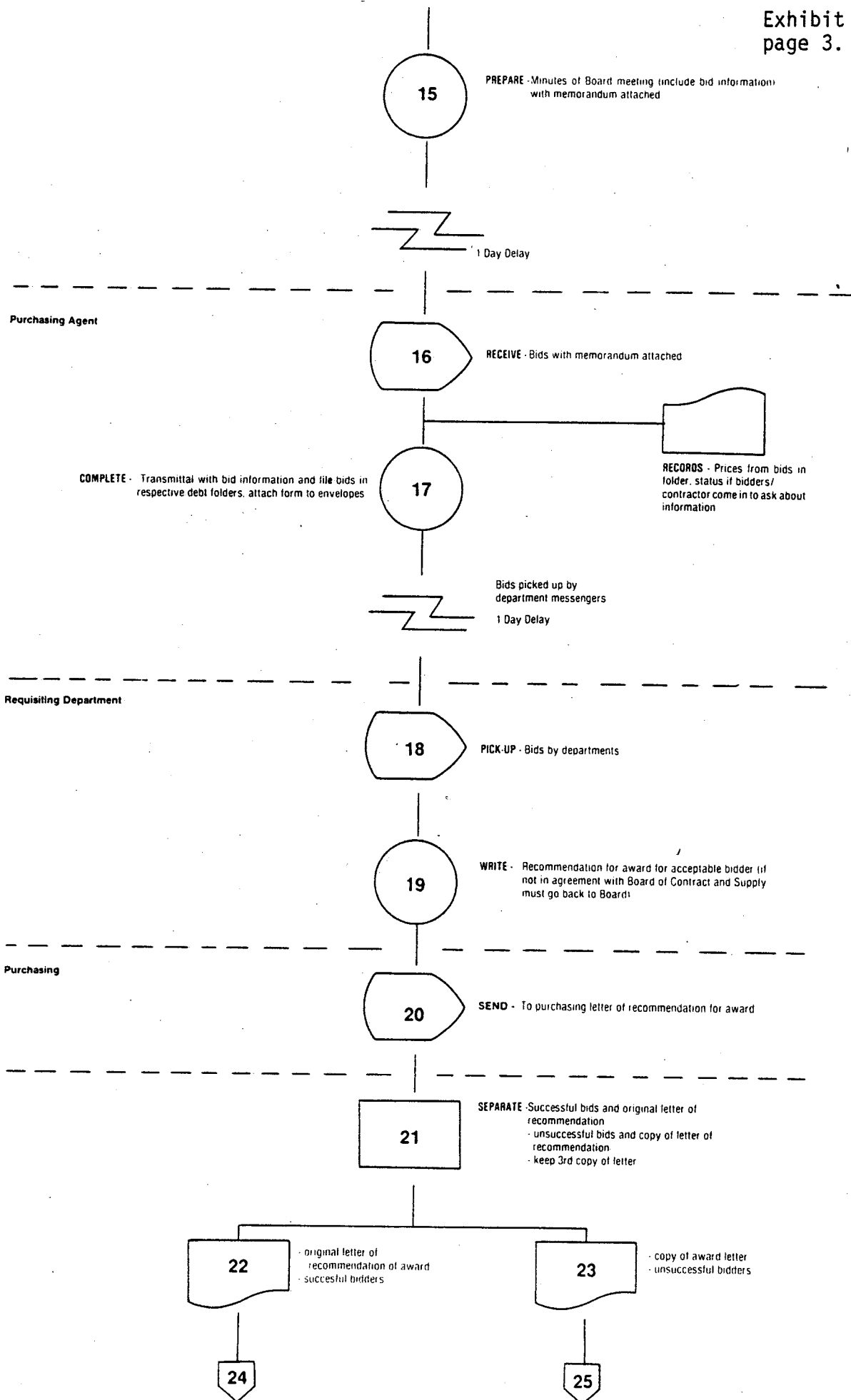
**Exhibit 3**  
**Current Board of Contract and Supply Workflow**  
**(Purchases Over \$2,000)**



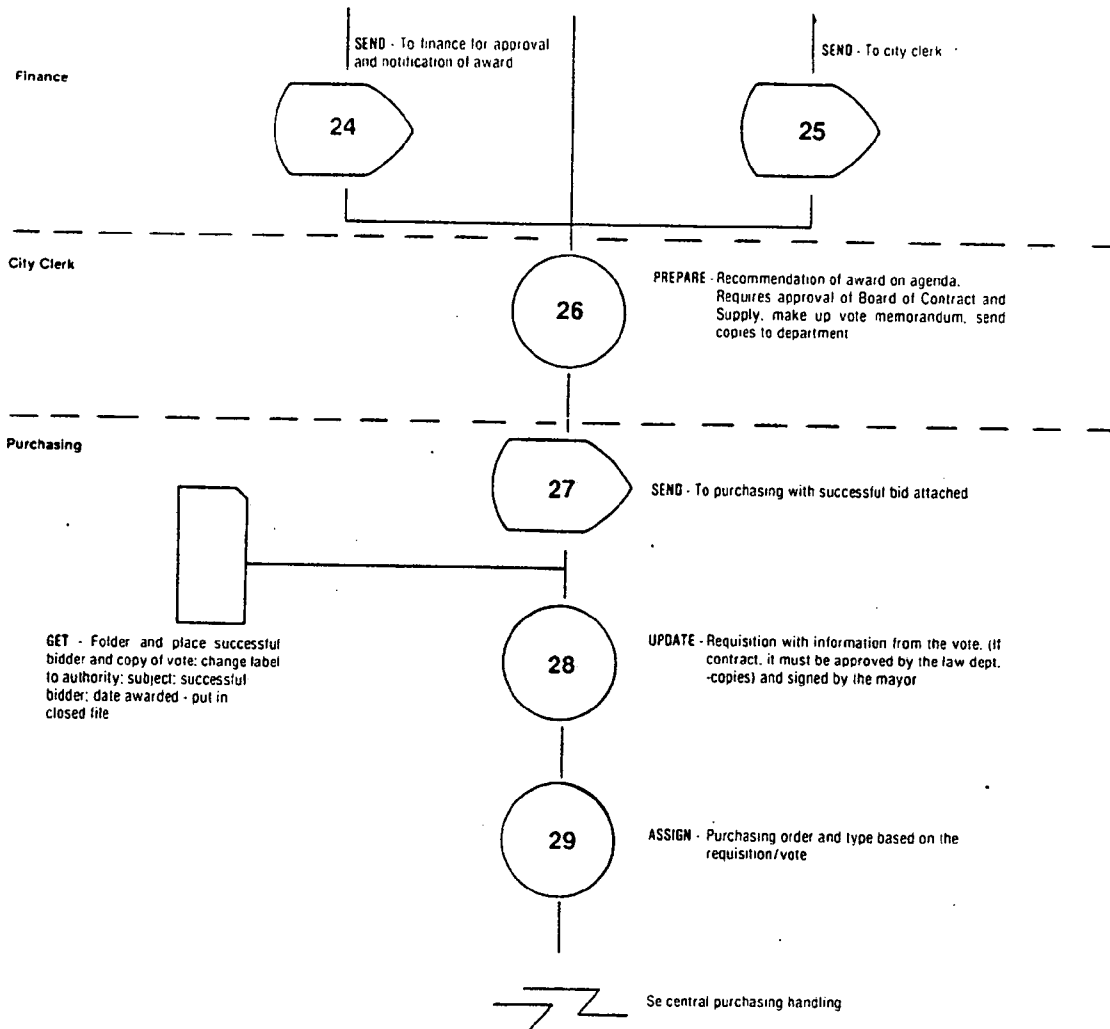














SHADEN IN RED. DESCRIPTION SHOULD BE BRIEF, BUT ACCURATE. DO NOT SHOW PRICES ON FORM.

[illegible]

AMATION <input type="checkbox"/> YES	VENDOR REP.	PURCHASING- AGENT SIGNATURE	DATE
ER TO:	DELIVERY DATE	TERMS	FIG. 8.
INTERNAL REQ'D	REQUISITION PREPARED BY	REQUESTING DEPT. HEAD SIGNATURE	



APPROVED BY \_\_\_\_\_ CITY/County CONTROLLER

CHASE ORDER NUMBER MUST BE ON ALL INVOICES. PACK-  
S. TAGS AND CORRESPONDENCE.  
MIT SEPARATE INVOICE FOR EACH PURCHASE ORDER.



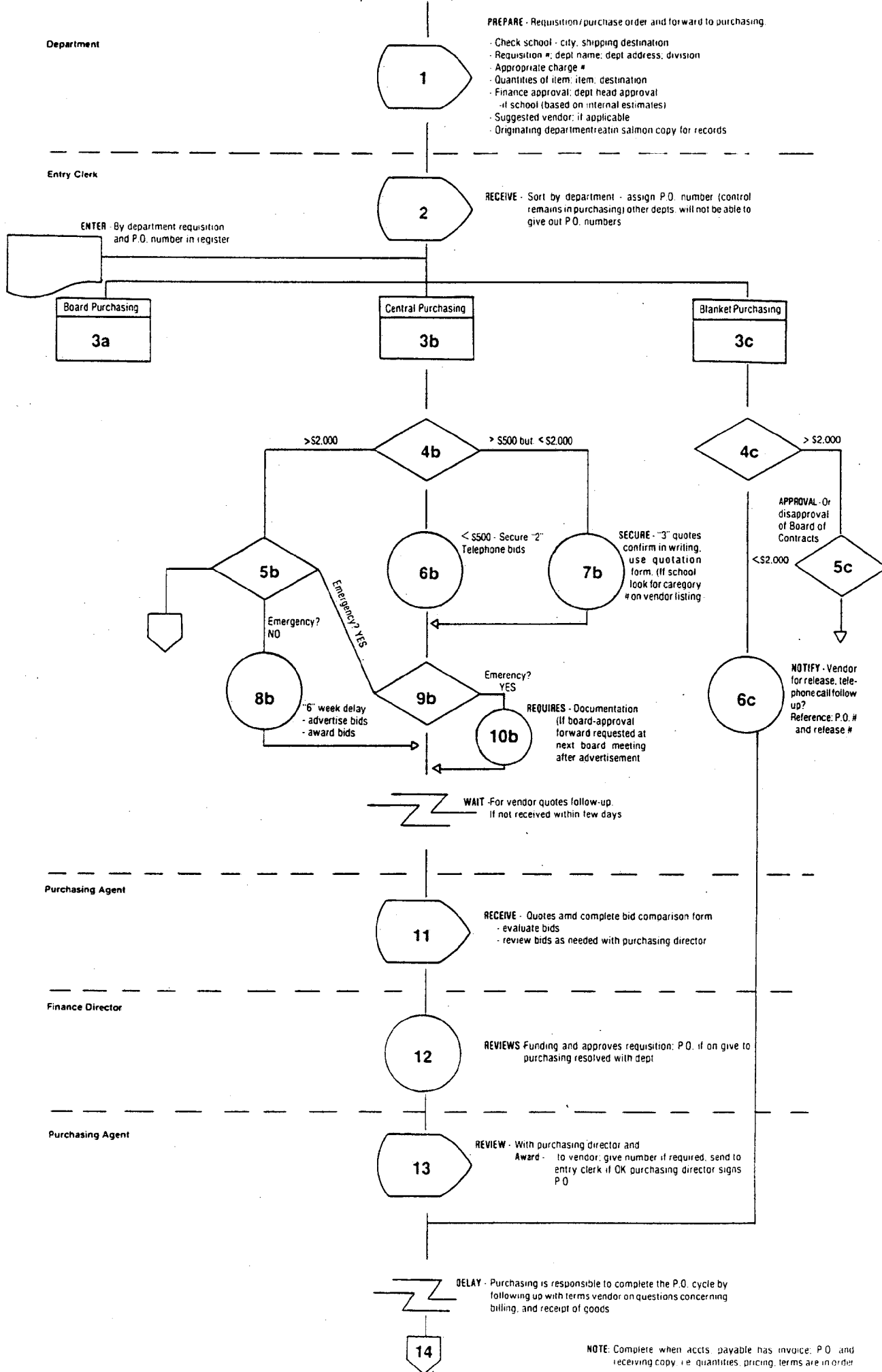
## Exhibit 4

SUPPLEMENT TO PURCHASE ORDER	<input type="checkbox"/>	CITY OF PROVIDENCE PURCHASING DEPT CITY HALL PROVIDENCE, RI 02903	<input type="checkbox"/>	CITY OF PROVIDENCE DEPT. OF PUBLIC SCHOOLS 480 CHARLES ST. PROVIDENCE, RI 02904	PURCHASE ORDER No.
	<input type="checkbox"/>	FEDERAL			

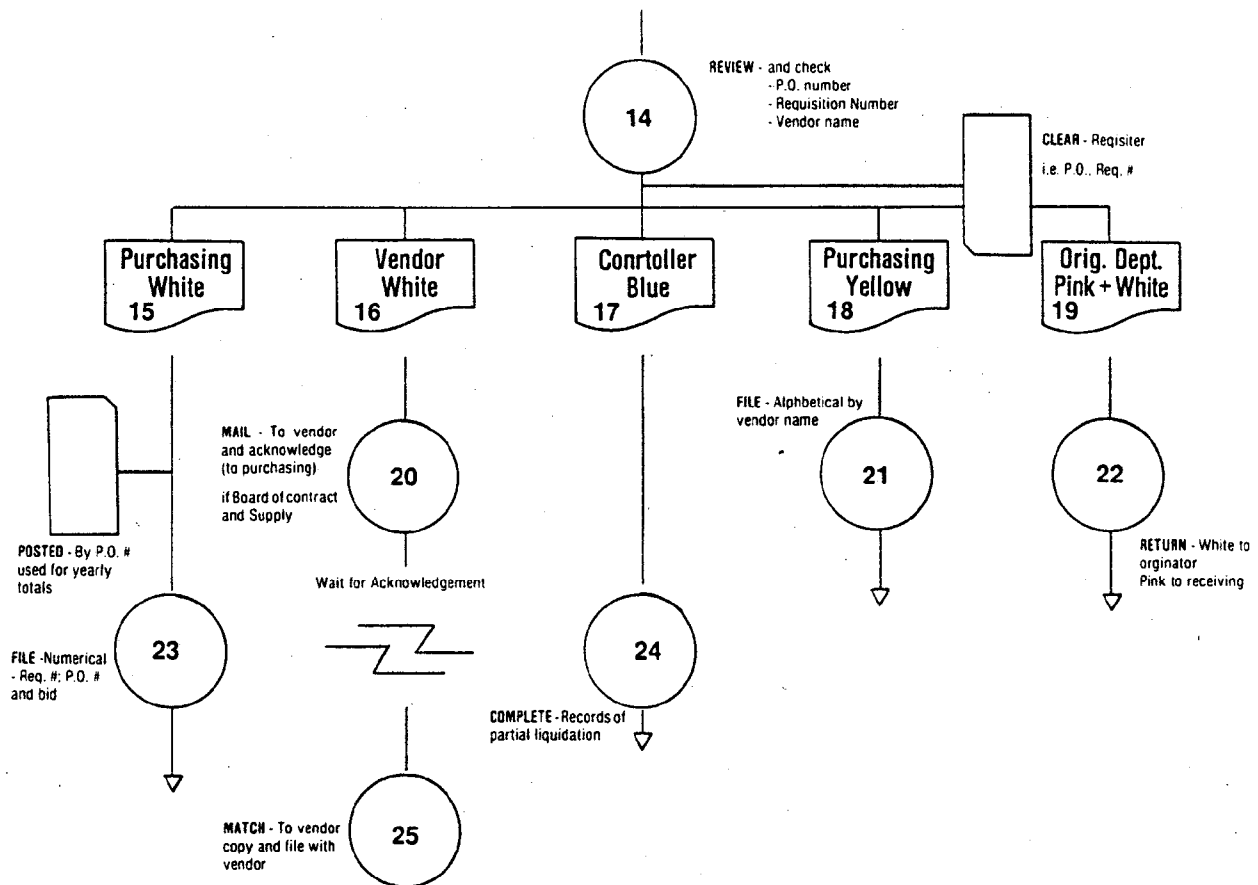
[illegible]



# Exhibit 5 - New One-Write Requisition/Purchase Order Form Workflow









REQUISITION NO.	BLANKET PURCHASE ORDER NO.
RELEASE NO	DATE
DEPT.	APPROPRIATION
	<div style="display: flex; justify-content: space-between; width: 100%;"> <span>FUND</span> <span>DEPT.</span> <span>DN</span> <span>CBS</span> </div>
DELIVERY ADDRESS	

5K5 N5

F.C.B.

TERMS

DELIVERY ADDRESS

**CONTROLLER'S COPY**

DATE \_\_\_\_\_ SIGNED \_\_\_\_\_ RECEIVER \_\_\_\_\_

## DATE \_\_\_\_\_

Exhibit 6







Attachment 4

MASTER PURCHASING AGREEMENT/BLANKET PURCHASE ORDERS



PROCEDURE AND METHODOLOGY FOR  
MASTER PRICING AGREEMENTS/BLANKET PURCHASE ORDERS

The following procedure is presented below in a step-by-step format which allows the Director of City Purchasing to solicit bids and award Blanket-type Contracts for the various reasons noted previously.

PURPOSE

A Blanket Purchase Order is not a commitment to buy any minimum quantity, but an agreement to buy from a particular vendor at a special price.

GENERAL

1. Blanket Purchase Orders are to be utilized-when the City will:
  - a) Purchase repetitive, specified services or items, or categories of items from the same vendor.
  - b) Require estimated time and material services.
  - c) Enable Purchasing to obtain more favorable pricing through volume commitments.
2. A Blanket Purchase Order is prepared using the Requisition/Purchase Order Form and shall include the following information:
  - a) The period to be covered.
  - b) A cancellation clause.
  - c) Items and/or categories of items included.
  - d) Maximum and minimum quantities, if any.
  - e) Pricing and pricing arrangements.
  - f) Terms and billing arrangements.



3. Approvals

In all cases, Blanket Purchase Order releases must have the approval of the Department Head or School Principal.

4. Pricing

Price, F.O.B. terms and quantity are established before issuance of the Blanket Purchase Order.

- a) Estimated Total - When a Blanket Order is written for an estimated quantity the description of the order should read as follows:

Estimated total amount not to be exceeded without written authorization from the Chief Purchasing Agent, City of Providence. It shall be the responsibility of the vendor to notify the Purchasing Agent when nearing the estimated total.

- b) Daily time sheets must be submitted by the vendor of all hours spent and materials utilized on a daily basis and approved by an authorized City or School Department employee for all time and material releases.

5. Annual Review

Each year during the month of June, the Director of Purchasing will review all Blanket Orders established and reissue all Blankets effective June 1. A list of all effective Blanket Purchases will be issued to users each July and any other time a change occurs.

Delivery Release on Blanket Orders

1. Blanket Purchase Order Release will be utilized when a Department or



School is in need of a service or supply which falls under a Blanket Order. Each Department and School will have an ample supply of these forms.

2. Blanket Release is a Six (6) Part Form - 8 1/4 x 7 5/8

- a) The proper box is to be X'd indicating whether you are ordering for the City of Providence or the Providence School Department.
- b) Department/School name and address must be written on release form in designated areas.
- c) The date the release is being prepared by the requesting department is entered. The release number and purchase order number will be entered by the Purchasing Department.
- d) When shipped, F.O.B. point, terms, quantity and description will be filled in by the requesting department.
- e) The net and total amounts will be filled in by the Purchasing Department.
- f) The Blanket Release will be forwarded to the Controller's Office by Purchasing for signatures by the Finance Director, Controller and then returned to Purchasing for execution of Release.
- g) The clerk in Purchasing will make the following distribution:
  - 1. Purchasing Numerical File - white copy
  - 2. Vendor - white copy - mailed to vendor



3. Controller - blue copy
4. Receiving - pink copy
5. Originator - salmon copy - to be pulled from carbon set by requesting department upon completion of Request for Release.
6. Return to Originator - white copy - upon release of order.



Attachment 5

TERMS AND CONDITIONS OF PURCHASE



PURCHASE ORDER/CONTRACT

TERMS AND CONDITIONS OF PURCHASE

During evaluations of various purchases and contracts by the City Purchasing Division, it was observed that the City never purchased goods and services in accordance with a standard set of "conditions of purchase." As a matter of fact, no such "conditions" existed for City purchases. This is a highly irregular situation in any normal business environment. In virtually all buyer/seller transactions, there are "terms and conditions" on the part of both the buyer and the seller. They are commonly referred to as "boilerplate" conditions, meaning that such conditions normally are attached or accompany all such purchase/sell transactions. When buyer and seller conditions are not compatible, each party must negotiate to a mutually agreeable set of conditions which govern that particular transaction. Conditions of purchase (and sale) for the purpose of City purchasing activity rarely are compatible, but are an essential contractual item to be referenced in the event of a dispute regarding such conditions. In the event of such a dispute, if the City has not invoked Terms and Conditions of Purchase, the seller's conditions would prevail which would probably not be in the best interest of the City of Providence.

This is but another example of the unprofessional conditions under which the City Purchasing Division has operated in the past.

The Providence Management Study team, as a result of the above, has specially prepared a standard set of "Terms and Conditions of Purchase" to accompany all purchase orders and contracts. In many situations requiring "special" conditions, Purchasing Division personnel will, together with the requesting department head, prepare and attach such "Special Terms and Conditions," in



addition to the standard Conditions of Purchase.

The standard set of Terms and Conditions for City Purchases developed by the Providence Management Study group are as follows:

PURPOSE

To provide basic terms and conditions for purchase of goods and services.

1. The Chief Purchasing Agent is responsible for this procedure and ensures that it is reviewed annually or when deemed appropriate by the City Council.
  - A. Complete Agreement: This purchase order, including all conditions stated herein, constitutes the entire agreement between the parties.
  - B. Acceptance: This purchase order shall be signed and returned within 10 days. In the event that the vendor does not sign and return, it shall be understood to be an accepted document unless exception to same is received by the City of Providence or the Providence School Department within 10 days from the date of the purchase order.
  - C. Changes: The City of Providence or the Providence School Department may make changes to this purchase order. Equitable adjustment shall be made as set forth in the purchase order and/or as may be negotiated prior to delivery. Vendor may make changes or substitutions necessary to fill the requirement of the orders provided such change is approved in writing by the City of Providence or the Providence School Department.



D. Delivery: All materials are to be delivered F.O.B. destination unless otherwise noted in the order. In the event other delivery conditions are stated in the order, all shipments shall be prepaid and billed against this purchase order. In the event of error in delivery, F.O.B. point notwithstanding, vendor shall be responsible to reship, rehandle, deliver to destination at no cost to the City of Providence or the Providence School Department. Title to materials purchased by this order shall pass directly to the City of Providence or Providence School Department from seller at the F.O.B. point specified on the face of this order subject to the City of Providence or Providence School Department inspection and acceptance of same. All items shipped, or their containers, are to be tagged or marked with the number of this order and be preceded by a notice of shipment to the City of Providence or the Providence School Department at the destination of the shipment.

E. Price and Payment: The price/prices shown on this purchase order shall be firm. No taxes are included within unit prices. When purchased materials for this order are to be in accordance with plans and/or specifications, the purchase price of this order includes vendor engineering, preparations and submittal of such shop drawings, materials, lists, samples, color charts and details as the project documents require approval.

F. Warranty: Vendor warrants the supplies delivered hereunder (1) to be free from defects in workmanship and materials, (2) to conform to or other descriptions given, (3) to be suitable for the purpose intended, (4) to be of merchantable quality, and (5) if of vendor's design, to be free from defects in design. Vendor agrees to replace or correct



promptly without expense to the City of Providence or the Providence School Department thereof during a period of 12 months after delivery thereof. In the event of vendor's failure to correct or replace such supplies as required herein, the City of Providence or the Providence School Department may correct or replace such supplies and charge vendor the cost thereof. No approval by any inspector, agent or the City of Providence or the Providence School Department employee shall affect the Vendor's obligations under this warranty.

- G. Discount: The cash discount period shall be calculated from the date an acceptable invoice is received by buyer, or from the date all the invoiced supplies are received by the City of Providence or the Providence School Department, whichever is latest in time.
- H. Inspection: The City of Providence or the Providence School Department reserves the right to inspect and/or test the goods being furnished at any time during manufacture and prior to shipment, and to final inspection within a reasonable time after delivery. The making or failure to make any inspection of, or payment for or acceptance of the goods, shall in no way impair the City's right to reject nonconforming goods or to avail itself of any other remedies to which the City of Providence or the Providence School Department may be entitled, notwithstanding the City's knowledge of the nonconformities, its substantiality, or the ease of its discovery.
- I. Compliance: Vendor warrants that all goods sold hereunder shall have been purchased, sold, delivered, and furnished in strict compliance



with all applicable laws and regulations to which the goods are subject. Vendor shall execute and deliver such documents as may be required to effect or to evidence compliance. All laws and regulations required to be incorporated in agreement of this character are hereby incorporated herein by this reference.

J. No Assignment: Any assignment of this purchase order or of any rights hereunder or hypothecations thereof in any manner, in whole or in part by operation of law or otherwise without the prior written consent of the City of Providence or the Providence School Department shall be void.

K. Miscellaneous: Vendor shall indemnify and save the City of Providence or the Providence School Department harmless from any and all liability, expense, costs, damages, and/or losses of any kind arising out of injuries to any person or persons (including death) or damages to any property of any kind in connection with vendor's performance hereunder. Time is of the essence. Vendor shall notify the City of Providence or the Providence School Department promptly of any cause including any labor dispute delaying or threatening to delay performance and/or delivery.

L. Set Off: The City of Providence or the Providence School Department shall be entitled at all times to set off any amount owing at any time from vendor or its affiliated companies against any amount payable at any time by the City of Providence or the Providence School Department in connection with this order.



M. Affirmative Action (EEO): The provisions of Executive Order 11246, as amended by 11375, are incorporated by reference in this purchase order. Execution of this purchase order established a tacit commitment by the vendor to comply with all provisions of the Executive Orders and all other relevant statutes prohibiting discrimination based upon race, creed, color, sex, national origin, age, or handicap. Failure to comply can result in termination of this purchase order.

N. Savings Clause: In the event that any terms and conditions ever are declared void or unenforceable under law, that shall not serve to abrogate the entire instrument and the remainder of the terms and conditions shall continue to be in full force and effect.

O. Termination: The City of Providence or the Providence School Department may terminate this order for convenience in whole or in part.



Attachment 6

DRAFT

PURCHASING DEPARTMENT INSTRUCTIONS - PROCEDURES MANUAL

CITY OF PROVIDENCE

PURCHASING DEPARTMENT



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CITY OF PROVIDENCE PURCHASING DEPARTMENT  
INTRODUCTION TO PROCEDURES AND INSTRUCTIONS MANUAL

The purpose of the Procedures and Instructions Manual is to outline and define in detail the purchasing procedures and instructions that are used by the City of Providence Purchasing Department.

The activities of the Purchasing Department are governed by these procedures and the Purchasing Department Policy Manuals with all changes and exceptions being approved by the Director of Purchasing.

The procedures and instructions are compatible, and consistent with the applicable provisions of the City Charter and City Ordinances as they pertain to the purchasing activity of the City of Providence.

The Director of Purchasing should ensure that all subordinate City purchasing agents and other department personnel, as required, are thoroughly familiar and cognizant with the requirements and instructions set forth in this Manual, the areas of responsibility, and the methods of operation established by the Manual. The Director of Purchasing shall be responsible for Purchasing Department personnel to be indoctrinated as to its contents and use in their daily operations.



## SUBJECT

## COMPLETION OF PURCHASE REQUISITIONS/ORDER

APPLICABILITY	SUPERSEDES	EFFECTIVE DATE	PAGE	REV.	NUMBER
Purchasing			1 of		

PURPOSE

To provide detailed instructions for completing a Requisition/Purchase Order.

GENERAL

1. The Requisition/Purchase Order is to be utilized by all City Employees and School Department personnel when requesting the procurement of any materials, supplies, or services.

The Requisition/Purchase Order is designed to contain all of the necessary information and signatures relevant to the processing of the procurement within the City and School Departments. The completion of the Requisition portion, that area which is not shaded, serves to create the foundation by which the Purchasing Agent is able to form a Purchase Order which is a commitment between the supplier and the City of Providence or the Providence School Department.

The approved Requisition/Purchase Order form is forwarded to the Purchasing Department after approval by the requesting Department Director.

2. Requisitioner Instructions for Completing Office Requisition Form
  - a. The requisitioner is to complete all items in the white, unshaded portion of the Requisition/Purchase Order form only. Type or print legibly. PRESS HARD when writing; you are making seven (7) copies.
  - b. City or School - Indicate whether you are ordering for a Department within the City Structure or the Providence School Department by placing an X in the appropriate box.
  - c. Requisition No. - The Requisition No. will be prenumbered on all forms. The requesting Department will write their Department abbreviation in front of the number and the letter identifying the year at the end of the number. Ex.: Public Properties Purchasing 1984 (PPP19283K).
  - d. Department name - List Department name for which items are requisitioned.
  - e. Date - is the date the Requisition section has been filled out and sent to Purchasing.
  - f. Item - Each item requisitioned is to be numbered.
  - g. Quantity & Unit - Enter the quantity to be ordered and the unit of measure e.g., gallons, feet, pounds, etc.

Approved By: Purchasing Director \_\_\_\_\_



DEPARTMENT, SUBJECT OR TYPE OF INSTRUCTION	EFFECTIVE DATE	PAGE	REV.	NUMBER
PURCHASING - COMPLETION OF PURC. REQ./ORDER		OF		

- h. Description - Enter a detailed description of each item, include catalog numbers, colors, dimensions, weights, strengths, etc. The description should be complete enough to allow the Purchasing Agent to purchase the item without further clarification from the requisitioner.
- i. Suggested Vendor - If the Requesting Department has a particular vendor they would like added to the bidders list, the name may be written in the designated box to be scrutinized by Purchasing.
- j. Delivery Address - the Requisitioner must fill in the address to which supplies or services are to be delivered.
- k. Account Codes - the account codes are to be filled in by the Requisitioner.
- l. Date Material Required - Date material is needed must be written in appropriate box.
- m. Written By: Ext. - the Requisitioner must sign the Requisition/Purchase Order and write their telephone ext.
- n. Approved by: - Must be signed, not stamped, by Department Head or principal of School (Superintendent of Schools).
- o. Originator must retain Salmon Copy marked "Originator Copy" for department files.

### 3. Purchasing Instructions for Completing Requisition/Purchase Order Form

Upon receipt of the Requisition/Purchase Order the form is to be checked for completeness by the Entry Clerk in Purchasing. Forms received without proper approvals or incomplete information are to be immediately returned to the requisitioner. Forms with proper approvals and information are to be processed as stated below, logged and dated by department name in the Purchasing Register/Log for incoming Requisition/Purchase Order. A Purchase Order Number is to be assigned to the request by the Purchasing Clerk. The order is first identified by letter code. If it is a request from the School Department it is identified by the letters SCH preceding the Number; FED for School Federal Purchasing and CP for Central City of Providence Purchasing. All Purchase Order Numbers will be followed by a letter designating the year of the order.

- A. After reading Requisition segment of order, determine vendors to be solicited including Requisitioners suggested vendor if appropriate and enter names on reverse side of Purchasing Numerical Copy, which is entitled Bid Comparison Sheet. This step is to be accomplished by a Purchasing Agent.
  - 1. If order is under \$500.00, the Purchasing Agent will call for at least two telephone bids and enter amount on Bid Comparison form. Document at all times.
  - 2. If order is over \$500.00, but not more than \$2,000.00, obtain 3 written quotations. If it is "urgent", obtain 3 verbal bids via telephone, but have confirmed in writing by the bidders within three working days.



DEPARTMENT, SUBJECT OR TYPE OF INSTRUCTION	EFFECTIVE DATE	PAGE	REV.	NUMBER
PURCHASING - COMPLETION OF PURCH. REQ/ORDER		OF		

- a. The new quotation sheets are to be typed by the clerk typist, and signed by the Purchasing Agent. They are then mailed to each of the respective bidders. Once the bids are received, they are studied by the Purchasing Agent and logged on the Bid Comparison Sheet. The low bid is awarded after approval by the Requesting Department as to technical qualifications of the low bid, when required. All bids are reviewed by the Requesting Department.
- b. Fill in Vendor name, address and number. This name and address will be the same, which is to be listed on payment checks.
- c. Delivery Date, Terms and FOB Destination are to be entered in appropriate areas.
- d. All Unit, net prices and total calculation including any freight costs are to be computed and a total purchase order dollars volume written.
- e. If the order is a confirmation the box marked yes should be marked by an X. Confirmation of Order - Do Not Duplicate is to be written on order and underlined.
- f. The Vendor representative's name is to be written in and the date the order is being processed.
- g. The order is then sent to the Finance Department who will determine the availability of funds. If the order is approved the money will be encumbered, the order signed by the Controller and the Requisition/Purchase Order sent back to Purchasing for award by the Purchasing Agent and final distribution.
- h. The order is now ready to be assigned to the clerk to log in the Register as being completed and distributed as follows:
  1. Original copy which is white remains in the Purchasing Numerical file.
  2. The vendor copy (white) is mailed to the vendor. City invoices are now eliminated and no longer in use. Vendors are responsible for mailing in their own invoices.
  3. The Controller's copy (blue) is sent to the Controller.
  4. Purchasing Alphabetical copy is filed in Purchasing (yellow).
  5. Receiving (pink copy) is sent to Requesting Department.
  6. Return to Originator - Copy (white) is sent to requesting party.
- i. Board of Contract and Supply - When an order is over \$2,000.00 the following steps will be taken.



## SUBJECT

PURCHASE REQUISITIONS - RETURN AND CANCELLATION

## APPLICABILITY

PURCHASING

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

1 of

## REV.

## NUMBER

PURPOSE

To establish a procedure for purchase requisition return and cancellation.

GENERAL

A. Scope - This procedure outlines the steps necessary to control purchase requisitions in the following instances:

1. Purchase Requisitions Returned to the Originator (RTO)
2. Cancellation of Purchase Requisitions

PROCEDUREA. Purchase Requisitions Returned to the Originator

1. Purchasing Agent  
Write a memorandum to the originating department outlining the reasons for the return. Prepare a Purchase Order folder, mark it with the applicable Purchase Order number and the letters "NPO" (No Purchase Order). Insert copies of the purchase requisition and memorandum in the purchase order folder. Attach the original purchase requisition and memorandum to the purchase order folder and forward to the Director of Purchasing for approval.
2. Director of Purchasing  
Receive RTO package. Review package and ensure that the reason for return is justified. Sign off and forward to Entry Clerk for processing.
3. Entry Clerk  
Receive RTO package. Assure that Director of Purchasing's signature is contained on the memorandum. Input the appropriate data to the Unplaced Requisition File, initial the memorandum and forward to the applicable department. Forward Purchase Order folder to Central File.
4. Central File  
Receive NPO folder and file in Purchase Order sequence.

B. Cancelled Purchase Requisitions

1. Buyer  
Upon receipt of cancellation supplement from the originator (for other than RTO purchase requisitions), prepare a purchase order folder, mark

Approved By: Purchasing Director \_\_\_\_\_



## PURCHASE REQUISITIONS - RETURN &amp; CANCELLATION

2 OF 2

PROCEDURE (Continued)B. Cancelled Purchase Requisitions (Continued)

1. Buyer (Continued)      it with the applicable purchase order number and the letters "NPO" (No Purchase Order), and place the original purchase requisition on the left-hand side of the folder. Forward to Purchasing Entry Clerk.
2. Entry Clerk      Receive purchase order folder from the Purchasing Agent and delete the appropriate record(s) from the Unplaced Requisition File.  
  
Forward purchase order folder to Central File.
3. Central File      Receive NPO folder and file in the purchase order sequence.



## SUBJECT

PROGRESS PAYMENTS

## APPLICABILITY

Purchasing

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

1 OF 2

## REV.

## NUMBER

PURPOSE

To provide a procedure for the administration of progress payments as applicable to purchase orders.

DEFINITIONS

Progress Payments - Progress Payments are any payments made to a supplier prior to completion and delivery of the items enumerated in fixed price purchase orders. This includes: payments made as work progresses under a contract on the basis of costs incurred, or percentage of completion accomplished, or of a particular stage of completion. This term also includes payments made to cover the cost of material as outlined in GENERAL G. below. Progress payments do not include payments for partial deliveries accepted under a purchase order.

NOTE: Normally, progress payments based on percentage of completion or of a particular stage of completion, apply only to construction.

Liquidation - The application of an amount of progress payments paid against the value of a delivered item. The value liquidated is controlled by the liquidation rate stated within the Progress Payment Clause in the Purchase Order Contract.

Unliquidated Progress Payments - The sum of all progress payments made, less the amount applied to delivered items.

Uniform Commercial Code-Form 1 A financing statement giving the secured party a prior lien against raw materials, work-in-process, and finished goods in purchase orders having progress payments.

Uniform Commercial Code-Form 3 - A release of lien statement relieving the debtor of legal obligation to the secured party.

GENERAL

- A. Progress payments generally will not be applicable to purchase orders under \$10,000 for small business firms or under \$50,000 for large business firms. The period of performance should also be four (4) months or more for small business firms and six (6) months or more for large business firm.
- B. The need for progress payments shall not be treated as handicap or adverse factor in the evaluation of bids or award of purchase orders to those qualified vendors who are deemed competent and capable of satisfactory performance.

Approved By: Purchasing Director



DEPARTMENT, SUBJECT OR TYPE OF INSTRUCTION	EFFECTIVE DATE	PAGE	REV.	NUMBER
PROGRESS PAYMENTS		2 OF 2		

GENERAL (Continued)

- C. Requests to include progress payment provisions in a purchase order are to be submitted to the Finance Department for approval prior to P.O. Award. In those cases where the vendor seeks progress terms after award, the evaluation by the Finance Department should be requested and conducted promptly. Purchasing personnel are not to make firm commitments to include progress payment provisions in a purchase order until the vendor evaluation has been performed by the Finance Department.
- D. Unless a smaller amount is requested, progress payments shall be permitted as follows:
  - (1) For Small Business Concerns, 95% of the amount of the vendor's total costs incurred, less the sum of all previous progress payments. Total progress payments shall not exceed 95% of the purchase order price.
  - (2) For Large Business Concerns, 90% of the amount of the vendor's total costs which shall include only those recorded costs which result, at the time of the request, from payment made by cash, check, interdivisional notices of payments, or other form of actual payment for items or services purchased directly for the purchase order, together with costs incurred, but not necessarily paid, for materials which have been issued from the vendor's stores inventory and placed in the production process for use on the purchase order, for direct labor, for direct travel, for other direct in-house costs, and for properly allocated and allowable indirect costs, less the sum of all previous progress payments. Total progress payments shall not exceed 90% of the Purchase Order price.
- E. Special Cases - It may be desirable in certain cases to use a special clause providing for payment of the cost of material at the time of its acquisition by the subcontractor. This type of clause is permissible as long as the amount to be paid is within the guidelines (90% or 95%) of GENERAL D. above. The clause must provide for suitable verification that the costs have been incurred (such as lower tier supplier invoices).
- F. Filing Provisions - Filing of a financing statement (UCC-Form 1) is required for all Purchase Orders which contain progress payment provisions. The City files the statement and a copy of the Purchase Order with the Secretary of State and/or other cognizant official of the state in which the seller's plant is located. This requirement can be waived only by the Director of Purchasing.
- G. Final Purchase Order payment will be made upon completion of material delivery/performance under the Purchase Order.
- H. Recommendations regarding inclusion of progress payments and payment of invoices will be made by the Finance Department to the purchasing personnel. If an agreement cannot be reached, the matter shall be referred to the Finance Director for final resolution.



## SUBJECT

SELLER CLAIMS

## APPLICABILITY

Purchasing

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

1 OF

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## NUMBER

PURPOSE

To establish a procedure for processing Seller Claims.

ENCLOSURES

- Exhibit A - Acknowledgement Letter.
- Exhibit B - Certification of Requests for Equitable Adjustment or Relief Exceeding \$100,000
- Exhibit C - Adjustment Refusal Letter
- Exhibit D - "Partial Release" Letter
- Exhibit E - "Final Release" Letter

DEFINITIONS

- |  |   |
|--|---|
| Change                                 | Any City action that causes a modification to the Seller's original performance plans.  |
| Claim                                  | Seller's demand for increased compensation because of an alleged constructive or formal change, an express Purchase Order clause, or both.  |
| Constructive Change                    | A change based on City conduct, including actions or inactions, which is not a formal written change order, but which has the effect of requiring the Seller to perform work different from, or in addition to, that prescribed in the original Purchase Order. This can result from action including, but not limited to, the following: <ul style="list-style-type: none"> <li>a) Direction by unauthorized City personnel, or,</li> <li>b) Drawing or specification errors, or,</li> <li>c) Late or incorrect City Furnished Material, or,</li> <li>d) Late City approval actions</li> </ul> |
| Request for Equitable Adjustment (REA) | Seller's demand for increases in Purchase Order prices based on events which allegedly fall within the intent of express subcontract provisions.  |

GENERAL

- A. Acknowledgement - All Seller claims and/or REA's must be acknowledged in writing by the Buyer immediately upon receipt. The acknowledgement shall include a statement advising the Seller that Buyer receipt and review of his claim in no way relieves him of the contractual responsibility to continue performance under the terms of the Purchase Order. The acknowledgement letter shall be signed by the Director of Purchasing (see Exhibit A).

Approved By: Purchasing Director \_\_\_\_\_



DEPARTMENT, SUBJECT OR TYPE OF INSTRUCTION	EFFECTIVE DATE	PAGE	REV.	NUMBER
SELLER CLAIMS		2 OF		

GENERAL (Continued)

- B. Claim Evaluation - It is essential that all Seller claims be reviewed to establish both the validity of the costs claimed as well as the Seller's entitlement to payment. In making this evaluation, the Buyer shall obtain appropriate assistance from the Finance Department and other specialists, and obtain a determination of legal entitlement from City Solicitor.



## SELLER CLAIMS

3 OF

## EXHIBIT A

Subject: Purchase Order No. \_\_\_\_\_

Reference: (a) (Seller's LTR, TWX, Etc.)

Gentlemen:

This is to notify you that your (claim, request for equitable adjustment, etc.) (Reference (a)), has been received and is under evaluation by the City of Providence.

You are reminded that submittal of this (claim, request for equitable adjustment, etc.) does not relieve you of your responsibility to proceed diligently with performance of the Purchase Order, pending final resolution of your request.

You will be advised of the results of our evaluation as soon as it is completed.

Very truly yours,

City of Providence

Director of Purchasing



## SUBJECT

COST AND PRICING DATA/ANALYSIS

## APPLICABILITY

## SUPERSEDES

## EFFECTIVE DATE

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1 of

PURPOSE:

To provide instructions and the requirements for obtaining and evaluating cost and pricing data prior to award of a purchase order.

DEFINITIONS:

Price Analysis - The process of examining and evaluating a prospective price without an evaluation of the separate cost elements. This analysis involves comparisons of competitive bids, with prices paid previously for the same or similar products, published price lists, with market analysis, or independent cost estimates.

Cost Analysis - The review and evaluation, element by element, of a cost estimate supporting a company's proposal. This includes labor, which may be subject to learning curves. It also includes material, of which the major items should be analyzed to determine if (a) the vendor is obtaining adequate competition (b) City of Providence is aware of sources available at lower cost and (c) the vendor has negotiated prices downward or intends to do so after receiving P.O. award. Cost analysis used to determine if the total cost estimate approximates the dollars it should cost to perform the contract if the company operated with reasonable economy and efficiency. Judgmental factors must be distinguished from the factual data and evaluated accordingly. The factual data should be verified, as appropriate, to the size and complexity of the procurement, our past history with the supplier and recent audits.

Fair and Reasonable Price - A fair and reasonable price is one which is fair to both parties to the transaction, considering promised quality and delivery and the probability of the Seller producing as promised. The validity of the Buyer's decision that a price is fair and reasonable will depend on the factors he considered and how he evaluated them in reaching this conclusion.

GENERAL:A. Cost/Price Analysis

1. Price analysis is required on every purchase. Depending upon the dollar value and especially the complexity of the order, price analysis may have to be supplemented by cost analysis to establish the reasonableness of the final price. If the purchase exceeds \$ \_\_\_\_\_, cost analysis is required except where the price is:
  - a. Based on adequate price competition.
  - b. Based on established catalog or market prices of commercial items sold in substantial quantities to the general public.
  - c. Set by law or regulation.

Approved By: Purchasing Director \_\_\_\_\_



## COST AND PRICING DATA/ANALYSIS

OF

GENERAL (Continued)A. Cost/Price Analysis (Continued)

In all other cases, good judgement is required to determine the necessary data and depth of analysis required, while using the guidelines established below. Cost analysis is desirable on purchase orders between \$100,000 and \$500,000 when the vendor will furnish cost data.

Caution: Cost analysis helps to determine if the vendor's proposed costs are an accurate estimate of the costs that the vendor is likely to incur. Because of inefficiencies and other factors, a vendor's price may be too high regardless of the fact that his costs are realistically projected. Therefore, reasonableness of pricing cannot be established by cost analysis alone. Price analysis must be used to establish reasonableness, by asking "What should it cost?" and "What is its value to us?"

2. Responsibility for performing or obtaining cost/price analysis rests with the Purchasing Agent. Assistance by other support functions is available, if required.



## SUBJECT

## CASH DISCOUNTS

## APPLICABILITY

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

## REV.

## NUMBER

1 OF

The following information will assist Purchasing personnel to negotiate more favorable cash discounts.

DEFINITIONS

Cash Discount - An allowance extended to encourage payment of an invoice on or before a stated date which is earlier than the net date. Typical invoices are:

2% E.O.M.-10th: 2% discount allowed if paid on or before the 10th of the following month.

2% 10th Prox.: Same as 2% E.O.M.-10th.

2% 10th & 25th: 2% discount allowed if billings of the first half month are paid by the 25th of the month, and billings of the last half month are paid by the 10th of the following month.

2% E.O.M.: 2% discount allowed if paid on or before the end of the month.

2% 30: 2% discount allowed if paid on or before the 30th day.

2% 10: 2% discount allowed if paid on or before the 10th day.

Net Terms - Vendor's invoices must be paid without discount on or before due date. Typical invoices are:

Net or Net Cash: Payment due immediately.

Net 10: Due on or before the 10th day.

Net E.O.M. Due on or before the end of the month.

Net E.O.M. - 10 or Net 10th Prox.: Due on or before the 10th of the month following.

Net 10th & 25th: Due on the 25th of the month for billings of the first half month; due on the 10th of the following month for billings of the last half of the month.

Discount payment terms usually are stated in conjunction with a net term, such as 2% 10, N/30. Where the net date is not shown, the presumption is that the invoice is due net the day following the discount date.

Approved By: Purchasing Director \_\_\_\_\_



The matrix shown below ranks payment terms in order of their desirability to Electric Boat Division. Buyers should exert a concentrated effort to improve the terms on every order they negotiate. Success can add substantial savings to our cost reduction effort.

	30 days	E.O.M. 10 days or 10th Prox.	10th & 25th	E.O.M.	10 days	Cash
2%	1	2	3	4	5	6
1%	7	8	9	10	11	12
1/2%	13	14	15	16	17	18
Net	19	20	21	22	23	24

When negotiating terms:

- a. The Buyer's first objective should be a higher discount rate.
- b. Secondly, he should try to obtain a longer paying period, such as 2% 30 instead of 2% 10.
- c. A third objective should be the consolidation of payments so that the Division has to pay only once or twice a month rather than issue separate checks for each invoice submitted. This is a particularly important objective to obtain when negotiating master pricing agreement terms because the Accounts Payable Department must issue separate checks for each Delivery Request receipt unless the terms spell out unequivocally that payment is to be consolidated.
- d. As a fourth objective, the Buyer should try to seek out volume discounts wherever possible. This is frequently done by including a specific requirement in the purchase order. An example of a volume discount would be an extra 3% discount on all orders placed during an agreed period from zero to, but not exceeding \$50,000, 4% for orders placed from zero to but not exceeding \$75,000 and 5% for orders placed from zero to but exceeding \$75,000.



APPENDIX BCASH DISCOUNTS*Purchasing Personnel*

The following information will assist ~~Buyers~~ to negotiate more favorable cash discounts.

DEFINITIONS

Cash Discount - An allowance extended to encourage payment of an invoice on or before a stated date which is earlier than the net date. Typical invoices are:

- 2% e.o.m.-10: 2% discount allowed if paid on or before the 10th of the following month.
- 2% 10th Prox.: Same as 2% e.o.m.-10.
- 2% 10th & 25th: 2% discount allowed if billings of the first half month are paid by the 25th of the month, and billings of the last half month are paid by the 10th of the following month.
- 2% e.o.m.: 2% discount allowed if paid on or before the end of the month.
- 2% 30: 2% discount allowed if paid on or before the 30th day.
- 2% 10: 2% discount allowed if paid on or before the 10th day.

Net Terms - Vendor's invoices must be paid without discount on or before due date. Typical invoices are:

Net or Net Cash: Payment due immediately.

Net 10: Due on or before the 10th day.

Net e.o.m.: Due on or before the end of the month.

Net e.o.m.-10  
or net 10th  
Prox.: Due on or before the 10th of the month following.

Net 10th &  
25th: Due on the 25th of the month for billings of the first half month; due on the 10th of the following month for billings of the last half of the month.

Discount payment terms usually are stated in conjunction with a net term, such as 2% 10, N/30. Where the net date is not shown, the presumption is that the invoice is due net the day following the discount date.



APPENDIX BCash Discounts

The matrix shown below ranks payment terms in order of their desirability to Electric Boat Division. Buyers should exert a concentrated effort to improve the terms on every order they negotiate. Success can add substantial savings to our cost reduction effort.

	<u>30 days</u>	<u>e.o.m. 10 days or 10th Prox.</u>	<u>10th &amp; 25th</u>	<u>e.o.m.</u>	<u>10 days</u>	<u>Cash</u>
2%	1	2	3	4	5	6
1%	7	9	9	10	11	12
1/2%	13	14	15	16	17	18
Net	19	20	21	22	23	24

When negotiating terms:

- a. The Buyer's first objective should be a higher discount rate.
- b. Secondly, he should try to obtain a longer paying period, such as 2% 30 instead of 2% 10.
- c. A third objective should be the consolidation of payments so that the Division has to pay only once or twice a month rather than issue separate checks for each invoice submitted. This is a particularly important objective to obtain when negotiating master pricing agreement terms because the Accounts Payable Department must issue separate checks for each Delivery Request receipt unless the terms spell out unequivocally that payment is to be consolidated.
- d. As a fourth objective, the Buyer should try to seek out volume discounts wherever possible. This is frequently done by including a specific requirement in the purchase order. An example of a volume discount would be an extra 3% discount on all orders placed during an agreed period from zero to but not exceeding \$50,000, 4% for orders placed from zero to but not exceeding \$75,000 and 5% for orders placed from zero to but exceeding \$75,000.



## SUBJECT

SOLE SOURCE PURCHASES

## APPLICABILITY

## SUPERSEDES

## EFFECTIVE DATE

PAGE  
1 OF

## REV.

## NUMBER

PURPOSE:

To assure that originators of purchase order requirements, who limit procurement to a sole source, provide adequate written justification for such sole source purchases. To assure proper internal review of a buyer's action when a buyer elects to award purchase orders on a non-competitive basis.

DEFINITION:

Sole Source - Refers to purchases that must be placed with one supplier because item is proprietary in nature (patented or licensed) or because there is only one manufacturer.

GENERAL:

- A. Scope - This procedure pertains to all sole source procurements regardless of the reason or dollar amount.
- B. Justification - The requisition originator shall complete a Sole Source Justification when the item must be procured from only one source due to technical or other compelling reasons. The form shall state the reason for the sole source recommendation and be approved at least by two supervisory levels higher than the originator. The form shall be filed in the purchase order folder except in the case of part numbers. In all cases of sole source procurement, reasonableness of pricing must be carefully analyzed as well as documented in the purchase order folder.

PROCEDURE:

1. Purchasing Agent      Review sole source purchase requisitions for adequacy of source justification and approval authority.  
  
When additional sources are available and/or the justification provided by the originator is insufficient, bring the matter to the attention of your Director. If the Director approves, return the purchase requisition to the originator requesting additional justification or rescission of the sole source recommendation.
2.      When the originator has not designated an item as sole source, but the Purchasing Agent proposes to award a purchase order on a non-competitive basis, the Purchasing Agent must complete the Sole Source Justification form.
3.      When purchasing from a sole source all purchase orders will be reviewed and approved by the Director of Purchasing.

Approved By: Purchasing Director \_\_\_\_\_



## SUBJECT

CONTRACTOR SERVICES

## APPLICABILITY

Purchasing

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

1 of

## REV.

## NUMBER

PURPOSE

To establish a procedure for the processing of purchase requisitions for labor and facility services not covered by Blanket Service Agreements.

DEFINITION

Labor Service - A service contracted from a vendor to supply labor to do work normally performed by City employees, such as engineers, accountants, or tradesmen.

Facility Service - Work performed by an outside contractor involving services, such as road construction, excavating, paving, erection of buildings and/or docks, etc.

GENERAL

- A. Scope - This procedure covers labor services and facility services performed under a purchase order. It excludes Master Pricing Agreements and Master Service Agreements.
- B. Minimum Basic Insurance Coverage for Contractors - The minimum insurance requirements by contractors for work on City property are specified in P.O. All insurance policies shall be issued by companies authorized to do business under the laws of the State of Rhode Island shall be in a form satisfactory to the City, and shall contain a provision prohibiting cancellation except upon at least thirty (30) days prior notice to the City. Certified copies of said policies or certificates evidencing such insurance shall be submitted to the Purchasing Department ten (10) days prior to start of work. A copy of the policy or certificate will be placed in the Purchase Order folder. The policies or certificates shall indicate by endorsement that the Contractor is insured against the risks assumed by the Contractor.
- C. Processing Purchase Requisitions for Labor Services

1. Buyer Ensure that the purchase requisition contains Finance Department approval. Contact the vendor promptly and authorize the labor services according to existing procedures.

Note

In emergency situations, the Buyer may accept a verbal request for labor services.

2. Ensure that the purchase requisition contains provisions for Vendor's Time and Material Record, Invoice Approval Forms, as applicable.

Approved By: Purchasing Director \_\_\_\_\_



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C. Processing Purchase Requisitions for Labor Services (continued)

3. Process the purchase requisition assuring that the rate structures, expenses, etc., are clearly outlined in the purchase order. Also show the order of magnitude of total cost for Accounting commitment forecast purposes.
4. Ensure that the labor services are performed in a timely manner.
5. Receive two (2) copies of the Vendor's Time and Material Record from the requester. Record the purchase order pricing on the VTMR and check for completeness and accuracy. Assure timely submittal of VTMR's by periodically checking the tab run of outstanding labor services.

Note

A VTMR will be prepared whether the City will be invoiced for the service or not.

6. Sign and forward one (1) copy of the VTMR to Controller's Office. Place the Purchasing copy in the purchase order folder. Resolve incomplete or inaccurate VTMR's with the originator and/or Purchasing Director.



## SUBJECT

SUPPLEMENTS TO PURCHASE ORDERS

## APPLICABILITY

Purchasing

## SUPERSEDES

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1 OF

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PURPOSE

To provide guidelines for the control, processing, and issuance of supplements to purchase orders.

DEFINITIONS

Supplement - A supplement is the document which reflects the amended provisions of an awarded purchase order.

"Closed" Purchase Order - A purchase order is considered closed when all material is received, inspected, accepted, and final payment has been made.

GENERAL

- A. A supplement must be specific, concise, comprehensive, and clear in content and purpose.
- B. Prior to issuing a supplement to a purchase order, the P.A. is responsible to assure that:
  1. Board of Contract and Supply approval is obtained where applicable.
  2. The purchase order is still open. A "closed" purchase order cannot be supplemented to add new hardware requirements as a line item on the purchase order. Instead, a new purchase order must be issued and the previous purchase order referenced.
  3. The physical status of the order is such that the intent of the supplement can be accomplished by the Vendor.
  4. The incorporation of the amendment directed by the supplement is in the best interest of the City from a cost and delivery standpoint. Supplementary requisitions which do not conform to these criteria must be resolved with the originator or other responsible City personnel prior to processing and incorporation into the order.
  5. "No-price-change" supplements require written agreement from the Vendor.
  6. Interim direction issued to Vendors via telegraph or letter require the approval of the Director of Purchasing.
  7. All buyer originated supplements which change either the price or delivery of an issued purchase order must be approved by a Chief or Director of Purchasing prior to issue. The Chief's or Director's approval may be indicated by initialing the face of the supplement or by appropriate documentation in the purchase order folder.

Approved By: Purchasing Director



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GENERAL

B. (continued)

8. The options in the purchase order are protected. If a supplement changes the unit price(s) in the order and the purchase order contains options, the PA should negotiate a change to the option clause at the time he negotiates the change to the purchase order.

- C. When amending a purchase order, the requesting department prepares a purchase requisition supplement, identifies it as a 1st, 2nd, 3rd, etc., supplement and assigns the same number as the order it supplements. Supplements issued for internal distribution only are identified as A, B, C, etc.



## SUBJECT

VALUE ANALYSIS

## APPLICABILITY

Purchasing

## SUPERSEDES

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PURPOSE

To define and establish a procedure for the value analysis of all purchases and to relate value analysis to other Purchasing Department Cost Saving Programs.

DEFINITION

Value Analysis is the study of a procurement in order to achieve the lowest cost without impairing the reliable performance of the City or product functions affected. This is an investigative technique which attempts to limit procurement to only that which is necessary to perform the required function. Any cost saving resulting from the work of buying personnel in this area must be distinguished from savings associated with employee suggestions (due to the fact that value analysis is a job related function) and from certain cost avoidance/reductions as explained below.

Value Analysis is applicable only to the original specifications and work scope of the purchase order.

Examples of Value Analysis:

1. Substitution of a different part to perform the same function.
2. Simplification of the part; i.e., elimination of unnecessary or non-functional design.
3. Elimination or combination of manufacturing steps.
4. Elimination of the part.
5. Utilization of lower cost material or tooling.
6. Utilization of higher cost material for lower total cost.
7. Utilization of a different method of fabrication.
8. Alteration of the part so that standard commercial material or parts may be employed.
9. Elimination of unnecessary specifications and requirements.
10. Elimination of Sole Source Procurements through originator acceptance of like or equal items.

Approved By: Purchasing Director



## VALUE ANALYSIS

2 OF

DEFINITION (Continued)

A cost reduction or cost avoidance which does not result from a change in the original specification will be considered a normal buying function, not value analysis. Examples:

1. Vendor negotiations, including savings from the use of Estimated Cost Breakdown and Certification of Current Pricing.
2. Multiple and volume procurement cost savings.
3. Cash discounts and freight improvements.
4. Awards to a new vendor who will supply the same item at a lower cost.
5. Use of General Services Administration (GSA) or State of Rhode Island pricing.
6. Utilization of surplus material if it is the same as original specifications.

GENERAL

- A. Scope - All Buying personnel will adopt the value analysis approach to cost evaluation and apply it in their activities. All items must be considered including those which are purchased consistently.
- B. Responsibilities
  1. The PA will investigate, evaluate, and implement any potential cost savings associated with his/her procurement and -
    - a. Decide whether a cost saving or a potential cost saving is the result of Value Analysis or a normal buying function.
    - b. Take any necessary actions of a technical nature, and work with originating departments to develop, evaluate, and implement the cost saving.
- C. The method of value analysis should emphasize a functional approach. The PA must:
  1. Thoroughly understand the facts on the item's structure, material composition, operation, and elements of cost.
  2. Develop a clear, simplified understanding of the function to be accomplished, in order to comprehend the basic purpose or end use of the item.
  3. Formulate alternatives, such as those listed under the definition in this PDI, through creative thinking and imagination.



## SUBJECT

DEPT NAME

CORRESPONDENCE, INCOMING AND OUTGOING

## APPLICABILITY

Purchasing

## SUPERSEDES

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PURPOSE

To provide control of all correspondence and to assure that all correspondence is routed to the appropriate action party.

GENERAL

- A. Distribution - Incoming mail will be sorted and distributed to Purchasing Department personnel.
- B. Vendor Correspondence - Vendor correspondence demands a prompt and courteous reply. This applies to correspondence pertaining to issued orders, a specific quote, a request to be placed on bidder's list, and all general correspondence.
- C. Policy Matters - Correspondence involving policy matters must be referred to Purchasing Department, Chief or Director.

PROCEDURED. Incoming Correspondence

- 1. Mail Clerk  
Receive and date all incoming vendor and inter-department correspondence and telegrams.
- 2.  
Place all correspondence in appropriate mailbox. Personally deliver all registered, certified, classified and special delivery mail and TWX's. Log and obtain signature of recipient on registered and certified mail.
- 3.  
Direct correspondence to the Chief or Director when an employee is absent, has terminated or transferred to another function.
- 4. All Purchasing Department Personnel  
Pick up correspondence from mailbox daily. When action is required by another individual, forward the correspondence to your immediate supervisor.
- 5. Chief  
Determine who is required to take action and forward the correspondence to the affected person.

Approved By: Purchasing Director



## CORRESPONDENCE, INCOMING AND OUTGOING

2 OF

PROCEDURED. Incoming Correspondence (continued)

## 6. Action Party

Take immediate action to resolve the matter and make an appropriate reply to the sender of the correspondence. Where action is required by a party outside of the department, initiate a memo stating the problem, action required, and required response date.

## 7.

When a complete reply cannot be furnished within twenty-four (24) hours, acknowledge the correspondence with a statement that a formal reply will follow as soon as the research is completed or the problem is resolved. This reply may be made by means of a handwritten message.



## SUBJECT

VENDOR VISIT CONTROL

DEPT NAME

## APPLICABILITY

Purchasing

## SUPERSEDES

## EFFECTIVE DATE

## PAGE

1 of

## REV.

## NUMBER

PURPOSE

To establish a uniform system for scheduling and receiving vendor representatives in a businesslike manner.

GENERAL

- A. Technical Discussions - Requesting departments are authorized to contact vendors or potential vendors and, when necessary, to schedule their visits to the City Department for technical meetings and discussions only. All departments are required to obtain a Purchasing representative for all discussions that require firm price and delivery information.
- B. Vendor Visits to Purchasing - All visits at all times will be handled by appointment only.

Approved By: Purchasing Director \_\_\_\_\_



## SUBJECT

PRINCIPLES AND TECHNIQUES OF NEGOTIATION

## APPLICABILITY

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PURPOSE:

To acquaint all Purchasing personnel with general guidelines to be followed when negotiating the essentials of a contract with a supplier.

GENERAL:A. Scope

This PDI applies mainly to major procurements, i.e. in excess of \$10,000. However, some of the techniques will undoubtedly be applicable to smaller purchases. It is up to the Purchasing Agent's discretion and good judgement to determine the extent of the application of the contents of this procedure.

B. Use of Negotiation in Purchasing

Negotiation is the mutual discussion and arrangement of the terms of a transaction or agreement. Procurement by negotiation is the art of arriving at a common understanding through bargaining on the essentials of a contract such as delivery, specifications, prices and terms. Basically, negotiation involves the use of logic, persuasion and, in some cases, economic pressure to reach agreement areas in which opposing parties have divergent interests. While negotiation is usually thought of in terms of initial pricing and terms and conditions, it may encompass many more areas of the procurement cycle. Contracts often provide for changes in the original terms and conditions which will require negotiation later. The following is a representative list of areas in which the Buyer and Seller may negotiate.

1. The price, terms and conditions of the original contract.
2. Adjustments in the furnishing of property and facilities.
3. Changes in delivery points, carriers or packaging.
4. Changes in drawings and specifications.
5. Variations in quantity.
6. Price revisions under escalation and incentive clauses of the contract.
7. Problems in the acceptability of individual items of cost under cost-type contracts.
8. Overhead rates for cost-type contracts.
9. Termination settlements and problems in disposal of property, scrap and surplus.

Approved By: Purchasing Director



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## GENERAL (Continued)

### B. Use of Negotiation in Purchasing (Continued)

10. When supplies or services can be obtained only from one source of supply.
11. When no acceptable bids have been received from responsible bidders.
12. When it is impractical to draft exact specifications or detailed descriptions of certain supplies or services.
13. An unknown amount of construction, maintenance, repairs, alterations or inspection.
14. Construction where a contractor, or group of contractors, is already at work and it would not be practical to allow another contractor to work on the same site, or where the amount of additional work is too small to interest other contractors.

### C. Organization for Negotiation

Many minor procurements involving negotiation can be conducted either in person or on the telephone and can be readily resolved without extensive preparations by either Buyer or Seller. However, a major procurement may involve problems in accounting, pricing, legal and technical areas and no one man can possibly be knowledgeable in so many fields. Even if such a person did exist, he would not be able to handle the entire job of preparing, planning and executing a complex negotiation alone. Thus on complex negotiations, the negotiating team, may include the Purchasing Agent and his supervision, a Cost/Price Analyst, and assistance from Engineering, Legal and other disciplines as required. The team leader will be the Purchasing Agent or Purchasing Chief. Utilization of the aforementioned personnel will depend upon the objectives and complexity of the procurement. Negotiations may best be organized by utilizing the following techniques.

1. Planning the Negotiation Objectives - Prior to negotiation, the Purchasing Agent should establish the negotiation objective. Setting out simply to whittle off a certain percentage of the Seller's estimate or getting the best possible price is not enough. The Purchasing Agent should determine a dollar amount for cost and for profit which he/she will attempt to negotiate. Depending on the amount of information available and the Purchasing Agent's ability to judge the validity of the Seller's proposal, this objective may be more or less flexible. He should put his objective and the reason for his approach in writing for use as a record of the negotiation. The Purchasing Agent's objective should be to establish a reasonable total package for the procurement. He must be careful not to consider the Seller's proposal as the point from which to negotiate since a reasonable price for a particular supplier may be completely unreasonable for basic value of the item. The Purchasing Agent's objective should be based on the point at which a responsible Seller's chances of overrunning or underrunning the estimate are about the same.

The Purchasing Agent, in the original request for proposal, can ask for cost information in detail so that he can decide if the Seller's estimates are realistic.



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### C. Organization for Negotiation (Continued)

2. Alternate Positions - Even though plans are to issue a fixed price contract, it is especially important for the Buyer to have alternate types of contracts ready, particularly when dealing with a supplier for the first time or when there are strong implications during the course of the negotiation that to reach a reasonable price will require a switch to a incentive type contract.
3. Minimum and Maximum Positions - In addition to the objective, the Purchasing Agent should plan his minimum and maximum positions. The minimum should be carefully prepared even though the Purchasing Agent does not anticipate settling for it. Even though the Purchasing Agent has a lower objective in mind, he still must have a maximum position. The maximum should be chosen after careful analysis of the Seller's proposal and other information associated with it. It should have as a basis the highest costs that could be reasonably generated by the procurement. It becomes in effect a take-it-or-leave-it figure. It may be modified, however, by the strong bargaining position of the Seller, the urgency of the requirement and the availability of alternate sources.
4. Comparison of the Buyer's and Seller's Objectives - The Buyer should attempt to analyze the Seller's objective and the minimum. The Seller's maximum is already known from his proposal. This information can be used as a gage in a prenegotiation conference to feel out the Seller's true position.
5. Organizing the Issues - An issue is the element of a negotiation upon which there is disagreement because of opposing interests. In planning, the Purchasing Agent must determine all the points of difference between the Seller's proposal and his own objectives.

Sometimes simply defining the issues clearly points out that there are more areas of agreement than disagreement. On the other hand, it may bring to light items considered issues by one party and not by the other.

The Purchasing Agent should next consider the ramifications of each issue. A development of issues becomes an orderly guideline for the Purchasing Agent, provides him with a basis upon which to plan his strategy and tactics and is helpful in summarizing the progress of the negotiation later.

It is important that all issues be backed by valid data.

Once the issues have been defined and the Purchasing Agent has determined his position, he is ready to make decisions on the tactics he will use in the negotiations. At this point, he is planning the approach which will be modified and refined during the fact-finding session prior to the start of actual negotiations.



## PRINCIPLES AND TECHNIQUES OF NEGOTIATION

OF

GENERAL (Continued)C. Organization for Negotiation (Continued)

6. The Purchasing Agent's Strategy and Tactics - In the early stages of the negotiations, the Purchasing Agent's overall strategy must be to take the offensive. He has a choice, however, of tactics which he may use, depending on his method of presenting the issues. The Purchasing Agent can plan his basic offensive from one of three choices: Reveal no position, reveal a minimum position, or reveal the minimum and objectives.
  - a. Reveal no position - This strategy is used quite often when the Purchasing Agent has no cost or price analysis or other realistic information on which to bargain.
  - b. Reveal a minimum position - The second and most commonly used strategy is for the Purchasing Agent to reveal his minimum position as an initial counterproposal.
  - c. Reveal the minimum and objectives - The third approach open to the Purchasing Agent is to reveal the minimum figure and then immediately offer his objectives. This provides the Purchasing Agent with very little bargaining room and may be considered by the Seller as a sign of weakness.

D. The Process of Negotiation

Basically, negotiation involves the use of logic, persuasion, and in some cases, economic pressure to reach agreement in areas in which opposing parties have divergent interests. Some of these techniques proved by experience to be effective are discussed below.

1. Use of Questions - Questions are the most important tools available to a negotiator. By the proper phrasing of a question, he may either attack an opponent's position, defend his own position, evade a touch question, or control the progress of trend of the negotiation session.

The most effective questions are not those answered by a "yes" or "no", but those that probe for substantial facts and revealing information. The manner in which a question is asked and the attitude displayed by the questioner have strong bearing on the progress of the negotiation. Questions should be carefully planned and skillfully used. Questioning intelligently and with a purpose is an art.

2. Types of Questions - There are many types of questions, but the following classifications are particularly appropriate for negotiation.

- a. General - a question directed to the group, usually exploratory used to establish the limitation of the discussion, or to define terms.

Example: Does the agenda appear satisfactory to everyone?

- b. Direct - addressed to an individual in specified terms. In negotiation, the direct question is a most effective means of taking the initiative. Once the question is asked, the Purchasing Agent should refrain from further conversation. This places the opposite party in the position



## PRINCIPLES AND TECHNIQUES OF NEGOTIATION

OF

D. The Process of Negotiation (Continued)2. Types of Questionsb. Direct (Continued)

of either answering the question, evading it, pretending to misunderstand, or of redirecting the question. Vagueness or refusal to answer, of course, may provide more information than the answer to the question itself.

Example: Mr. Black, how do you propose to meet this delivery schedule?

c. Leading - may be phrased so as to suggest an answer.

Example: Don't you think our price is reasonable?

d. Factual - phrased so as to require the person questioned to provide specific information.

Example: What is the base of allocation of your overhead rate?

e. Require Explanation - phrased with such words as: why, when, what, who, which and how.f. Ambiguous - purposely have two or more meanings. No question should be answered in negotiation, until the intent is fully understood.

Example: These labor hours do not look right. Can you explain them? Since the Seller cannot determine, from the question, the reason or intent (are the figures too high or too low?), he should respond: What is wrong with them?

g. Controversial - While it is seldom good policy to deliberately inject controversy, sometimes it is useful as a smoke screen to arouse response, either to sidetrack an issue or to break down the other person's control in the hope that he will betray information.

Example: I don't think you want to reach an agreement in view of the tactics you are using, do you?

h. Provocative - designed to incite an answer.

Example: Are you negotiating or are you stating a position from which you do not intend to move?

i. "Yes" or "No" - one of the most dangerous types and should be asked only if the questioner thinks the answer will be affirmative, or unless he is willing to accept a negative reply. Once committed, a person is very reluctant to change his mind, since status and face-saving become involved.

Example: Is this your final offer?

j. Redirected - returns an ambiguous or potentially embarrassing question by reversing it.

Example: Which aspect of the labor hours are you interested in? This technique may be used a number of times, but should not be carried to extremes.



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## D. The Process of Negotiation (Continued)

### 2. Types of Questions

- k. Relay - a reverse question relayed to another person at the table. Again using the ambiguous labor hours question as the situation for example: Mr. Jones (the Buyer's engineer) has reviewed our proposal and I know he paid particular attention to this subject. What were his findings on our labor hours estimate?

- 3. General Points on the Use of Questions. Although the wording of questions will vary with the purpose and the stage of the negotiation, some points should be kept in mind. A question should leave no doubt as to the exact meaning unless it is deliberately ambiguous or provocative. A question can be phrased in either commendatory or derogatory terms. Questions should be asked in a normal conversational tone, allowing the words to carry the desired emphasis, and should be phrased as if an answer is expected, whether it is or not. When a question is unanswered, don't let the person flounder indefinitely, but make it obvious that you recognize that he has evaded the question.

Avoid questions which antagonize, create a feeling of inferiority, or cause other unfavorable reactions. And finally, personalities and sarcasm should be kept out of all questions.

### 4. Other Negotiation Techniques.

- a. Pretended Misunderstanding - Useful when the statement is not clear. Pretended lack of understanding forces clarification and gives you time to prepare an answer.
- b. Pro and Con Analysis - Helpful in getting all of the facts and in considering both sides before arriving at a conclusion. It is also useful in summarizing the other side's arguments and using them to your own advantage. It can be used to correct faulty thinking, to force an impartial consideration of the problem, and to put a negotiation on a professional level. It can be used to correct an obvious mistake by the other side without coming out with a flat statement that they are wrong.

- E. The Negotiation Session. The negotiation of a contract may involve 10 or 15 major points between the two parties and many more minor points. These should be considered one at a time and each should be certain that the other understands the problem being discussed.

- 1. Defining the Problem. In defining the problem, it is necessary to establish clearly: (1) the facts and conditions, (2) the assumptions made by both sides, (3) the words used mean the same thing to both parties, and (4) the criteria that will be used to evaluate. Although normally a first requirement, it often becomes necessary to redefine a sidetracked problem in order that the negotiation may continue in an orderly fashion. Once an issue is advanced, both sides should confine their discussion to that issue until it is resolved, or until deliberately put aside. Of course, either side may purposely attempt to evade a problem and the other side should be on the alert to prevent it.

The meetings of the parties should be divided into two parts: the fact-finding period and the actual negotiation.



## PRINCIPLES AND TECHNIQUES OF NEGOTIATION

OF

GENERAL (Continued)

## E. (Continued)

2. Fact Finding. During the Buyer's preliminary planning for the negotiation session, he should have made use of all the information available to him to determine the reasonableness of the Seller's proposal. From this analysis, he should have developed tentative objectives and minimum/maximum positions on a number of issues which he anticipates will arise in the negotiation. He should check the issues and the negotiation objectives which he has selected in the first phase of negotiation - called the fact-finding session - to be sure that he has understood the Seller's proposal and will not be forced to withdraw or change his position early in the negotiation because of a mistake in analysis. This would weaken the Buyer's position during the rest of the negotiation.

The purpose of the fact-finding session, therefore, is to check inconsistencies between the Buyer's and Seller's cost information and/or misunderstandings of the Seller's proposal. The Buyer should be careful, during this period, not to reveal his position on various issues. The areas in which the Buyer considers the problems lie will be obvious to the Seller, but not the Buyer's position. By keeping his objectives and his analysis of the proposal to himself, at this point, the Buyer protects himself, since, if the facts developed in the fact-finding session cause him to change his position, he will be able to do this without the Seller ever knowing.

During the fact-finding session, the Buyer will generally use detailed questions to secure information on specific points in the Seller's proposal. The Buyer may also ask broad general or ambiguous questions in the hope that he will bring out unsolicited information from the Seller. Many Buyers will simply ask the Seller to justify each cost element in his proposal in the hopes that he will be able to catch the Seller in an inconsistency. If the Buyer's questions develop vague or veiled answers, he may then probe deeper into the particular areas by re-phrasing the question, by using a different approach, or by postponing it and coming back to it later. The Buyer's strategy in the fact-finding session is one of a concealed offensive. He should keep his questions factual and ask them in a conversational tone. Once he has asked a question, he should listen carefully and analyze the answer. The Seller, on the other hand, during this period, will probably answer on the direct questions and confine his answers to the absolute minimum. During this stage, the Seller will often use the redirected question as a defensive weapon. It is important to remember that the person who asks the questions has the initiative, not the one who is doing the talking.

Negotiation should not start until the issues to be negotiated have been thoroughly defined by both parties. Therefore, during the fact-finding session, no counter-arguments should be offered by either side to points made by the other. This is extremely important since this is fact finding; not negotiating, and one may betray his position or waste arguments at the beginning stages of negotiation which may be valuable later.

During this period, both parties should make an attempt to analyze the other person's point of view. The Seller should attempt to determine by the questions asked by the Buyer, and the Buyer by the answers and attitude of the Seller to the questions asked, the importance attached to the issues



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### E. (Continued)

2. involved. It is during this period that both sides engage in initial feeling-out processes to determine the attitudes and ability of the opposing team.

The Buyer should continue his fact finding until he has a complete understanding of the Seller's proposal, has established realistic issues, and has secured sufficient information so that he can determine his position. If his fact finding has been conducted skillfully, he has also determined the basis of the Seller's position, and has determined the strength of the Seller's probable stands on particular issues.

3. Recess Planning. Following the fact-finding session, a recess should be called. In a small procurement, his recess might simply be a short period of time to enable each team to discuss the points developed in the fact-finding session with the other members of his team, to revise issues and positions, and to develop the strategy and tactics which will be used in the actual negotiation. In a major negotiation, this recess may last several weeks or more. Both sides should now have a fairly good idea of the important issues in the negotiation and the positions which each side will probably take. In addition, each should have a fair idea of the negotiating ability, the team integration, and the knowledge of the proposal evidenced by the other negotiating group. The Seller should have been able to evaluate the type of negotiator with whom he has to deal, and depending on how specific and pointed the Buyer's questions are, he should have some idea of the extent of the actual cost and price data available to the Buyer.
4. Seating Arrangements. Once the fact-finding session has been concluded, and the two teams get together for the actual negotiation, the first test of strength will probably be on the seating arrangements provided. Since the Buyer is generally the host, he will be responsible for the arrangements.

In many cases, the Buyer will assume the role of leader of the negotiation. This is perfectly proper, but to be fair, he should not attempt to place himself in th position of both judge and jury. Such an advantage can be obtained merely by seating himself at the head (or the end) of the table and placing his team members on one side with the Seller's negotiators on the other. The Seller may not accept this arrangement, but may place his principal negotiator directly facing the Buyer.

The Seller may also attempt to scatter his team members, placing them in between and beside the Buyer's team, placing them in advantageous positions to determine their opponent's strategy.

The best seating arrangement for both parties is to have both teams facing each other down the sides of an oblong table with the principal negotiators for each side facing each other flanked by their respective team members. The team members should be paired off on opposite sides of the table, Price Analyst and Price Analyst, Counsel with Counsel, Engineer with Engineer, etc.

5. Lighting. Proper lighting is as important as proper seating arrangements. Some negotiators have been known to try to obtain psychological advantages by skillful use of lighting. If one team is seated in a position where the



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### E. (Continued)

5. light from a window shines in their eyes, then they are placed at a disadvantage. Many people broadcast inner feelings by means of facial expressions, and if the light is improper, one may not be able to interpret how the opposition is receiving or denying the proposition being set forth.
6. Development of an Agenda. Since a negotiation session is essentially a conference, it should have an agenda. The agenda is based on the issues that are to be the subject of the negotiation. It should be established by mutual agreement. At this point, there is another major test of strength in the negotiation and that is whether or not the issues will be negotiated one at a time and a resolution reached prior to moving to the next issue, or whether all the issues on the agenda will be established and negotiated individually without a final resolution until there is a complete settlement of the package.

Negotiating one issue at a time is best for the Buyer since it enables him to conceal his strategy and tactics. The Buyer should outline or list all the issues in the negotiation. The justification for this, of course, is that the negotiation is not to resolve individual issues but to reach an overall resolution of the entire problem, or the entire contract. Another advantage of listing the issues is that it will enable the Seller to secure additional information where it is required. On the other hand, the Buyer, if possible, should attempt to secure agreement on each issue prior to moving to the others, since this will prevent the Seller from trading off one issue against the other. For many obvious reasons, it is advantageous to the Seller not to reach agreement on any specific issue until he has established some idea as to the total extent of the concessions which the Buyer will demand of him. If the Buyer is adamant and refuses to outline all the issues in the negotiation, the Seller is still not defeated. He may simply discuss each issue as advanced by the Buyer and may refuse to give a definite answer regarding the issue until all the issues have been revealed.

7. The Negotiation. Once the negotiation starts, the Buyer takes the offensive by outlining his position on the various issues. He presents supporting points, logic, and appeals to reason, to encourage the supplier to change his point of view. As each issue is presented, the Buyer attempts to convince the Seller that the Buyer's position is sound and that the Seller's interests will be protected (if not maximized) by agreeing with the Buyer. On the other hand, the Seller will attempt to convince the Buyer of the validity of his position and the risks which he is taking at the price quoted for the procurement. It is important not to belabor a point. Each side should state its position in broad terms rather than in specific ones. In the event of objection to a proposed approach, an effective technique is to state the objective, justify its reasonableness, and ask the opponent how he would achieve this objective or how it could be achieved without lessening his position.

If an agreement on a particular issue cannot be reached, the issue should not be belabored. If all the issues have not been covered, then the points of difference should be summarized and agreement reached to move to another issue. Each side should continually keep in mind that this stage of negotiation is discussion of all issues to determine the total difference between two parties. The actual negotiation does not start until both sides



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7. know what concessions will be asked. Where the validity of a particular issue cannot be resolved, the negotiation should move to another issue. The settlement of a subsequent issue may automatically settle the one upon which agreement cannot be reached. It is important to show movement. Depending upon the order in which the issues are being discussed, it may be necessary to switch tactics completely. For instance, if the issues are being considered in the order of their importance, and if no agreement can be reached on major issues, it may be necessary to switch to lesser ones to develop a pattern of agreement. All aspects of each issue must be negotiated. If this is not done, unresolved problems or fringe areas remaining in issues, may come out at later stages in the negotiation and be more troublesome then or require a renegotiation of the entire issue.

The Seller may not finally agree to any one point but may agree only to a complete package. He may reach tentative agreement as to how each issue will be resolved, with a provision that it depends upon reaching reasonable agreements on later issues.

8. Caucus. A recess for the purpose of caucusing with one's team can be utilized by either party throughout the negotiation as frequently as may be desired by the principal negotiators. The caucus tactic can be utilized to accomplish a variety of maneuvers:
  - a. To clarify or solidify a position.
  - b. To regroup the entire team for a major change in position or approach.
  - c. To confuse the opposition.
  - d. To censure or bolster an individual member of the team.
  - e. To purposely slow down the negotiation.
  - f. To appraise the position of the opposition.
  - g. To prepare rebuttal or the introduction of new information.

Use and timing of the caucus recess should be planned and executed skillfully. Such a recess can run from a few minutes to a few hours, but should not be used for extended periods of time.

The team leader should avoid calling a caucus when the opposition has made a strong argument that cannot be immediately defended. Instead, he should proceed tactfully to the next issue and at some point when he has gained an advantage, call a caucus recess to discuss the problem in question with his team. In so doing, he is not revealing a weak position on a particular issue and has injected some confusion into the negotiation, since the opposition will not realize the purpose for a caucus at that time.



## PRINCIPLES AND TECHNIQUES OF NEGOTIATION

OF

## GENERAL (Continued)

## E. (Continued)

9. Compromise. Neither side should compromise simply to shorten the negotiation unless further pursuit is not economic. The purpose of negotiation is not to reach an agreement for agreement's sake, but rather to seek maximum benefit to both parties. Each issue should be negotiated completely and thoroughly. Negotiators for both sides should take pride in their ability to develop logical persuasive reasons why the other side should agree with their positions. Making concessions is an orderly process based on reason and persuasion. In a majority of cases, it soon becomes obvious which side has the strongest or most logical reasoning to support its position. If the fundamental basis of the negotiation is to arrive at a reasonable settlement fair to both parties, then, at this point, the other side could reasonably be expected to change its position and to agree either wholly or partly with the other side. If, however, bargaining strength is the major underlying factor in the negotiation, then, at this point, a negotiator may have to continue to refuse to recognize the logic of the other person's position, even when it becomes completely apparent. Where this happens, the only recourse is to change the subject. Negotiations will vary depending upon the skill, attitude and particular strategy and tactics used by both sides. Some negotiators will use persuasion and logic. Others will use harsher methods. The more sophisticated will use a combination of methods depending upon the importance of the issue under consideration.
10. Use of Bargaining Strength. While negotiation is inherently a reasoning and logical process, it cannot be divorced completely from its economic aspects and from the bargaining strength of both sides. Ultimately, the final resolution of the problem may rest on the bargaining strength of each party. This should be obvious to both sides, therefore, there is no need to call attention to it at the bargaining table. The bargaining position of each side, in other words, is their concealed "ace in the hole", and the effective negotiator is one who can give the impression of negotiating logically and reasonably, even though the negotiation will really be finally settled depending upon the bargaining strength that he has. This applies to both sides but particularly to the Seller, since it enables him to negotiate a settlement rather than forcing one, thus preserving the good will of the other side and maintaining a sound basis for future relationships.
11. The Crux of the Negotiation. As the negotiation proceeds, each issue is brought out, thoroughly analyzed and discussed, and resolved if possible. Eventually, as a result of the negotiation, the crux or hard core of the negotiation is reached. Usually the Buyer's objective and the Seller's objective represent the most difficult part of the negotiation. If this difference is relatively small, the obvious answer is to compromise the different points of view. In other cases, the bargaining strength of either party may be used to secure an agreement at or close to its particular objective. If, for example, the agreement on the total cost estimate is within approximately 5%, both sides have the basis for a fixed price contract, and, at this point, either compromise or bargaining strength may be legitimately used to resolve the issue.

On the other hand, if the objectives of the Buyer and the Seller are a considerable distance apart, after the negotiation of all issues involved, there may be no basis for a reasonable compromise. It is, at this point,



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11. that consideration must be given to other alternatives. For example: if, in the final stages of negotiation, the Buyer and the Seller are 20% apart in their evaluation of the reasonable cost for the procurement, the Buyer may consider changing the type of contract to either a redetermination or an incentive type contract and soliciting a new offer. If a different type of contract is proposed, the Seller may suspect that the Buyer's estimate of the actual cost of performance is more reasonable than his own. This may encourage him to change his position. For in a redetermination or an incentive type contract and soliciting a new offer. If a different type of contract is proposed, the Seller may suspect that the Buyer's estimate of the actual cost of performance is more reasonable than his own. This may encourage him to change his position. For in a redetermination type contract, downward only, he would be allowed only the actual cost of his performance and his dollar amount of profit would be subject to negotiation at the conclusion of the contract. An incentive contract, while better for the Seller than a redetermination contract, will allow him to keep only a small portion of any savings which he may develop under the contract. In these circumstances, the Seller may be willing to compromise to secure a firm fixed price contract.

Both sides must be flexible at this point if an agreement is to be reached. Each side should recess and prepare their bargaining position. It is at this stage that the real "hard-nosed" bargaining begins since each side is fighting close to it's own territory. Concessions are usually made only on a "quid pro quo" basis. The negotiation at this stage may become quite heated as one side or the other presses for advantage. The Buyer threatens to get another source. The Seller insists he won't sell at a "loss". The principal negotiators threaten to go over each other's head to the respective superiors. This type of discussion can bring out the best or the worst in a negotiator. If he can become vehement without becoming obnoxious, if he can exhibit determination, not stubbornness, if he can apply his bargaining strength without leaving lasting wounds, and if he can gain a victory or take a defeat and smile gracefully, he can consider himself a negotiator.

12. The "Door Knob" Price. It is important to remember that while agreement is the object of negotiation, it may not always be possible to reach an agreement. Where either one side or the other seems to be unreasonable, it may be necessary to settle the negotiation on the basis of the relative bargaining strength of both parties.

Negotiation does not imply that either side must sacrifice a legitimate objective in order to secure agreement. Rather, it should be considered as a process by which the position of both sides is maximized. In order to bring the negotiation to the final test, it may be necessary to find out whether the other side had made its final concession. Here the technique of the "door knob" price can be used. The negotiator makes his final offer with - in effect - his hand on the door knob, ready to leave if the offer is refused. It is based on the theory that neither side knows whether or not the other has reached rock bottom until on or the other threatens convincingly to break off the negotiations. It requires skill in giving the proper



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12. impression, skill in evaluating bargaining position, and even more skill in retreating gracefully if the negotiator finds he has overestimated his own strength or underestimated either the bargaining position or the determination and courage of his opponent.
13. When to Call Off the Negotiations. In some cases, the parties are either so stubborn, evenly matched or think they are, that no amount of logic, persuasion, or bargaining strength results in agreement. It may be necessary to bring the negotiation to an ultimate test of bargaining strength to end the negotiation. If the Buyer is under pressure from his technical personnel to place the contract and to secure the item or services involved, and if there is a deadline on the delivery schedule beyond which other phases of a more important project might be sacrificed, the Buyer may have to give in to the Seller's demands. On the other hand, if the Buyer has alternate sources, or if the delivery schedule is not pressing, or can be changed, the Buyer is in a stronger bargaining position. Neither side, of course, should let the other know explicitly how much it needs the other, even though both sides may have developed a pretty good idea along this line during the period of negotiation.

At this stage of the game, success will go to the person who has the best bargaining position or simply the courage to outwait the other one. Outwaiting the other side is sometimes difficult, particularly for the Seller if he wants the contract badly and is not sure how much competition is present in the procurement. But failure to say "no" and to go home and wait is sometimes the difference between a successful negotiation and a poor one.

A complete breakdown of negotiations should be avoided because it is sometimes difficult to get them started again. Each side should continue to develop its arguments and if new ones can be developed, they should be presented. Each side should be on the alert to provide the other party with a face-saving out when the time comes to resume negotiations. Which side gives in first and accepts the other's offer depends on the circumstances of the procurement and the skill and courage for the negotiators involved.

14. Negotiation of Contract Terms. Many Buyers and Sellers consider the negotiation finished when the price and the delivery schedule has been decided upon, but it is just as important to reach agreement on all the terms and conditions of the contract. This is especially true in the case of complex instruments where contracts have many detailed terms affecting both the supplier's costs and the benefits he receives for performing the contract. For this reason, all contractual terms should be carefully evaluated. Inspection, security, delivery, patent and proprietary data requirements and many others all have specific cost aspects.

A complete understanding should be reached on all contractual terms during the negotiation, including standard clauses. Many Buyers feel that the Seller understands the use of standard clauses and their effect on the contract and will include them in the final contract. However, all too often this is not true and it may become necessary to reopen negotiations in order to reach agreement on disputed points, and to prepare a corrected contractual document.



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14. Substantial delays are thus incurred, and much additional effort is expended. Just a little more time checking the list of standard clauses to ensure that they properly belong in the contract and that each party specifically understands the application and meaning of each clause to be included will save time and money for both sides. particular attention should be given to variations of standard clauses used by the different companies. It is desirable to resolve all questions on contract terms prior to negotiating pricing.
15. Methods of Summation. A summary is a brief and comprehensive presentation of the facts, statements or agreements reached at the negotiation. The majority of negotiations cover many points and last for a considerable period of time. The summations are the devices by which it is "packaged". In particularly lengthy negotiations, summaries and conclusions may be required at transitional points. The number of transitional or intermediate summaries required depends entirely on the length and the complexity of the items discussed. It may also depend upon how experienced and accomplished the negotiators on each side are.

Intermediate summaries should be definitely used in two cases, namely, where a major point of issue has been resolved during the negotiation and where a major issue has been exhaustively analyzed, cannot be resolved and is being deferred to later in the negotiation period or a later date. To avoid going over the same ground again, a summary should be made of the discussion, the points that have been agreed to and the points upon which no agreement has been reached and the method by which both sides expect to review the issue.

Where negotiations last over several days, a summary should be developed at the end of each day's session outlining the accomplishments of the day. A summary is even more important where the negotiation is recessed for a period of time. Negotiators for both the Buyer and the Seller may change or individual team members may change. Therefore, it is important that the agreements reached be summarized and that the areas of disagreement be clearly defined.

16. Reduce all Agreements to Writing. Both sides should make certain that a common understanding on the meaning of all contract clauses has been reached before ending the final negotiation conference. If some vital conditions have been overlooked or misunderstood, the Seller may find himself in the position of being forced to refuse to sign a contract when it is presented to him, making it necessary to reopen negotiations. Delays in starting work under the contract may ensue, with resultant failure to meet delivery schedules, and, in some cases, with expensive disruption to the Seller's production schedules. It is desirable, therefore, to put the essential terms of the agreement in writing before the negotiation conference is ended. If the Buyer seems unwilling to dictate the agreement himself, the Seller should do so in his presence, particularly if there has been considerable difficulty in reaching an agreement. The memorandum of understanding regarding negotiation should reference each clause which will be in the final contract document. This is important since in many cases the personnel negotiating the contract do not draft the final contract instrument.



## PRINCIPLES AND TECHNIQUES OF NEGOTIATION

OF

## GENERAL (Continued)

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17. Cost or Pricing Data - If the Seller furnished Cost or Pricing Data in accordance with PL 87-653 requirements, the record of negotiations should reflect the extent to which the Seller data was relied upon. The Seller should also be requested to execute a Certificate of Current Cost or Pricing Data certifying that the data he furnished was accurate, current, and complete as of the date of the agreement on price.



IV. PERSONNEL



PLAN OF ACTION FOR PERSONNEL MANAGEMENT REFORM

Executive Summary of the Personnel Team Report

Personnel Team:

Howard N. Kay, Outlet Communications, Inc. - Team Leader

Walter P. Casey, Puritan Life Insurance Company

Allan W. Drachman, Esq., Holland, Crowe & Drachman

Joan Sackett, Joan Sackett Associates

In-House Labor Relations Specialist Needed

The Providence Management Study Personnel Team concluded that the principal issue that needed resolution was strengthening labor negotiation and arbitration practices and procedures. To accomplish this in an effective and efficient manner, the position of Deputy Director/Labor Relations should be established in the Personnel Department, to replace the current Deputy Director's position.

This new Deputy Director/Labor Relations need not be an attorney, but should have at least three years experience in labor relations and/or be a graduate of a recognized college or university labor relations program. This individual would be responsible for:

- Coordinating contract negotiations, including the preparation of management proposals and the City's bargaining objectives; strategy sessions; bargaining sessions; periodic survey of salaries, fringes, hours and other negotiating issues;

- Assisting department directors in handling grievances; final step



grievance hearings before arbitration; and be the principal City-wide liaison with City unions; as well as

-Assisting the Director of Personnel in other areas of personnel management and serving as Director in his absence.

This position is so critical, that the Team recommends adding it, its minimum qualifications, and its responsibilities to the City Charter.

The City currently retains outside labor counsel for these purposes, which costs approximately \$100,000 annually. A good portion of the salary and overhead for this in-house capability could, therefore, be offset by the reduced need for outside counsel, whose role will be relegated to consultant to and spokesman for labor policies developed internally.

Implementation of this principal labor relations recommendation should result in improved administration of labor-management relations because of:

- Centrally coordinated labor contract negotiations, with the Personnel Department's developing a bargaining position for the City, administering the contract, handling grievances, and managing the arbitration process.
- Strategically involving the Mayor and key directors in labor negotiations.
- Filing of a fiscal impact statement on settlements.



- Strengthening managerial consciousness.

#### Central Personnel Administration Yet to be Attained

Because the Personnel Department should play a key role in the controlling of City costs, the Study Team feels it should report to the new Director of Administration, which will also require a Charter amendment.

The Team was also concerned about lack of progress to implement a central personnel management system and standard policies and procedures to administer it. This is also a high priority in the Team's opinion, and the incumbent Personnel Director has now set target dates for establishing a comprehensive personnel policy for City employees which will then be summarized in an employee handbook, so that City workers will know the ground rules which govern them. This will promote better employee morale and stability.

In order to effectuate a truly centralized personnel system, however, the following organizational procedures must also be implemented to:

- Consolidate the resources of the Personnel Department.
- Maintain up-to-date job descriptions.
- Establish professional screening committees to find the most qualified people and remove patronage from key appointments.
- Revise other hiring procedures as well.
- Automate Personnel records, which are a key part of a personnel management system.



Training and Professional Development Are Vital, Too

Since there are virtually no training programs for new or existing employees, inefficiency may result--especially when inexperienced people are hired and not properly oriented to their responsibilities and duties. This lack of personal development opportunities also becomes a discouraging and frustrating factor for employees wishing to improve themselves and advance.

To rectify this situation, it is recommended that the City:

- Appoint a Training Officer.
- Immediately begin a training program for supervisors and other mid-level managers.

The Training Officer's salary and the costs of in-house labor relations specialists should be offset by economies achieved through less use of outside legal counsel and a reorganized Personnel Department.



PERSONNEL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

Personnel Team:

Howard N. Kay, Outlet Communications, Inc. - Team Leader

Walter P. Casey, Puritan Life Insurance Company

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## PERSONNEL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

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Attachment 1 - Timetable for Proposed Personnel Manual

Attachment 2 - Promulgated Policy on Employee Discipline

Attachment 3 - Table of Contents for a Typical Employee Handbook



# PERSONNEL MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

## INTRODUCTION

The City's Personnel Department was created by Article IX of the Providence Home Rule Charter of 1980, which became effective January 1, 1983. Prior to that date there was no Personnel Department per se, and personnel matters were handled by the Finance Department. Exclusive of the School Department, the City of Providence has approximately 2,500 full-time employees. Of this number, approximately 1,100 are administered by the Police and Fire departments. The remaining 1,400 full-time employees are theoretically administered by the Director of Personnel.

## CENTRAL PERSONNEL ADMINISTRATION

### Present Operations

The first full-time Personnel Director was not selected until September, 1983. Notwithstanding his complex charge to install and implement a personnel policy, draft and implement comprehensive procedures, and conduct day-to-day personnel management, the Personnel Director was not provided with adequate staff or appropriate office space once he was appointed. He was physically separated from members of his staff. His files were retained and maintained by the Director of Finance. He was faced with an "avalanche" of arbitration proceedings resulting from contested layoffs, all of which required extensive documentation and research.

As of July 31, 1984 the Acting Director of Personnel had a staff of seven, including himself, one Equal Employment Opportunity Officer, one claims examiner, one legal secretary, and three clerks. In addition, the Director of



Finance had personnel clerks and technicians working under his supervision, most of whose duties related to maintaining the personnel files which he still retained.

### Evaluation

Despite the Charter requirement for a Personnel Department, headed by a professional director and charged with implementing a standardized personnel policy, only now, some 20 months after the Charter became effective, is there even a rudimentary beginning of meaningful, centralized personnel management.

While there has been some staff and file consolidation, some members of the staff remain physically separated from the Director. This is also the case with a portion of the personnel files. This results in fractured responsibility and limited control. Further, there is no automated, centralized personnel system; records are still maintained by hand.

To rectify this situation and establish a true centralized, standardized personnel administration system for the City of Providence, the following recommendations are imperative:

### THE PERSONNEL DEPARTMENT SHOULD REPORT TO THE NEW DIRECTOR OF ADMINISTRATION

Because of the obvious linkages that exist between the personnel function and controlling the costs of City government, this Department should report to the new Director of Administration, recommended in the Finance Team's report. This will give the Personnel Director appropriate input as a member of the City's management team and will provide greater coordination with the other units which are a part of this new organization during the budget process. This will require a Charter amendment.



### ESTABLISH AND PROMULGATE A COMPREHENSIVE PERSONNEL POLICY FOR CITY EMPLOYEES

No comprehensive or definitive collection of standardized personnel policies or procedures for City employees currently exists. Thus, there are no uniform procedures or practices governing such key functions as hiring, firing, attendance control, disciplinary procedures, recordkeeping, etc. Procedures frequently vary from department-to-department and, for all practical purposes, are implemented according to the dictates of the department directors.

A good start has now been made, however, with the preparation of a Code of Conduct and Ethics for City employees, which has been enacted as a City Ordinance. The Acting Director of Personnel is also preparing directives covering a broad spectrum of personnel policies and practices. A list of directives under preparation, with a suggested schedule of draft dates, is included as Attachment 1.

These directives, and others which are to follow should be completed, approved and promulgated as a matter of the highest priority so that uniform personnel practices may be implemented quickly. In fact, Attachment 2 was recently promulgated as the official procedure governing disciplinary actions against City employees.

Completing this action will help eliminate current uncertainty and confusion and standardize personnel procedures throughout the City, while at the same time contributing to better employee morale and stability.

### PUBLISH AN EMPLOYEE HANDBOOK

Since there is no comprehensive personnel policy/administrative procedures manual, it follows that there is no handbook available for retention by



individual employees summarizing policies/procedures and regulations. As a result, the only publication which offers a comprehensive description of employee relations vis-a-vis management is the published agreement between the City and Public Service Employees Local Union 1033.

While the union contract can and should be made available to employees, under no circumstances should it be considered a substitute for an employee handbook published by the City. As quickly as sections of the comprehensive City personnel policy manual are approved and promulgated, those sections should be summarized and published so that each employee retains a personal personnel handbook. A listing of items which typically might be covered in such a handbook is included as Attachment 3.

#### CONSOLIDATE THE RESOURCES OF THE PERSONNEL DEPARTMENT

As noted, the Director of Personnel is physically separated from certain members of his staff and some vital personnel files. Until recently, the incumbent operated in a makeshift office, constantly distracted because he was easily accessible to "drop-in" traffic. He had no secretary and his files were housed in the office of the Director of Finance. They were maintained by personnel clerks and technicians working under the direct supervision of that Director. This arrangement resulted in split responsibility and blurred authority.

To rectify this situation, steps should be taken immediately to ensure that:

- The Director of Personnel and his entire staff are co-located;



- All personnel files are maintained by the Director of Personnel, but a system installed which provides for a smooth and expeditious flow of information to other users of these files, e.g., the Director of Finance; and
- The personnel staff should be organized on a functional basis along the lines described in Exhibit 1.

The organization chart shown on Exhibit 1 calls for only one new employee to be added to the payroll, the Training Officer, whose duties will be described in a subsequent recommendation. The Director, Deputy Director, EEO/AA Officer, Claims Examiner and two (2) clerks are in place. Other positions currently performing personnel functions in the Finance Director's office should be consolidated in the Personnel Office.

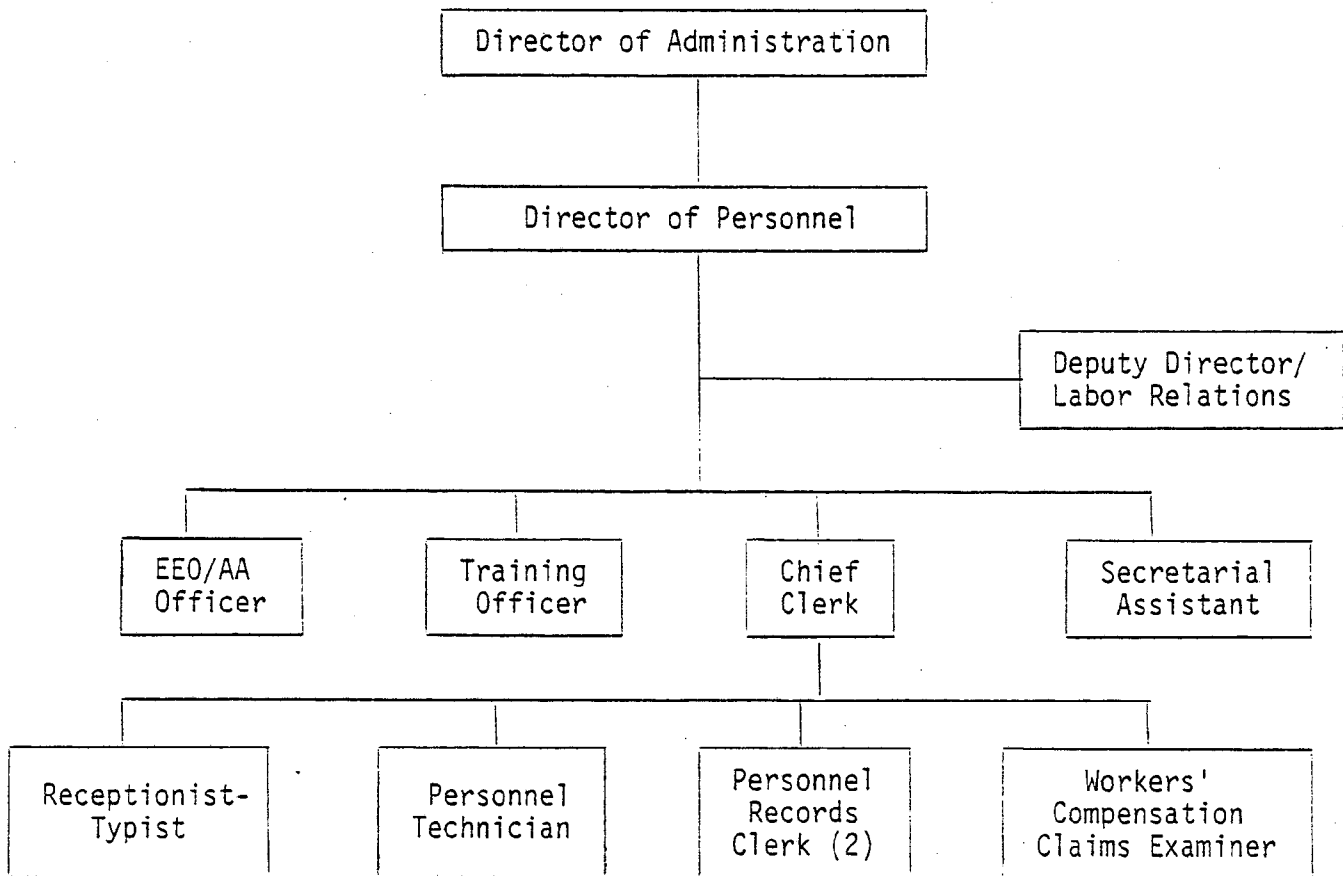
The current Deputy Director's post should be replaced with a Deputy Director/Labor Relations, whose qualifications and duties and responsibilities should be spelled out in the City Charter. This essential position is described further in a recommendation in the Labor Relations section following.

As the personnel functions of the City become gradually more centralized, an increase in the clerical staff of the Personnel Office may be required. In all likelihood, this would entail the transfer of personnel clerks and positions from other departments and would not necessarily require an increase in the City's workforce.



Exhibit 1

Proposed Organization for City Personnel Department





### MAINTAIN UP-TO-DATE JOB DESCRIPTIONS

A combination of outdated job descriptions, including those of managers and department heads, at City Hall, coupled with conflicting and overlapping job descriptions in the various departments has skewed the City's classification plan. Furthermore, in some departments, directors create new jobs as a device for giving a raise to a deserving employee at the top rate of an existing job.

The City can control this by establishing as a function of the Personnel Department the updating of all job descriptions and the conducting of periodic job audits at the workplace.

### ESTABLISH PROFESSIONAL SCREENING COMMITTEES FOR KEY POSTS

This report recommends many actions necessary to improve the operational effectiveness of Providence City government. Perhaps none is more important, however, than identifying and hiring the most qualified professionals for the crucial positions to be created, or currently existing but remaining to be filled. Appropriate professional screening committees should be established to assist in this crucial task.

The City has already used this approach with great success; the current Director of Finance was recruited by such a committee consisting of private sector finance experts who recommended three names to the Mayor, who retained the final appointing authority. The Finance and Purchasing Teams also recommend using similar committees to screen applicants for the Directors of Administration and Purchasing, respectively.

This approach should be adopted for use generally during the coming months as the newly-elected Mayor looks for department heads and other key managers to



serve in his administration. Screening committees composed of several representatives of the public and private sector, and including representation from the appropriate discipline (e.g., when hiring a Fleet Manager, include someone with fleet management experience) should conduct a national search for the individual to fill each slot. This committee would review the qualifications of the applicants (who should, in most cases, include current City employees and other local candidates), conduct interviews with the most qualified individuals, and recommend three possibilities to the Mayor, who would, of course, make the final decision.

Using this approach will insulate the Mayor from patronage charges and help ensure that true professionals are hired to manage the City.

#### REVISE OTHER HIRING PROCEDURES AS WELL

To assure that job applicants meet minimum qualifications, that City personnel practices are followed, and that patronage is minimized, the Personnel Department should screen the applicants referred or recruited from any source, test for minimum qualifications, apply affirmative action and EEO criteria and forward to the appointing authority a specific number of finalists, from among whom a hiring decision will be made.

#### AUTOMATE PERSONNEL RECORDS

Providence currently has an automated payroll system; however, it cannot or has not been modified to also maintain necessary personnel records (see "Payroll Processing" in the Finance Report). Recommendations in the Finance section address the need to improve the personnel/payroll component of the City's data processing system.



The advantages of such an automated personnel system are described more fully in that report, but one obvious benefit would be the ability to better monitor sick leave and overtime to discover trends and possible abuses. Recording and tracking vacation and sick time to identify the City's potential liability in those areas are also valuable by-products of accurate and current automated personnel files.

## LABOR RELATIONS

### Present Operations

Municipal collective bargaining has existed in states with mature industrial economies since 1965. Providence is not unlike many other Northeastern cities which have had collective bargaining superimposed on a framework of legal anomalies, political patronage, and, in some cases, rigid civil service rules.

Collective bargaining is a two-way street which contemplates that the City will act as management when it deals with unions representing City employees. The concept of strong management need not and should not be translated into anti-union animus or behavior. However, it does put the responsibility on the Mayor and the City Council to place a higher value on labor agreements that reflect the City's management needs and the public interest even at the risk of loss of union political endorsements.

The City of Providence has no in-house labor relations function, officers or employees, despite a City Charter requirement that the Director of Personnel "aid the Mayor in all negotiations with collective bargaining units."



(The following comments and recommendations do not apply to school and uniformed personnel, except where specifically stated). The City retains outside counsel who, as part of his contractual responsibilities to the City, performs labor relations functions such as negotiations and representation at arbitration hearings. The City pays for these services on an hourly basis, at an annualized cost to the City of approximately \$100,000 in each of the two most recent years.

The former Mayor had been personally involved in the negotiation of all City agreements. Outside counsel had consulted with the Police and Fire Chiefs concerning negotiations with the uniformed services and with the Superintendent and staff of the School Department concerning the administration of school labor contracts. However, outside counsel did not generally consult with other City departments in the negotiations of the laborers contract.

#### Evaluation

As a result of the City's failure to institutionalize its labor relations function, the City has suffered in the following major respects:

- There is no process for preparing management proposals for negotiations. As a result, the City is constantly playing defense to the union's proposals, decided how much to give, without any consideration of realistic tradeoffs to benefit the City.
- There is no effective process for grievance resolution and labor contract administration.



- Department directors and assistant directors have very little concept of what it means to be "management" in a labor relations context.
- The promotion process is overly weighted toward seniority. For all practical purposes, a junior employee who is clearly more qualified gets no shot; minimally qualified employees are locked in for a career. Everything is in-bred; little if any opportunity exists for lateral entry. There is very little opportunity for interdepartmental career advancement.
- The layoff procedure is in disarray. A "bottoms-up" system, with seniority regardless of job classification governing, is too inflexible and deprives the City of its ability to target layoffs to positions or programs not needed.

Although the Study Team did not feel it was within its purview to make recommendations on them, it did note some unusual contract provisions or omissions in the City's contracts which should be addressed in the future:

- Laborers' contract
  - City pays health insurance for laid off employees for the full three-year recall period.
  - No management rights clause.
  - No restriction on the number of designated stewards or the amount of union time off.
  - Dual pensions benefits.



- Fire contract

- Mandatory filling of vacancies.
- Contractual table of organization.
- Minimum manning.
- Cancer presumptively job-related.

- Police contract

- Minimum staffing.
- Seniority governing assignments.

The key recommendation, therefore, is to hire a labor relations specialist to assist the Personnel Director and the Mayor, not only in contract negotiations but also in developing personnel policies, classification plans, job descriptions, etc. This in-house expertise would then relegate the role of outside counsel to consultant to and spokesman for labor policies developed internally. These and other benefits of the Study Team's recommendations are fully explained below:

ESTABLISH A DEPUTY DIRECTOR/LABOR RELATIONS IN PERSONNEL

The Personnel Department should establish a Deputy Director/Labor Relations to replace the current Deputy Director's position, and an attorney from the City Solicitor's Office should be assigned to handle routine labor arbitrations and related matters under the guidance of outside labor counsel.

In order for the Personnel Department to coordinate contract negotiations and administration, it needs competent staff to perform these functions. The Deputy Director/Labor Relations would be responsible for the following:



- Coordinating contract negotiations, including the preparation of management proposals and the City's bargaining objectives; strategy sessions; bargaining sessions; periodic surveys of salaries, fringes, hours and other negotiating issues.
- Assisting department directors in grievance handling; final step grievance hearings before arbitration; be the principal City-wide liaison with municipal unions.

This person would not have to be a lawyer but should have at least three years of experience in labor relations and/or be a graduate of a recognized college or university labor relations program. The Study Team felt that the position was so critical that its minimum qualifications and responsibilities should be added to the City Charter.

The current Deputy Director's position should be replaced by a new Deputy Director/Labor Relations position, whose salary might have to be in the \$30,000-\$35,000 range in order to attract a true professional. This figure should, of course, be reviewed by the Mayor and Director of Personnel as to its appropriateness.

The salary of the staff attorney would depend on his level of experience and the extent of other duties. A good portion of these additional in-house salaries and overhead will be offset by cost savings in reduced utilization of outside labor counsel, which currently costs the City approximately \$100,000 per year.



### HONOR LABOR AGREEMENTS

The City must strive to maintain relationships with its labor unions based on mutual respect, honorable labor agreements and a problem-solving attitude toward grievances.

The unions have to understand that when the City takes a tough negotiating stance to change contract language to strengthen managerial prerogatives, the City is not engaged in an anti-union effort. The City on its part must learn to live with its contract until an agreement is renegotiated. The City can show good faith and can become more credible by being more selective on adverse arbitrations which it appeals to court and by honoring routine arbitrations without forcing the unions to go through the expense and tedium of judicial confirmations. More to the point, the City should settle a higher percentage of its weak cases up front, without the necessity of expensive arbitration. By honoring existing contracts the City may find the unions more flexible when the contracts are up for renegotiation.

### CENTRALLY COORDINATE LABOR CONTRACT NEGOTIATIONS

The Personnel Department should coordinate labor contract negotiations with unions representing police, fire fighters and School Department employees as well as with Laborers Local 1033 representing other City employees.

A representative of the Personnel Department should be able to participate as a member of the negotiating team in all such contract negotiations and should be welcome to accompany the chief negotiator to management strategy sessions with the School Committee and Superintendent, or with the Public Safety Director, Police Chief or Fire Chief.



The Personnel Department's role in grievance administration should be to supplement the internal labor relations capability of the School Department, and to be the chief labor relations backup to the Police and Fire Departments.

THE PERSONNEL DEPARTMENT SHOULD DEVELOP THE CITY'S BARGAINING POSITION

The Personnel Department should be responsible for developing the City's bargaining position, with the assistance of outside labor counsel, for recommendation to the Mayor.

Making the Personnel Department responsible for developing the City's bargaining position institutionalizes collective bargaining as a governmental labor relations process and will benefit Providence in the following ways:

- Coordinating proposals from department directors, guiding them in realistically assessing their operations and in turn being influenced by the day-to-day field problems of contract administration.
- Determining the City's priorities in the upcoming negotiations for recommendation to the Mayor. This process will permit the Mayor to balance and weigh legitimate City needs and union needs, as well as political factors, before a settlement is reached.
- Improving the performance of outside labor counsel-negotiator by elevating his role to creatively advising Providence how it can achieve a more management-oriented contract at a low cost and still permit the Mayor to maintain good labor relations.



### INVOLVE KEY CITY DIRECTORS IN PREPARING FOR CONTRACT NEGOTIATIONS

Although collective bargaining is supposed to be a two-way street of "give and take," in recent years the City does not appear to have been as aggressive in labor relations as the unions.

This is contrary to the approach that other jurisdictions have taken in recent years to echo the private sector and demand justifiable givebacks within the framework of an affordable package. It has also fostered a public perception that the political tradeoff between a negotiated settlement and political support by the union is more important than improving departmental operations.

Departmental problems which continue unresolved from contract-to-contract add measurably to the cost of settlement. In addition, lack of consultation has cost the City valuable bargaining chips. For example, a department which is contemplating the hiring of staff to perform work formerly contracted out would have a valuable chip to play at the bargaining table instead of implementing the decision after settlement with no quid pro quo.

Consulting with directors in advance of contract negotiations would improve the situation at no cost to the City. Such involvement would strengthen the directors' self-image as managers by giving them a stake in the outcome of negotiations--it will make them more knowledgeable about the contract and more responsive and responsible for good contract administration, reducing the slippage of non-contractual, sloppy past practices disadvantaging the City.

Ultimately, the Mayor may decide on a settlement that puts some departmental issues on the back burner for future negotiations. That is perfectly all right--so long as department directors have had viable input.



### THE MAYOR SHOULD DISTANCE HIMSELF FROM LABOR CONTRACT NEGOTIATIONS

The Mayor's personal, direct involvement in the actual labor contract negotiations in Providence has created the impression that concessions may have been traded for political support with very little quid pro quo for the City.

The Mayor can and should allow the City's labor relations professionals to conduct the negotiations in the City's behalf as well as in the Mayor's interest. The best way to extract value for the City as an employer is to let his negotiators act as his buffer in negotiations.

The Mayor's role should be to approve negotiating parameters with advice from key staff, and ultimately to sign an agreement once reached. Occasionally he might call both negotiating teams to a meeting to "clear the air," but that should be the exception rather than the rule.

### FILE A FISCAL IMPACT STATEMENT ON SETTLEMENTS

In Providence, rarely does the Mayor request from the City Council a supplemental appropriation to fund the first year of a newly negotiated collective bargaining contract. The practice has been to bury the first year cost of settlement in a proposed City Budget prepared prior to the conclusion of negotiations. As a result of this process, the cost of a direct wage increase is frequently well publicized. However, many other expensive concessions which impose substantial costs on the taxpayer remain outside public view.

The filing of a detailed financial impact statement with the City Clerk's Office will provide the following benefits:



- Employees and taxpayers alike will get the full picture of the value of their wage and benefit package and of a settlement.
- The Mayor will be fully accountable for all financial aspects of a settlement, not just the wage portion.

The format of the financial statement should be to show the cost items both as to dollar cost and as to its percentage equivalent. For example, the statement should indicate as a benchmark the dollar value of a 1% increase in pay for bargaining unit members. Against this benchmark should be measured the cost of other benefits. For example, if a salary differential is payable, the City would estimate the number of people affected, construct an annualized dollar figure, and translate that into an aggregate percentage of bargaining unit cost.

The Personnel Department should be responsible for preparing and filing such statements for the Local 1033 contract. Similar statements should be filed for police and fire contract or arbitration awards over new contract terms and for School Department contracts.

THE PERSONNEL DEPARTMENT SHOULD BE RESPONSIBLE FOR LABOR CONTRACT ADMINISTRATION, GRIEVANCE HANDLING AND THE ARBITRATION PROCESS

The grievance handling process in Providence is not a system at all.

Grievances usually pass through the various steps with no little apparent effort made to settle or resolve, until they finally end up in the hands of outside labor counsel.

This non-system deprives the worker of prompt resolution and swift justice.



Of equal importance is the City's abdication of its management responsibility. The key to changing the system lies in institutionalizing labor relations in the City's Personnel Department, which should function in the following areas:

- Preventive labor relations advice to department directors.
- Assist department directors and the immediate supervisors outside of bargaining units to be more responsible for effective contract administration. This means backing them to the hilt when they are right, educating them when they are wrong, and training them to deal effectively with grievances as soon as they arise.
- Make the decision in-house whether to settle or arbitrate, with advise from outside counsel. The general policy should be to settle the weak cases and arbitrate only potential winners. By being more realistic about settling cases that should be settled, the City will be encouraging more constructive labor relations.
- Handle routine arbitrations in-house, referring to outside counsel only the cases involving big dollars, or key issues of principle. This will be less expensive than referring all cases to outside counsel.

#### STRENGTHEN MANAGERIAL CONSCIOUSNESS

The Personnel Department should strengthen managerial consciousness by developing a compensation plan, fringe benefit program, training package and



due process disciplinary procedures for City managers, who should be excluded from union representation.

Strong management is the key to improving employee productivity, eliminating no-shows, and controlling sick leave abuses. It is also the key to effective labor contract administration.

Managers should be excluded from belonging to the same union as employees they supervise. City managers should not be dependent on the union which negotiates for the employees they supervise. A separate compensation plan, coupled with salary decisions independent from collective bargaining (usually after settlements have been completed) will bolster their management identification.

Another problem with the current structure is the fact that many City managers are covered by the Local 1033 Pension Fund with contributions paid for by the City. This provisions gives the wrong message by marrying the managers to the union instead of to the City. It is recommended that when a manager is replaced, his successor should not become covered under the Local 1033 Pension Fund, and that this contractual provision should be terminated in the successor contract negotiations. The City should create its own attractive benefit package as a substitute for the union pension program.

However, pay and benefits alone do not a manager make. The Personnel Department must bolster its efforts to provide effective management training (see below), due process procedures and support, particularly in labor relations.



### BROADEN PROMOTIONAL OPPORTUNITIES

The promotional process should be expanded to allow a clearly more qualified, junior employee to be selected and to permit interdepartmental promotions.

Some directors have complained that Article VIII of the Local 1033 Agreement governing promotions, precludes the selection of a junior employee who is clearly better qualified or more able than a senior applicant for a promotional vacancy. Notwithstanding the reference in Section 6 to a trial period for the successful bidder, the reference in Section 4c to seniority governing when qualifications and ability are "relatively equal" suggests that the City would win if it could convince an arbitrator that the junior employee is clearly more qualified or able.

The provision in Section 4 requiring the City to give "first consideration" to filling all promotional vacancies from within the department where the vacancy exists has been rigidly interpreted to limiting promotional opportunities to the narrow confines of particular departments. This leads to serious in-breeding and inhibits career development among clerical and administrative employees. The Personnel Department should consult with department directors to develop a bargaining position on white-collar promotions and to determine whether to test the waters under the existing contract or to seek a contract modification.

### THE LAYOFF SELECTION PROCEDURE IN THE LABORERS CONTRACT SHOULD BE RENEGOTIATED AS A FIRST PRIORITY OF THE CITY

Layoffs should not be regarded as a cure-all for municipal fiscal crises. Layoffs are expensive both in terms of unemployment compensation and welfare



payments and extremely disruptive of operations. Attrition is a more appropriate response.

However, there are times when an employer must exercise its prerogative to lay off in large numbers. Regrettably, the City of Providence currently lacks that flexibility.

Under the current system, layoffs are governed by City-wide seniority. This is bad for the City because it dictates the job classifications in which layoffs will occur. The City should retain the right to determine which programs or positions should be maintained. Seniority rights should be recognized in the layoff selection process, but only after the City has decided in which areas layoffs should occur.

The contractual provision that guarantees an employee laid off from his department an automatic five-day trial period in any equal or lower rated job should be tightened up to protect the City against endless, disorderly and expensive "musical chairs" in filling the remaining positions after a large layoff.

The third major problem is that the City agreed there would be no layoffs until controversies concerning the development of an accurate seniority list were resolved by "expedited" arbitration, which has been dragged out for an inordinate amount of time, with no conclusion immediately in sight.

The remedy is to renegotiate the entire layoff selection process as part of the negotiations for a successor agreement.



## TRAINING AND PROFESSIONAL DEVELOPMENT

### Present Operations

At the present time, there is no formal training available for City employees. When a new employee is hired there is no formal job orientation conducted. Usually, a person is placed in a position and either trained informally by co-workers within the department or left to his/her own resources to learn the job. This system works to some degree; serious problems occur, however, when inexperienced people receive job appointments.

Most department directors, managers, supervisors and on-line personnel expressed a desire and need for training for City employees. They pointed to specific areas of need: Secretaries in all departments need to improve typing, writing and organizational skills; managers and supervisors have never learned how to motivate employees, delegate work, set realistic goals and standards and communicate effectively with their people. There is a need at the Department of Public Works for heavy equipment operators. Not infrequently, persons in the department lack the training to handle heavy equipment, which then sits in the lot, unused due to a lack of personnel who can operate it. Technical training in other on-line functions are also needed in City departments. All who were interviewed agreed that the need for training is apparent.

### Evaluation

Promotional policy is based on job seniority which further becomes a discouraging, frustrating factor for those interested in improving themselves. The reasoning is, "Why learn more? It won't change my status or pay in the department anyway. Why put in the effort?"



Despite these roadblocks to personal development, employees interviewed expressed a strong desire to have training programs available. The feeling was that if the programs helped develop skills that would be valuable to them over the long term, they would like to participate, and would like to see their bosses learning something new, too. Initially, training for managers and supervisors should be developed. Training in specific technical skills is also recommended.

#### A TRAINING AND DEVELOPMENT OFFICER SHOULD BE APPOINTED

Many people hold jobs which they are unable to perform well due to a lack of understanding, ability and training. Many managers and supervisors lack the skills necessary to motivate people, delegate work and set goals and standards for their employees. This often leads to a breakdown in communication, low morale, work slow downs, absenteeism, tardiness and ultimately increased costs for the City.

A lack of specific skills training is also a problem. Machinery lies unused or breaks down due to neglect or mistakes made from lack of knowledge. Necessary functions like laying bricks, ordering correct amounts of materials for a job, repairing roads and buildings, and storing equipment may result in added expenses to the City due to mistakes made from ignorance, not malice. Without training, people learn poor habits from each other, develop costly methods for solving problems, and learn to hide mistakes rather than seek correct answers.

One solution of these problems is the appointment of a Training and Development Officer who will be responsible for coordinating training for City personnel. Because each department has its own functions and concerns, the



training needs from department-to-department vary in some areas but may overlap in others. A Training and Development Officer could identify and help to meet the training needs of all the departments within the City.

By establishing the position of Training Officer, the City will centralize its efforts toward upgrading employees. It is more prudent and cost-effective to have an overall plan and an organized approach to the City's training effort than to recruit trainers and programs haphazardly.

To hire an experienced Training Officer might require a salary in the area of \$25,000 per year, but this should be confirmed by the Director of Personnel. The total budget for training should be in the area of \$50,000 annually to cover costs such as materials, books, supplies, and aids to develop this new function. The budget might also be used to hire outside trainers as necessary.

#### IMMEDIATELY BEGIN A TRAINING PROGRAM FOR SUPERVISORS AND OTHER MID-LEVEL MANAGERS

The City is suffering from low morale and employee unrest. People feel uncertain about the future. From on-line employees to middle management, there is a need to upgrade operations.

This is an opportune time to make changes. People are motivated and open to positive suggestions for improvement. A program should begin to support supervisors in their efforts to meet higher standards and goals. A training program should be aimed at helping supervisors understand their role in the department, learn skills in communicating effectively, resolving conflicts, solving problems and leading employees to better performance.



Attachment 1

PROPOSED PERSONNEL MANUAL

CITY OF PROVIDENCE

<u>Draft Expected</u>	<u>Subject</u>
Completed	Employee Selection and Orientation.
Completed	Equal Employment Opportunity/Affirmative Action.
Completed	Employee Selection Procedures.
Completed	Employee Classification.
Completed	Orientation Program.
8/31	Employee Law Review.
8/31	Employee Privacy.
Completed	Records Retention.
Completed	Job Descriptions.
Completed	Employee Attendance.
8/10	Employee Appraisals.
Promulgated	Employee Behavior, Discipline, Grievance.
8/31	Salary Administration.
8/31	Employee Development and Training.
8/24	Collective Bargaining.
8/24	Employee Health and Safety.
8/17	Employee Termination.
8/17	Employee Benefits.

(continued)



8/31 Leaves of Absence.  
9/14 Communication of Benefits Programs.  
9/14 Employee Transfers.  
9/14 Retirement Program.  
9/14 Employee Assistance Program.



SECTION 34,000

EMPLOYEE BEHAVIOR, DISCIPLINE  
AND GRIEVANCES

POLICY

Discipline is employee self-control to meet the City's standards and objectives.

Disciplinary actions, on the other hand, are those actions taken by management in response to an employee failure to meet the standards, objectives or rules of the organization. The objective of disciplinary action is to correct or eliminate inappropriate behavior or misconduct. For our purposes, disciplinary action includes such devices as an oral warning, written warning or reprimand, suspension and discharge. While these are the most common forms of disciplinary action, we know that demotions and loss of seniority also have been used as a means of encouraging discipline. These latter actions may have their place in certain limited situations, but, of course, they may be less appropriate and more controversial than the more standard approaches mentioned above.

34.100. FORMS AND PROCEDURE FOR DISCIPLINARY ACTION

The degree of discipline administered in any given situation must depend on the severity of the infraction and must be in accordance with appropriate labor contracts and, if applicable, city ordinances, rules and regulations. It is your responsibility to evaluate thoroughly the circumstances and facts as objectively as possible. You will then select and apply the most suitable form of discipline.

There are several types of disciplinary action which may be applied to discourage detrimental behavior or actions:

34.101. ORAL WARNING

- a. Talk to the employee in private.
- b. This type of discipline should be applied for infractions of a relatively minor degree. Supervisors should at all times inform the employee that he or she is administering an oral warning and that the employee is being given an opportunity to correct the condition. If the condition is not corrected, the person will be subject to more severe disciplinary measures.



- c. A notation that an oral warning was given should be made for the supervisor's records and notice sent to the Director of Personnel.

#### 34.102. WRITTEN WARNING

- a. This notice will be issued by the Director of the Department in the event the employee continues to disregard an oral warning, or if the infraction is severe enough to warrant a written record.
- b. The Department Director will set forth on the Employee Warning Record (Form PA-5) the nature of the infraction in detail and will sign the notice. He or she will discuss the warning notice with the employee's immediate supervisor, then with the employee, to be certain that the employee understands the reasons for the disciplinary action.
- c. The warning notice will state the next step in this disciplinary procedure, i.e., referral to the Director of Personnel for suspension, should there be a continuance or repeat of the infraction. All recommendations for suspension and/or discharge must be made to the Director of Personnel.
- d. An original of the warning notice is to be handed to the employee at the time of the discussion of the discipline. A copy is to be placed in the employee's personnel file. A copy to the Director of Personnel and one to the union.

#### 34.103. SUSPENSION

- a. This form of discipline is administered as a result of a severe infraction of rules, standards, or for excessive violations after the employee has received a written warning and has made insufficient effort to improve performance. This is the most severe form of discipline, short of termination. It should be applied only after a thorough evaluation by the supervisor, the Department Director, and the Director of Personnel.



- b. The Director of Personnel shall set forth all facts leading to the reason for the disciplinary suspension, and the duration of the suspension in a disciplinary letter of suspension to the employee. Again, the next step, i.e., discharge, should be noted in the letter. A copy of the letter of suspension is to be placed in the employee's personnel file with original given to the employee. A copy is retained by the Director of Personnel, and one is sent to the union.
- c. When the employee returns from a period of disciplinary suspension, the Department Director should make certain that the employee gets back to the job with as little injury to the employee's self-respect as possible.

#### 34.104. DEMOTION

Demotion is to be used in rare instances where employees have been promoted to a position in which they are unable to perform the responsibilities of that position. It should be applied only after a thorough evaluation by the Director of Personnel and only after adequate written warning. Caution should be exercised since the action may offend employees at the lower rank.

#### 34.105. DISCHARGE

- a. All city employees, with the exception of those so-called "at will" employees listed in Section 905 of the Providence Home Rule Charter, may be dismissed only for cause. Cause to dismiss an employee exists when all of the following criteria are met:
  - 1. The employee has been forewarned of the action to be taken against him or her.
  - 2. The employer's position with respect to the employee is reasonable.
  - 3. The employer investigated before discharging the employee.
  - 4. The investigation was fair.
  - 5. Substantial evidence supports the charge against the employee.
  - 6. There was no discrimination.
  - 7. The nature of the offense and/or the employee's past record warranted the discharge.



- b. When discharge is being considered, the Department Director must notify the employee, in writing, of the nature of the charge, the fact that dismissal is being considered, and that the employee is entitled to an opportunity to be heard before the dismissal is carried out.

No fewer than three days after the employee receives such notification, the Department Director must schedule a meeting that affords the employee an opportunity to be heard. The employee, the Department Director, the Personnel Director, and the employee's supervisor, if applicable, must be present at the meeting. The Department Director and the employee each may choose another person to be present in addition.

At the meeting, the charge against the employee must be explained in detail. The employee must then be given an opportunity to deny or explain the charge, and/or to provide evidence of any mitigating circumstances.

- c. Before making a recommendation on the discharge of an employee, the Department Director must discuss his or her recommendation with the Personnel Director and the Mayor to be certain that all the facts have been reviewed and there is cause for discharge.
- d. If the infraction is so severe as to necessitate immediate removal of the employee from the work place, the Department Director should commence action by placing the employee on leave until circumstances are reviewed as specified above.

#### 34.106. ADMINISTRATIVE LEAVE

- a. Whenever it appears to be in the best interest of the City, a Department Director may, with the approval in advance by the Director of Personnel, and the Mayor place an employee on paid Administrative Leave for a period of not more than one pay period (10 working days) in a calendar year.
- b. Administrative Leave is hereby defined as that absence from duty with pay necessitated by internal investigations and/or hearings, as to alleged charges of malfeasance or misfeasance or dereliction of duty by an employee; conduct of activity which would interfere with an employee's ability to perform his or her duties, or embarrass or bring discredit to either the employee or the City.



- c. Upon the expiration of said Administrative Leave, an employee must be returned to full-time duty without prejudice or placed on leave without pay pending a final resolution of the case in question.
- d. The uses of Administrative Leave so defined are not deemed to be mandatory by a Director and do not preclude the immediate application of Leave Without Pay in such cases as it shall appear to be in the best interest of the City.
- e. The Mayor, upon the recommendation of the Director of Personnel, may extend the period of Administrative Leave beyond any leave granted if it is in the best interest of the City to grant such extension.

34.200.

CAUSES FOR DISCIPLINARY ACTION

The progressive discipline scheme is based on the premise that, in general, the more serious the violation is, the more serious the disciplinary action will be. Offenses warranting disciplinary action can be divided into two general groups.

1. Less serious infractions call for penalties aimed at correction. The infractions include, but are not limited to:
  - . Tardiness
  - . Unauthorized absence or early departure
  - . Careless workmanship
  - . Intentional waste of equipment or supplies or abuse of City property
  - . Intentional lack of productivity, including loafing or engaging in personal business without permission
  - . Insolence
  - . Fighting or horseplay that endangers others
2. More serious infractions call for more serious penalties, including discharge. The infractions include, but are not limited to:
  - . Stealing City property
  - . Striking a superior, insubordination or refusal to obey a legitimate order or instruction



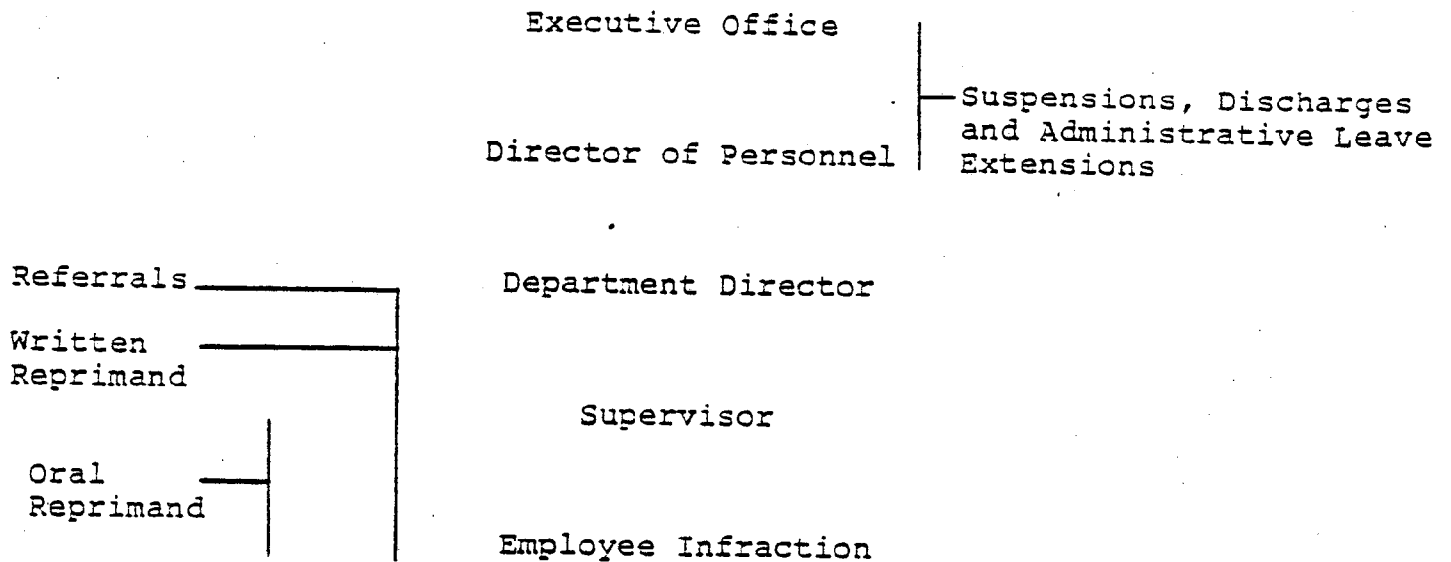
- . Consuming alcohol or non-prescription drugs on the job, or arriving at work under the influence of alcohol or non-prescription drugs
- . Intentionally damaging City property
- . Violating Employee Codes of Conduct or Ethics
- . Illegal conduct on the job

We have an investment - both time and money - in our employees.  
It is only sensible to attempt to improve employee conduct or performance through the use of milder forms of disciplinary action, e.g., oral warning, written warning or reprimand, short suspension, or longer suspension.



CITY OF PROVIDENCE

FLOW CHART  
FOR  
DISCIPLINARY ACTION



City Solicitor's Office should be available at all levels to assist in legal aspect of disciplinary actions.



CITY OF PROVIDENCE  
DEPARTMENT OF PERSONNEL  
EMPLOYEE WARNING RECORD

NAME OF EMPLOYEE:

DEPARTMENT:

DATE:

WRITTEN WARNING ☐

FINAL WARNING ☐

ABSENCE	TARDINESS	DEFECTIVE WORK	SAFETY	MISCONDUCT	MISCELLANEOUS
---------	-----------	----------------	--------	------------	---------------

REMARKS:

I ACKNOWLEDGE RECEIPT OF A COPY OF THIS WARNING, AND I UNDERSTAND THAT I MAY BE SUSPENDED AND/OR DISCHARGED SHOULD I FAIL TO MEET MY RESPONSIBILITIES IN THIS MATTER IN THE FUTURE.

EMPLOYEE'S SIGNATURE: \_\_\_\_\_

STEWARD'S SIGNATURE: \_\_\_\_\_

SUPERVISOR'S SIGNATURE: \_\_\_\_\_

DEPARTMENT HEAD SIGNATURE: \_\_\_\_\_

COPY: Personnel Records  
Union  
Employee

Reviewed by: \_\_\_\_\_  
Director of Personnel



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V. VEHICLES AND FACILITIES



PLAN OF ACTION TO REFORM  
CITY VEHICLE AND FACILITY MANAGEMENT

Executive Summary of the Vehicle and Facility Team Report

Guy P. Marchetti, Providence Gas Company - Team Leader

Walter P. Casey, Puritan Life Insurance Company

Richard W. Frost, Narragansett Electric Company

Robert W. Huckabee, Jr., Blue Cross/Blue Shield of Rhode Island

Donald J. MacKinnon, New England Telephone

Antone Sousa, Bonanza Bus Lines

Reorganization Required

The Providence Management Study Vehicle and Facility Team recommends that a new department of General Services be created and assigned responsibility for coordinating the care and control of all City vehicles and mobilized equipment and City facilities (excluding School, Water Supply Board, Housing Authority, and Civic Center buildings, at this time).

This new Department of General Services would replace the existing Department of Public Property. Also, the responsibility for the highway maintenance garages currently housed in the Department of Public Works would be transferred to this new department. The Purchasing function, which is now part of the Public Property Department, would report to the new Director of Administration,



as recommended by the Finance and Purchasing Teams. However, the Print Shop and Central Stores functions, currently in Public Property, would remain in this new department.

The Study Team found that the majority of the City's fleet and equipment was not being effectively managed or properly maintained. The Team believes that a centralized fleet management responsibility could more economically and efficiently coordinate and administer:

- Vehicle cost control procedure;
- Acquisitions and disposal policies;
- Preventive maintenance programs; and
- Other required fleet policies.

The Study Team also found that economies would result from centralizing responsibility for the maintenance, construction, space planning and utilization, and utility management of buildings, and reorganizing the existing staff to more effectively manage City properties.

Complete implementation of this reorganization plan will require that the Charter be amended to relocate the Purchasing function and rename the current Department of Public Property the General Services Department. The Team concluded that duplication and inefficiencies in fleet and facilities management required the creation of a single agency that was accountable to the Mayor for these basic functions which serve most City departments.

#### Qualified Management Crucial

The success of this reorganization proposal is largely dependent upon the



placing of highly skilled, professional managers in such key positions as the department Director, the recommended Fleet and Mobilized Equipment Manager, and the recommended facility manager positions.

• Summary of Other Recommendations

In addition to reorganizing fleet and facility responsibilities, other recommendations of the Facility and Vehicle Team are summarized below. The full report of the Study Team includes suggested procedures and policy directives necessary to implement these recommendations.

Specific recommendations on fleet and mobilized equipment management include:

- Establish the position of Fleet and Mobilized Equipment Manager to act as the coordinator for all City user departments regarding vehicles and transportation policies.
- Upgrade the capabilities of existing staff, including the development of appropriate training programs.
- Develop a systematic vehicle and equipment replacement program.
- Improve maintenance facilities which are in deplorable condition.
- Standardize vehicles and equipment with the development of specifications and standards for all rolling stock.
- Develop and keep an up-to-date vehicle inventory.
- Automate vehicle and equipment management to help managers address such operations as: vehicles and parts inventory, vehicle availability, fuel usage, and preventive maintenance scheduling.



- Down-size vehicles to compact and subcompact sizes for passenger vehicles and pick-up trucks.
- Properly identify City vehicles.
- Prohibit employees from using City vehicles for commuting and reduce the size of the City fleet.
- Review gasoline allocations and monthly vehicle allowances.

Recommendations relative to facility management include:

- Upgrade the staffing.
- Develop clear policies, procedures and objectives regarding routine maintenance, preventive maintenance, cleanliness levels, energy utilization monitoring, building safety, and space utilization and assignments.
- Compile a comprehensive public property list with pertinent information that would include address, square footage, ages, owned or leased, etc.
- Develop a Master Plan for the use of facilities.
- Dispose of vacant or unused facilities.
- Correct code and safety violations.
- Initiate an energy conservation program
- Establish an energy use policy.



CITY VEHICLE AND FACILITY MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

Vehicle and Facility Team:

Guy P. Marchetti, Providence Gas Company - Team Leader

Walter P. Casey, Puritan Life Insurance

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Donald J. MacKinnon, New England Telephone

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# CITY VEHICLE AND FACILITY MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

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## CITY VEHICLE AND FACILITY MANAGEMENT - ANALYSIS AND RECOMMENDATIONS

### ORGANIZATION OF CITY VEHICLE, FACILITY AND SUPPORT SERVICE MANAGEMENT

#### Present Operations

Responsibility for the management and maintenance of the City's vehicles and facilities are divided among several agencies. The Study Team found that no single agency has the responsibility of providing support services to all operating departments.

For example, responsibility for vehicles exists in the Fire Department, Parks Department and the Public Works Department in addition to various boards and commissions maintaining their own fleets and equipment. However, the City Charter requires the Department of Public Property to supervise and control the Municipal Garage and its operations, although the Department of Public Works actually does. As a result, there are no City-wide policies regarding vehicle replacement, maintenance and operation.

Similarly, the Public Property Department does not exercise responsibility for the management and maintenance of all City buildings. For example, the Police Department employs building custodians for the facilities it uses while Public Property employs building custodians for City Hall.

#### Evaluation

This situation results in a fragmentation of authority, a lack of established and standard operating procedures, a City fleet and buildings in various stages of disrepair, and a generally inefficient and ineffective system of City



vehicle and facility maintenance. In general, centralization and standardization of policies and procedures and a greater use of data processing in these areas should produce economies in City operations through proper and regular maintenance, and therefore fewer repairs; a reduction in fleet size and the disposition of unneeded properties; greater use of in-house personnel; etc. Therefore, the Study Team recommends:

#### ESTABLISH A DEPARTMENT OF GENERAL SERVICES

To more effectively manage and coordinate the use of vehicles, equipment and facilities, a Department of General Services should be established in place of the existing Department of Public Property. This will require a City Charter amendment, not only to change the name of the department and remove the purchasing function (see Purchasing Team Report), but also to spell-out the expanded responsibilities of the General Services Department.

Centralizing the management operations and maintenance of the City's fleet and mobilized equipment will require, for example, that operations of the Municipal Garage be transferred from the Department of Public Works. Furthermore, the recommended Fleet Manager should serve as a clearinghouse for problems regarding vehicles and equipment for City agencies whose fleets will not be serviced at the Municipal Garage. Details of this proposed reorganization are described in the next section of this report.

The General Services Department should also house all activities associated with property management and building maintenance for all City departments, except the School Department and autonomous agencies such as the Civic Center. The section of the Study Team's report on Facility Management outlines a detailed plan of reorganization for this function.



Finally, responsibilities for the Print Shop and Central Stores at City Hall should continue to be included under this renamed and reorganized umbrella agency for central support services--the Department of General Services (formerly Public Property).

Once the General Services Department and its fleet, facilities and central support services responsibilities are properly organized, staffed and operating, consideration should be given to coordinating this department and its functions, along with the Finance, Personnel and Purchasing activities, under the new Director of Administration recommended by the Finance Team.

#### FLEET AND MOBILIZED EQUIPMENT MANAGEMENT

##### Present Operations

Under the Home Rule Charter of 1980, the Department of Public Property is charged with the responsibility of supervising and controlling the Municipal Garage and its operations as well as making and keeping current an inventory of all moveable equipment. This Charter provision has not been fully implemented.

Currently, the municipal garage is being operated by the Department of Public Works. Furthermore, several other City agencies presently operate autonomous vehicle and equipment maintenance facilities. The Fire Department, for example, operates a garage which handles vehicles assigned to public safety departments. The Parks Department also does much of its own equipment maintenance, and both the Water Supply Board and the Housing Authority fleets are independently maintained.



## Evaluation

The majority of the City's automotive fleet and mobilized equipment is not effectively managed or properly maintained. The exception is the fleet of the Fire Department, although police vehicles, which are also supposed to be maintained at the Fire Department Garage, were found to be in disrepair. And although Public Property did have a "master list" of all vehicles and equipment, it was out-of-date and incomplete, and totally inadequate to serve as an effective management tool.

The Public Property Department does not presently service and control the Municipal Garage, as directed by the City Charter, nor does it have the expertise and finances to do so. The present operations are fragmented throughout City user departments without any centralized control. There are literally no policies or systems in place for effective and efficient fleet operation.

From the top down, the present organization is not effectively administered. The maintenance facilities are inadequate to the point of being in deplorable condition, making it extremely difficult to carry on and perform the type of servicing of equipment that is necessary to be effective in any aspect of fleet management and maintenance. Without regular and proper maintenance, even vehicles now in good condition will soon deteriorate to the terrible condition of much of the fleet.

In order to rectify this situation, the following recommendations are offered:



## CENTRALIZE AND REORGANIZE FLEET MANAGEMENT RESPONSIBILITIES

Responsibility for the operations, maintenance, and management of fleet and mobilized equipment should be assigned to a Fleet and Mobilized Equipment Division to be located in the new Department of General Services, recommended earlier. Staff currently assigned to the Department of Public Works for garage maintenance and related equipment should be transferred to this Division. In addition, approximately six mechanics currently assigned to the Fire Department garage should also be transferred to this Division in order that the municipal garage can effectively service police vehicles, which would now be maintained there.

This Division should be assigned responsibility for maintaining all City vehicles and equipment with the exception of fire and communications equipment, specialized equipment of the Parks Department, and the fleets of autonomous agencies such as the Water Supply Board and the Housing Authority. However, agencies not under the direct supervision of this Division should be required to supply records and information to the City Fleet Manager (recommended below), who would be responsible for coordinating a City-wide vehicle and transportation policy.

Administrative functions that should be assigned to the Fleet and Mobilized Equipment Division include implementation of:

- Vehicle cost control procedures;
- Equipment classification and inventory;
- Acquisition and disposal policies;
- Preventive maintenance programs; and
- Fuel allocation/monitoring system.



The table of organization, shown on Exhibit 1, sets forth the organizational structure being recommended by the Study Team.

#### ESTABLISH THE POSITION OF FLEET AND MOBILIZED EQUIPMENT MANAGER

The position of Fleet and Mobilized Equipment Manager should report directly to the Director of the Department of General Services and should be responsible for developing, implementing and operating a transportation management system for all user departments. Currently, there do not exist effective policies or procedures regarding fleet operations, and responsibility for this function must be clarified and assigned to a professional fleet manager.

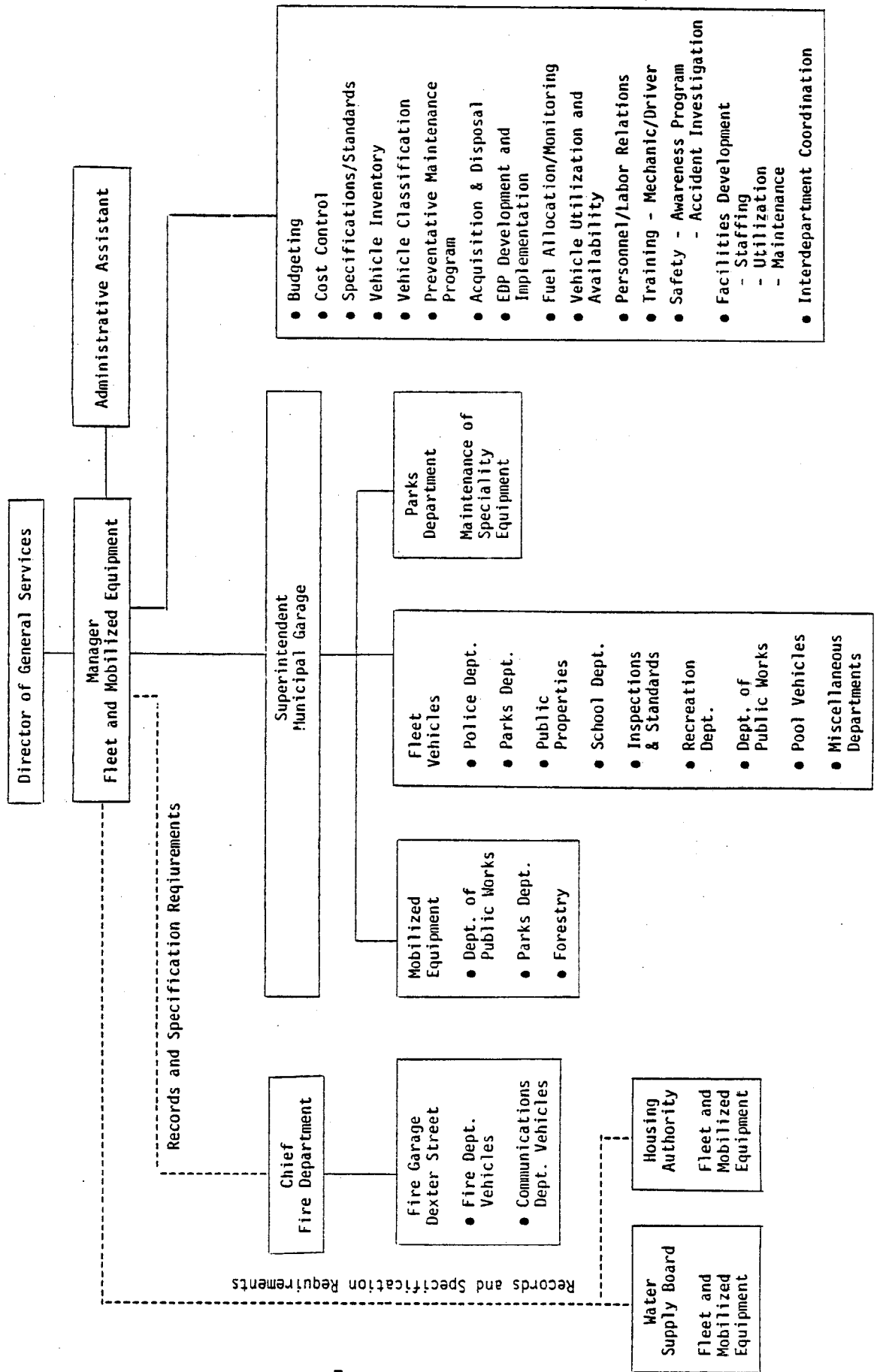
The salary for such a manager may have to be in the \$30,000 area to attract a true professional to this position; however, this figure should be reviewed by the Directors of Personnel and General Services as well as by the Mayor to verify its appropriateness. Significant economies should result from strict accountability through proper management, planning, cost control, and maintenance procedures resulting from professional direction of fleet and equipment operations.

The Fleet and Equipment Manager should act as the functional coordinator for all City user departments regarding vehicles and transportation policies and be the clearing-house for all transportation and equipment related matters, as shown on Exhibit 1. Specific responsibilities of this position should be to:

1. Analyze productivity with reference to:
  - Work order preparation;
  - Work assignments;



Department of General Services  
Fleet Management





- Estimated repair times;
  - Actual repair times;
  - Vehicles;
  - Preventive maintenance procedures;
  - In-house repair versus contract repair; and
  - Vehicle downtime.
2. Analyze the effectiveness of repair facilities, including current shop locations and layout for vehicle maintenance, and recommend cost-effective modifications and improvements.
  3. Determine the proper mix of pool vehicles, overseeing the assignment of vehicles, and increasing utilization and availability.
  4. Establish proper vehicle component specifications to achieve the maximum utilization and the lowest operating cost. This includes emphasizing commonality in purchasing to achieve a lower inventory stock of supplies and parts and more uniformity in staffing, staff training, and staff service performance. This also involves comparisons of the advantages of leasing versus purchasing new vehicles.
  5. Administer general maintenance policy: evaluate the merits of in-house versus vendor repairs for small and large field repairs; effect reductions of overhead in in-house maintenance to capture vehicle savings; determine energy usage through daily, weekly, and monthly monitoring of miles per gallon and authorized miles per



vehicle; analyze stockroom procedures and shop tools, looking for obsolete items and identifying maximum and minimum standards for inventory stocks; review stockroom ordering procedures through analysis of fast-moving items at each location with central storage supplies and through comparison of the economies of such things as picking up parts versus having them delivered by the vendor and using rebuilt parts versus new parts.

6. Prepare vehicles for sale in order to dispose of fleet excess and under-utilized vehicles.

#### UPGRADE STAFF CAPABILITIES

The current budget allocation for personal services in the Public Works' garage maintenance and equipment repair organization totals approximately \$280,000. The Study Team cannot assess the adequacy of this level of spending because "appropriate" staffing levels are difficult to assess given the current situation with the absence of training programs, strong supervision, and clearly defined policies and procedures.

Until appropriate supervision is exercised, the necessary manning levels will be difficult to accurately discern. Therefore, the Study Team recommends that a high priority task of the Fleet Manager be to evaluate existing staff resources and develop appropriate training programs in order to upgrade staff capabilities.

#### DEVELOP A SYSTEMATIC REPLACEMENT PROGRAM

The City currently has a total of 558 automobiles, trucks, and heavy and miscellaneous pieces of equipment. This fleet is old and deteriorating. For



example, the average City "automobile" (including vans and pick-up trucks) is 7.8 years old, truck 12.3 years old, and piece of heavy equipment 15.7 years old. A program should be adopted to replace a portion of the fleet on a systematic basis based on specific use standards. Exhibit 2 sets forth a summary of the City's current vehicles and equipment as determined by the Study Team (see also recommendation below).

Funding for a comprehensive vehicle replacement program could come, in part, from efficiencies resulting from the new automated gasoline distribution system schedule to be purchased soon, a reduction in the fleet size, and elimination of certain City employees' use of City vehicles to commute to and from work (recommended below).

#### IMPROVE MAINTENANCE FACILITIES

The garage facilities operated by the Department of Public Works and the Fire Department are in dire need of repair and rehabilitation. The existing facilities, tools, shops, and garage equipment were found to be in deplorable condition. It is recommended that a planned program be developed to rehabilitate these facilities to professional standards. The Study Team estimated that this would take an expenditure of approximately \$150,000 per year over three years.

For example, the Study Team found that attention should be given to the following facility needs:

- Lighting systems;
- Clean and paint interiors;
- Install and/or repair exhaust systems;
- Repair and re-establish lube racks;



# Exhibit 2

## City of Providence Vehicle and Mobilized Equipment July 1, 1984

### DEPARTMENTAL SUMMARY FINAL

### VEHICLE AND MOBILIZED EQUIPMENT DEFINITION JULY 1, 1984

FLEET RECONCILIATION	CITY OF PROVIDENCE FLEET	DEPT OF PUBLIC PARKS	WATER SUPPLY BOARD	SCHOOL DEPARTMENT	DEPT OF PUBLIC PROPERTY	DEPT OF INSPECTING STANDARDS		DEPT OF POLICE		DEPT OF FIRE		DEPT OF CIVIL DEFENSE		DEPT OF FINANCE	PORT OF PROVIDENCE	DEPT OF RECREATION	DEPT OF PUBLIC WORKS
						#	AGE	#	AGE	#	AGE	#	AGE	#			
RECONCILED FLEET UNITS	54	66	27	5	16	11	13	13	13	13	13	13	13	3	8	6	89
VALIDATED ADDITIONAL UNITS	31	7	4	0	0	0	0	0	0	0	0	0	0	0	0	3	19
TOTAL FLEET UNIT SIZE	85	73	31	5	16	11	13	13	13	13	13	13	13	3	8	9	108
FLEET TYPE BREAKDOWN																	
* AUTOMOBILE *																	
FORD	34	70	27	5	16	11	13	13	13	13	13	13	13	3	8	6	89
PLYMOUTH	14	30	4	1	1	2	2	2	2	2	2	2	2	1	1	1	1
CHEVROLET	22	40	10	4	12	3	3	3	3	3	3	3	3	1	1	1	1
DODGE	18	30	4	1	1	2	2	2	2	2	2	2	2	1	1	1	1
AMC	3	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
CHRYSLER	3	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
OLDSMOBILE	3	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
JEEP	2	10	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
INTERNATIONAL	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
VOLKSWAGON	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
GMC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
MERCURY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
BUICK	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
KAISER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
PONTIAC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYTON	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL AUTOMOBILE	90	170	70	31	16	11	13	13	13	13	13	13	13	3	8	9	108
* TRUCKS *																	
FORD	23	40	10	7	14	11	13	13	13	13	13	13	13	3	8	6	89
INTERNATIONAL	16	20	8	4	14	11	13	13	13	13	13	13	13	3	8	6	89
MAXIM	10	13	6	3	14	11	13	13	13	13	13	13	13	3	8	6	89
CHEVROLET	9	10	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1
GMC	5	6	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
KAISER	5	6	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
CONTINENTAL-SEAGRONE	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DEERE	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
JEPSIER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
HMT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
McCormick	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
ROGERS	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
WILLYS	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL TRUCK	70	120	31	18	15	11	13	13	13	13	13	13	13	3	8	9	108
* HEAVY EQUIPMENT *																	
FORD	14	40	4	1	1	1	1	1	1	1	1	1	1	1	1	1	1
INTERNATIONAL	18	110	4	1	1	1	1	1	1	1	1	1	1	1	1	1	1
CASE	9	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
AUSTIN	5	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
FERGUSON	5	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
JACOBSON	5	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
ASPUNDH	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
BALMAR	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
BAY CITY	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
BLK	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
CLARK	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
GMC	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
HUBER	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
REQ	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
VER	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
WAT	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
WAXNE	2	11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL HEAVY EQUIPMENT	100	157	17	14	15	11	13	13	13	13	13	13	13	3	8	9	108
* MISCELLANEOUS UNITS *																	
INTERNATIONAL	35	91	13	4	10	11	13	13	13	13	13	13	13	3	8	9	108
TOTAL MISCELLANEOUS	35	91	13	4	10	11	13	13	13	13	13	13	13	3	8	9	108



- Repair five automobile lifts;
- Reactivate body and paint shop at Ernest Street;
- Establish, stock, maintain, and keep inventory in stockrooms;
- Install energy saving curtains on garage door openings at all facilities;
- Install Card-trol-Automated fueling systems at Ernest Street and Dexter Street so as to effectively monitor and control fuel dispensing and usage (currently in process);
- Purchase and install front-end alignment equipment;
- Install high speed centrifugal wheel balancers at Dexter Street and Ernest Street;
- Expand the facilities at Ernest Street by cleaning out the rear yard of debris and relocating the Police mounted command to Roger Williams Park; and
- Remove salt stored in the Department of Public Works garage to an outside facility on City property.

#### STANDARDIZE VEHICLES AND EQUIPMENT

Currently, there are no defined specifications and/or standards for vehicles and equipment. Since each department has operated independently, the City's fleet and equipment as a whole is a mixture of many vehicles, makes, models, and types (see Exhibit 2).

Vehicle commonality will allow more efficient operations resulting from standardizing maintenance procedures, stocking fewer parts, training and monitoring in-house and vendor labor, and limiting unusual repair situations.

Specific advantages to standardization include:



- Part life can be monitored;
- Supervisors can be trained and directed to work as an organizational unit;
- Vehicle drivers can be trained and directed as a group;
- Vehicle mechanics can be trained and directed as a team;
- Financial comparisons can be made with similar types of equipment;
- Manufacturer support during the warranty period can be strengthened;
- Record keeping can be more accurately analyzed;
- Vendor repair can be more accurately monitored;
- Productivity can be more effectively measured;
- Short-term costs can be tracked more effectively while long-term costs can be better and more accurately predicted; and
- Parts interchangeability can be increased and lower inventory levels can be realized.

#### DEVELOP AND KEEP AN UP-TO-DATE VEHICLE INVENTORY

A complete centralized inventory of all moveable equipment did not exist, despite the City Charter requirement for one. The Study Team had to develop its own list of City-owned vehicles and equipment and a classification scheme, which it will turn over to the City with this report (see Exhibit 2, which summarizes that list). That comprehensive list should be used as the initial fleet data base for the City of Providence.

Maintaining an ongoing inventory will allow each department head as well as the Fleet Manager to maintain proper records and control over fleet operations, prevent losses, and provide up-to-date information regarding vehicle and equipment assignments, registration, inspection, preventive maintenance



schedules, vehicle classification, development of appropriate unit cost data, and track "aging" of the fleet.

#### AUTOMATE VEHICLE AND EQUIPMENT MANAGEMENT

The City is currently not benefiting from data processing applications that can supply necessary information needed to reduce vehicle and equipment operating costs. The following are some examples of the types of issues data processing applications can help managers address: vehicle inventory, vehicle availability, fuel usage, parts inventory, preventive maintenance scheduling, breakdown maintenance and analysis, and replacement analysis.

Various software packages have been developed, and the City could contract for this type of service for approximately \$25,000 per year as an interim step until it develops its own system. This type of system is essential if the City is to develop and utilize any vehicle and equipment cost analysis, control, and planning capability.

#### DOWN-SIZE VEHICLES

City-owned vehicles should be "down-sized" to the compact and subcompact sizes for passenger vehicles; compact pick-up trucks should be adequate for supervisors rather than the larger size vehicles frequently used now. The City's automotive fleet currently includes a number of larger, "gas guzzling" vehicles such as Oldsmobile Delta 88 Royales, Chrysler New Yorkers, etc., which are costly to purchase new as well as expensive to operate.

A savings of approximately 30% on the purchase price and on the operating costs should result. The City is geographically small enough so that smaller



vehicles are more than adequate to transport employees on City business within the confines of Providence.

#### PROPERLY IDENTIFY CITY VEHICLES

A program should be instituted to identify all non-public safety City automobiles and trucks by having them painted a standard color, such as yellow or orange. In addition, all such vehicles should be prominently marked with a City logo and vehicle number, as well as a motto, such as "City at Work."

Such a program would better identify City vehicles that should be on City business, and discourage employees from misusing or abusing City vehicles.

#### DO NOT PERMIT EMPLOYEES TO USE CITY VEHICLES FOR COMMUTING/ REDUCE THE SIZE OF THE CITY FLEET

Of the 588 City vehicles, 55 are assigned to individuals as "take homes" and are used for personal commuting. The practice of permitting personnel to use City cars for commuting should be significantly curtailed. The Mayor should review justifications for allowing City-owned vehicles to be taken home at the end of a shift, if recommended by the department director.

Employees who use their own cars for City business should be reimbursed at a standard rate per mile (excluding commuting mileage) after completing the Local Travel Log form (Exhibit 3). The log should be required to be approved by the employee's department director, and falsification of the log should be grounds for dismissal.



NAME \_\_\_\_\_ DIVISION \_\_\_\_\_ DATES COVERED \_\_\_\_\_

JOB CLASSIFICATION

**DATES COVERED**

DIVISION

APPROVAL BY

BUREAU

[illegible]

3400

CR:01 MAN

A = Number of Passengers

B = Vehicle Codes;

Personal Car

DP = Department Pool Car

CP = City Pool Car

CC = City Car Permanently Assigned

CERTIFICATION OF EMPLOYEE "I certify the information to be true to the best of my knowledge."



Implementation of this policy should result in a reduction in fleet size, and should increase morale among employees who do not enjoy the privilege of taking home a City vehicle.

#### REVIEW GASOLINE ALLOCATIONS AND MONTHLY VEHICLE ALLOWANCES

Employees who currently receive either a gasoline allocation or a monthly vehicle allowance should be required to keep a travel log showing business mileage. After thirty days, the Director of General Services should review and analyze these logs to determine if such allocations and allowances are appropriate. The director should then submit a report to the Mayor and City Council indicating which gasoline allocations and auto allowances are necessary to effectively conduct municipal business.

### CITY FACILITY MANAGEMENT

#### Present Operations

The Department of Public Property is staffed with 31 employees, most of whom are engaged in facility management activities. In addition, other departments have personnel associated with the management and/or maintenance of City property: 8 are in the Police Department, 1 in the Fire Department, and 2 in Public Works. The Civic Center and School Department also manage the maintenance, repairs and minor construction activities at their own facilities. (This report does not generally deal with these latter departments, but, at a future date, consideration should be given to also having their facility management activities coordinated by the new Department of General Services.)



The Department of Public Property includes supervisors and all personnel associated with the maintenance and upkeep of City Hall and personnel to administer small alteration projects on various City buildings (other than the Civic Center and School Department buildings).

### Evaluation

The effectiveness of this Department could be strengthened. For example, it does not have any programmed repair or preventive maintenance plans established. It does not even have a comprehensive inventory of all its properties listing critical information such as the address, square footage, year built, occupants, whether owned or leased, etc.

Without such a listing it is easy to understand why there is no type of long range plan in place to manage the properties on the basis of space utilization, energy efficiency, annual maintenance and repair costs, and future capital requirements. A comprehensive list of property would also help in analyzing the necessity of all the present location, which could eventually lead to the disposition of unnecessary buildings.

### CENTRALIZE AND REORGANIZE FACILITY MANAGEMENT

The present Department of Public Property is not responsible for all aspects of all buildings. This situation is not conducive to total overall management of facilities. In addition, the present organizational structure provides a further obstacle to the effective management of City properties.

The first step would be to place all responsibilities associated with buildings, including maintenance, construction, alterations, space planning and utilities, under the new Department of General Services, recommended earlier.



Second, reorganize the present personnel and/or provide the necessary personnel to administer the efficient management of the buildings. The present organizational structure is shown on Exhibit 4, and the proposed organization is described on Exhibit 5. (See also Attachments 1 and 3 for more detail.)

Exhibit 5 shows the proposed reporting structure, which would provide for only three persons reporting directly to the Director, in addition to the secretaries and accountant. They are a Manager of Operations and Maintenance and a Manager of Space Planning, Design, Construction and Leasing, in addition to the Fleet Manager recommended earlier.

The Manager of Operations and Maintenance would have all the responsibilities related to day-to-day management of buildings, including preventive maintenance and energy utilization programs. Working for this manager would be three supervisors of operations and maintenance who would have the direct responsibility of implementing maintenance and preventive maintenance programs utilizing the six building custodians that would report to each.

The Manager of Space Planning, Design, Construction and Leasing would be responsible for all activities listed in the title. In most cases, it would involve interfacing with an architect or engineer who would be commissioned for a particular project. He should be assisted by a supervisor for planning and construction once the workload warrants filling this position.

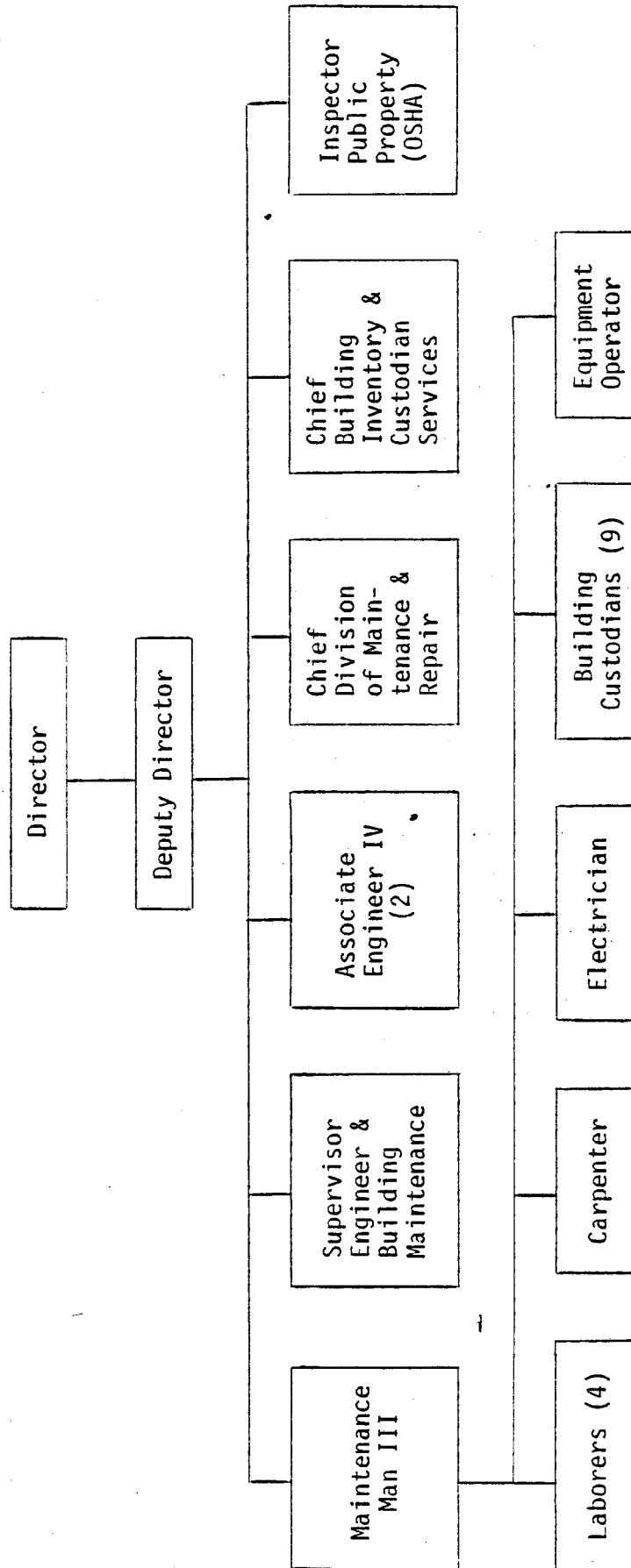
#### UPGRADE STAFFING

In order to achieve the objectives of the reorganization recommended above, it will be necessary to make some immediate changes in the responsibilities of the



Present Department of Public Property

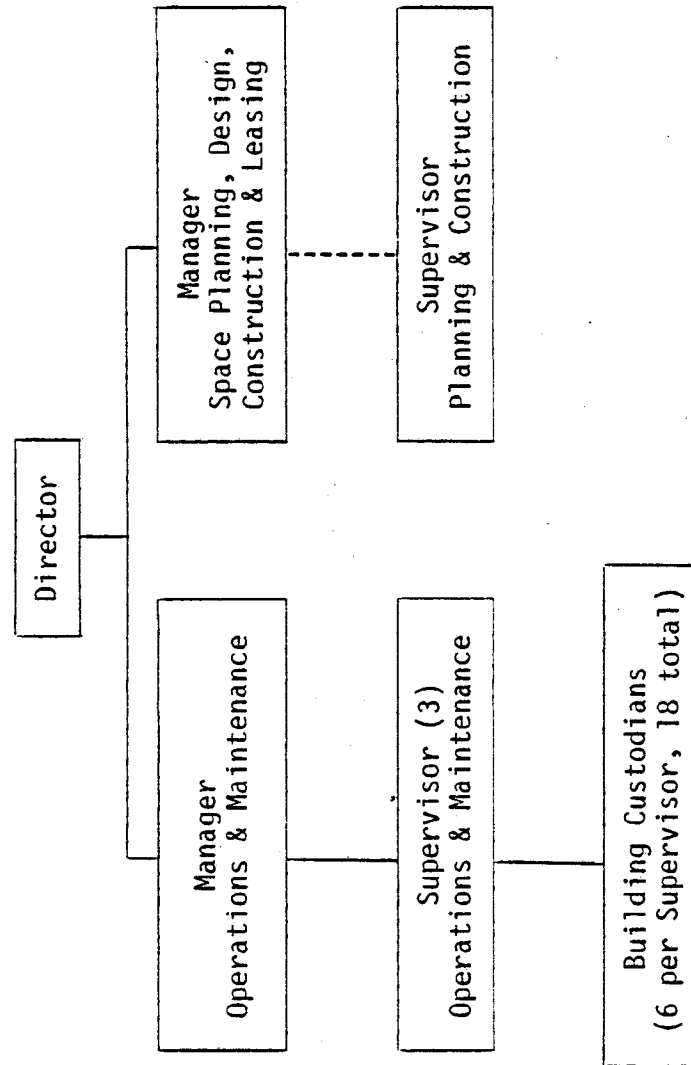
Facility Management Staff





Proposed Department of General Services

Facility Management Staff





present personnel. By making these changes and by providing training in certain areas, current employees should become more effective. Otherwise, the proposed positions would have to be filled with more qualified people as they become vacant through attrition.

After comparing the personnel under the present (Attachments 1 and 2) and proposed (Attachment 3) organization structures, Attachment 4 suggests the direct changes in positions that could be made to form the proposed organization and/or possible changes that could be made on a phased basis.

Since the recommendation deals only with the present and proposed "positions," not specific individuals currently working in the Department of Public Property, it would be the responsibility of the Director of General Services to interview the present people and place them in the available positions if they have the necessary qualifications.

By placing the total responsibility of all facilities under the Director of General Services and giving him total control of the properties, the department as a whole will be able to move toward a more efficient property management function.

The change in the organization structure allows for a uniform division of responsibilities and gives the employees a better understanding of these responsibilities so that they can become more accountable for them. It will also assist other City departments in understanding the functions of the department and the persons responsible for the respective functions.



Once this organizational structure is in place, personnel costs could be significantly reduced as shown by comparing Attachments 1 and 2 to Attachment 3, which represent the existing and proposed organizations. This reorganized department should not only be able to administer its present activities more efficiently, but also perform the additional functions necessary for effective property management.

#### DEVELOP CLEAR POLICIES, PROCEDURES AND OBJECTIVES

At present there are no written policies, procedures and objectives being utilized by the Department of Public Property. The Director of General Services and his managers should develop written policies, procedures and objectives as a guide for the department to operate under and be measured by. The format for the policies and procedures should parallel the responsibilities of the director and his managers as described in the previous recommendations.

For example, the Manager of Operations and Maintenance should establish policies relating to routine maintenance, preventive maintenance, cleanliness levels, energy utilization and monitoring of building safety. A number of procedures would have to be established to implement these policies. Using a chain-of-command reporting system, from Building Custodian to Supervisor to Manager to Director, the daily activities for each function should have requirements to properly coordinate their activities. Various reports required on a periodic basis should track hours required for various activities, material and supplies used, schedules for preventive maintenance, units and costs for energy utilized. These reports should be in sufficient detail so that they may be tracked and compared to Industry Standards.



All costs should be listed in cost per square foot for all categories. These reports would be modeled after typical Industry Standard Reports, such as those published by the Building Owners and Managers Association International (B.O.M.A.). As an example, the B.O.M.A. costs for 1982 were as follows:

CLEANING (Includes Payroll, Contract, Sup/Mat/Misc, and Trash Removal)	\$0.70
REPAIRS/MAINTENANCE (Includes Payroll, Elevator, HVAC, Electrical, Structural/Roof, Plumbing, General Supplies, General Maintenance)	\$0.88
UTILITIES (Includes Electric, Gas, Fuel Oil, Purchased Steam, Purchased Chilled Water, Coal, Sewer/Water)	\$1.50
ROADS/GROUNDS/SECURITY (Includes Payroll, Contract, Miscellaneous)	\$0.30
ADMINISTRATIVE (Includes Payroll, Mgt. Fees, Legal Fees, Audit Fees, General Office Expenses, Other Expenses)	\$0.50
<hr/> TOTAL BUILDING SERVICES COSTS	<hr/> \$3.88 (per square foot)

Policies to be established under the Manager of Space Planning, Design, Construction and Leasing should include the establishment of space utilization standards, procedures for administering construction, procedures for leasing, and the procedures for disposing of vacant City-owned property. The policies for space utilization should provide specific amounts of space on a square



footage basis for persons depending on job category and function, with allowance for circulation space, conference rooms, storage space, etc.

Using these standards, more uniform allocation and planning of space can be performed. As space is needed by various departments, they should be required to make a request for space to the Director of General Services. After the request is reviewed, a plan would be developed by the Manager of Space Planning, Design, Construction and Leasing. After the plan is developed, it would require approval by the director of the department making the request, by the new Director of Finance if monies are to be expended, by the new Director of Administration, and by the Director of General Services, before it would be implemented. Depending on the impact of the plan, it could also require the Mayor's approval.

(Eventually, a policy should also be established using an accounting procedure to charge all departments for the space that they utilize. During the interim, an annual report should be distributed to department directors detailing the costs associated with the space that they occupy. Later in this report, it will be recommended that cost objectives be established to track the cost of owning and operating the various buildings. Using these costs and relating them to the space utilized by the departments on a square footage basis, these costs could be made available to the various departments and it would be their responsibility to provide the necessary funding for the space that they utilize once the plan is completely implemented.)

Policies for construction administration should be established to provide responsibilities for the hiring of architects and engineers, bidding of contracts and administering of the contracts.



By establishing policies, procedures and objectives for the Department of General Services, it provides the employees with (1) rules on how to perform their jobs, (2) the method that they will use to perform the job, and (3) established objectives for employees and supervisors to measure their performance against.

#### COMPILE A COMPREHENSIVE PUBLIC PROPERTIES LIST

Presently, there is no comprehensive list of buildings with pertinent information that would include the address, square footage, year built, owned or leased, etc. Without compiling the list it is not possible to begin to analyze the present management of buildings or begin to move toward effective management and long term planning of buildings.

Implementing this recommendation may require hiring a Space Planning Consultant to work with the Manager of Space Planning, Design, Construction and Leasing to develop the comprehensive list of properties. Utilizing this list of properties, the manager would work with each department within the City to identify its complete building needs. The comprehensive list should be structured so that all employees in General Services can use the list when required for their particular job. This would insure that all employees are using a common base when referencing buildings.

From records that were available, the attached list of owned (Attachment 5) and leased (Attachment 6) buildings was begun. A format has been outlined and all available information has been listed. However, it may require the efforts of a Space Planning Consultant to complete the list.



### DEVELOP A MASTER PLAN FOR USE OF FACILITIES

Upon completing the above list, the consultant should work with each department to determine the number of employees and their working relationships as well as the requirements for a specific location in a particular building or near a particular group. With all this information, a master plan could be developed to allow for the reallocation of space. The master plan should also include a five-year plan for space based on the forecast of future needs by the various department directors.

### DISPOSE OF VACANT OR UNNEEDED FACILITIES

With the master plan and the five-year plan, an analysis should be made to determine vacant properties or possible future vacant properties. These properties should then be disposed of.

The comprehensive list of properties will make available a management tool that can be used to measure and project costs related to the properties. It also helps to allocate personnel for maintenance and other activities and to measure their respective workloads. Once the list is completed and the master plan developed, an analysis can be made to determine how best to use the properties from an economical basis.

It could lead to the elimination of all leased space (see Attachment 7) before the expiration of the present leases. For example, the location at 1 Reservoir Avenue (27,000 s.f.) is currently vacant. The lease term extends to December 3, 1989 and the lease does not have any provisions for early termination. If some of the functions presently at City Hall were relocated to 1 Reservoir Avenue (these activities would most likely be those that are presently using a large amount of space for record storage) and the C.E.T.A. and Planning and



Urban Development Departments were relocated from 40 Fountain Street to City Hall (a lease provision allows for early termination if the departments are moved to a City-owned building), two leases at 40 Fountain Street could be cancelled. This would provide an annual savings of \$110,400.

This example is intended to show one of the more obvious benefits of developing a master plan for space utilization. It is possible that there are many other areas where a master plan will provide additional, substantial savings. It also substantiates the need for a Space Planning Consultant and the immediate benefits that can be derived.

#### CORRECT CODE AND SAFETY VIOLATIONS

Many areas within the City-owned buildings have apparent code and safety violations that should be corrected immediately. In addition, the space in many facilities has not been properly upgraded since the buildings were built and is in need of renovation to provide adequate working areas for employees.

An immediate effort should be started to identify all code and safety violations in City-owned buildings. The Building Inspection Department would be best qualified to compile the list of violations and estimate the cost to correct these items. An example of the immediate corrective action that is required in just City Hall is as follows:

##### 1. FIRE HAZARDS

###### a) Housekeeping:

Organize City Printing. Clean up and organize Rooms 321, 333, 338, 339 (Recorder of Deeds). Clean up and organize Archival areas.



- b) Relocate wall mounted Simplex fire hoses to a higher elevation.
- c) Add Exit to Room 338 (wall adjacent to Room 339).
- d) Install fire extinguisher inspection program.
- e) Post Evacuation Plans (floor layout showing "where you are" and nearest route to exit) on 4th, 5th, and attic floors.
- f) Control indiscriminate use of extension cords.
- g) Lock power panels and master fire control/switchgear room. Inaugurate security program (i.e., key control).
- h) Inaugurate fire drill program and/or brigade activities (specifically 4th, 5th and attic areas).
- i) Have detailed inspection of facilities by Fire Marshall with specific emphasis on internal responsibilities. Have corrective action plan (with dates) presented to the Executive Office and Fire Department by Public Property.
- j) Have air handling equipment (to pressurize atrium space) made operable.
- k) Install halon fire suppression system in the computer room.

2. SAFETY HAZARDS

- a) Begin facility plan with dates to eliminate electrical junction box and floor tripping/ankle-twisting hazards.



- b) Get Kohle emergency generator on-line as soon as possible.  
Purchase exercise timer and maintenance contract.
- c) Examine pipe runs through office areas for asbestos covering content.
- d) Review building to find and remove old, dangling electrical wiring.

All other buildings owned by the City should have a detailed review made of all code and safety violations and monies should be budgeted to pay for these corrections. By correcting of all code and safety violations, the employees will benefit by having a safe environment to work in.

#### RENOVATE APPROPRIATE CITY PROPERTIES

After these fire and safety problems are corrected, a plan should be implemented to upgrade the administrative space over a period of time in conjunction with the space planning master plan. A multi-year, phased program should be budgeted to cover the cost of upgrading all major City-owned buildings. These major locations should include, at a minimum, City Hall, Public Works Complex, Water Supply Board Building, and the Police and Fire Station Headquarters. This would include approximately 400,000 square feet of building space.

The phased renovation program will provide much needed upgrading of administrative space for the employees. Considering that the activities of most of the employees are very similar to those in private industry, they should be given work space more typical to that in private industry. The benefits are hard to measure on an economic basis, but there may be some



savings associated with a reduction in the cost of maintaining the space, as well as an increase in productivity resulting from a better quality of work environment.

#### INITIATE AN ENERGY CONSERVATION PROGRAM

At present, there is no comprehensive energy conservation program in effect, which is leading to excessive energy use in City-owned buildings. To correct potential areas of energy waste, an energy audit of each City building should be conducted, energy efficient features should be designed into the building renovation program, and an energy policy should be established and followed in all buildings.

Initial steps should be taken to correct obvious areas of energy waste. These are items that could be completed by the custodial and/or maintenance staff, including repairing broken windows and weatherstripping doors.

In conjunction with this process, energy audits should be performed by the various vendors who are supplying fuel. The audit should detail the current energy use in the building and compare the usage to industry standards. Specific recommendations for redesign and retrofit of the buildings would follow with estimates of the cost to perform the work and the anticipated payback for each item individually.

Based on the available funding, steps should be taken to complete the recommended work in order of the shortest payback period to the City. Some steps have been started in this area by the Fuel Allocation Officer. They have led to a reduction in fuel oil usage in some of the major buildings.



### ESTABLISH AN ENERGY USE POLICY

An energy policy should be established immediately. This policy should be similar to that established by major corporations, which is modeled after the former Federal Energy Guidelines. These guidelines are that heat be provided to buildings only to a temperature of 65 degrees Fahrenheit and air conditioning be delivered where available only to a temperature of 78 degrees Fahrenheit.

Based on the payback of specific recommendations of the energy audits, the City would be in a position to realize substantial savings over a period of years. A typical industry standard for energy-related items would be to implement all items with a three-year or less payback.

The energy policy would go further in providing energy savings, particularly in locations that are presently heated or cooled above or below the recommended temperatures. It would also give a tool to the Manager of Building Services to use in setting standard temperatures as opposed to attending to individual desires.



## Attachment 1

PRESENT DEPARTMENT OF PUBLIC PROPERTY

## FACILITY MANAGEMENT STAFF

## SUMMARY OF JOB DESCRIPTION AND APPROXIMATE SALARY

<u>Position</u>	<u>Annual Salary</u>
<u>DIRECTOR</u> Oversees Department of Public Property - Administration	\$ 37,000
<u>DEPUTY DIRECTOR</u> Assistant to Director in all capacities.	\$ 30,458
<u>MAINTENANCE MAN III</u> Responsible for all janitors in City Hall and temporary janitors when provided by the State.	\$ 24,637
<u>SUPERVISOR, ENGINEER &amp; BUILDING MAINTENANCE</u> On loan to the School Department.	\$ 27,217
<u>ASSOCIATE ENGINEER IV (2)</u> Review problems in City Buildings that require repairs. (2 @ \$27,217)	\$ 54,434
<u>CHIEF, DIVISION OF MAINTENANCE &amp; REPAIR</u> Responsible for pools and pool-related buildings during summer, works with schools periodically and with heat-related problems during the winter.	\$ 21,040
<u>CHIEF, BUILDING INVENTORY &amp; CUSTODIAN SERVICE</u> Works with fuel allocation officer, responsible for inventory of building-related supplies (has not worked in department for approximately 2 years).	\$ 22,299
<u>INSPECTOR OF PUBLIC PROPERTY (OSHA)</u> On loan to Drafting Room - Traffic Engineering Department.	\$ 27,217
<u>LABORERS</u> (4 @ \$16,955)	\$ 67,820
<u>CARPENTER</u>	\$ 16,600
<u>ELECTRICIAN</u>	\$ 18,429
<u>BUILDING CUSTODIANS</u> (9 @ \$15,621)	\$140,587
<u>EQUIPMENT OPERATOR</u>	\$ 17,181
TOTAL	\$504,919



Attachment 2

EMPLOYEES ALLOCATED FOR MAINTENANCE OF FACILITIES  
BUT NOT IN THE DEPARTMENT OF PUBLIC PROPERTIES

<u>Position</u>	<u>Annual Salary</u>
<u>POLICE DEPARTMENT</u>	
Building Custodians (8 @ \$15,621)	\$124,966
<u>FIRE DEPARTMENT</u>	
Man in Charge - Carpenter Shop	\$ 25,232
<u>PUBLIC WORKS - HIGHWAY</u>	
Building Custodians (1)	\$ 15,621
TOTAL	<u>\$165,819</u>
 <u>DEPARTMENT OF PUBLIC PROPERTY</u>	 \$504,919
<u>OTHER DEPARTMENTS</u>	\$165,819
TOTAL	<u>\$670,738</u>



## Attachment 3

PROPOSED DEPARTMENT OF GENERAL SERVICES

<u>Position</u>	<u>Annual Salary</u>
<u>DIRECTOR</u> Oversees Department of Public Property	\$ 37,000
<u>MANAGER - OPERATIONS &amp; MAINTENANCE</u> Oversees Supervisors of Operations & Maintenance. Track and set objectives for all Maintenance and Utility costs.	\$ 32,000*
<u>SUPERVISOR - OPERATIONS &amp; MAINTENANCE (3)</u> Supervise daily maintenance and preventive maintenance plans to be done by Building Custodian. Supervises construction and/or alteration projects under \$5,000. (3 @ \$27,217)	\$ 81,651
<u>BUILDING CUSTODIANS (18)</u> General cleaning and preventive maintenance under the direction of the Supervisor - Operations & Maintenance. (18 @ \$15,621)	\$281,178
<u>MANAGER - SPACE PLANNING, DESIGN, CONSTRUCTION &amp; LEASING</u> Oversees Planning and Construction Supervisor. Control and maintain a master plan of Space Utilization with 1 and 5-year projections. Supervises Architects, Engineers and Contractors for construction projects. Establish occupancy related conditions for leases and bids leases. Administers disposing of vacant City buildings and property.	\$ 34,000*
	<hr/> TOTAL \$465,829

\* Shown is an estimate of the salary level that might be required to attract a qualified individual to this position; however, this figure is subject to review by the Directors of General Services and Personnel, as well as the Mayor.



## Attachment 4

After comparing the present and proposed organization structures (Attachments 1 and 3), the following chart suggests the direct changes in positions that could be made to form the proposed organization, or possible changes that could be made on a phased-in basis.

### PROPOSED DEPARTMENT OF GENERAL SERVICES

#### DIRECT CHANGE

##### DIRECTOR OF GENERAL SERVICES

Seek a person with a professional background in Engineering and Business Management, preferably with a B.S. in Engineering with an MBA. This person should have 5-10 years experience in the field of property (and/or fleet) management.

##### MANAGER - OPERATIONS & MAINTENANCE

Seek an individual with a professional background in Engineering and 5-7 years experience in Building Management.

##### SUPERVISORS - OPERATIONS & MAINTENANCE (3)

Train available people in present positions.

Possibilities are:

- a) Maintenance Man III
- b) Associate Engineer IV
- c) Chief, Div. Maintenance & Repair
- d) Chief, Building Inventory and Custodian Services

##### BUILDING CUSTODIANS (18)

Utilize available people in present positions. Possibilities are:

- a) Laborers
- b) Building Custodians
- c) Carpenter
- d) Electrician

##### PLANNING & CONSTRUCTION SUPERVISOR

(If required) Seek an individual with a professional background in Engineering, a minimum of an Associates Degree. The individual should have 1-3 years experience as an assistant to a Professional Engineer.

#### PHASED-IN CHANGE

No available qualified person  
(Position currently vacant)

Utilize one of the following positions after appropriate training:

- a) Deputy Director
- b) Supervisor, Engineer and Building Maintenance
- c) Inspector Public Property (OSHA)

Same recommendation

Same recommendation

Utilize present Supervisor - Engineer and Building Maintenance position with immediate training in construction management.



CITY OF PROVIDENCE  
OWNED BUILDINGS

No. USER	STREET ADDRESS	BUILDING NAME	BUILDING SQUARE FOOTAGE		LAND S.F.	DEPARTMENTS OCCUPYING/S.F.	YEAR BUILT	ANNUAL COSTS			TOTAL S.F.	TOTAL S.F.
			GROSS	USABLE				JANITOR S.F.	HEATING & A/C S.F.	ELECT. S.F.		
	Fox Point Pool		1,598									
	Almagne Street Pool		1,646									
	Bucklin Pool		1,646									
	Joslin Street Pool		16,603									
	Engineer Field, Gano Street		264									
	Neutaconacut Park		160									
	Neutaconacut Park Historic Barn		1,727									
	Triggs Golf Course		6,991									
	Triggs Golf Course		3,072									
	Brook Street Fire Station		7,208									
	Rochambeau Av. Fire Station		6,837									
	Humboldt Av. Fire Station		8,992									
	Admiral St. Fire Station		9,784									
	Hartford Av. Fire Station		6,916									
	Atwells Av. Fire Station		9,482									
	Mt. Pleasant Fire Station		5,221									
	Messer Street Fire Station		7,551									
	Allens Avenue Fire Station		5,691									
	Broad Street Fire Station		7,605									
	No. Main Street Fire Station		17,932									
	Branch Av. & No. Main Street		13,572									
	Fire Alarm & Telephone Bldg.		4,244									
	Chad Brown (Police Academy)		11,875									
	Police & Fire Dept. Hdqtrs.		82,861									
	Police & Fire Repair Garage		15,580									
	Fire Training Station		9,235									
	Traffic Engineering Dept. (Maint)		4,864									
	Chad Brown Maint. Garage		5,552									
	Comfort Station (Kennedy Plaza)		2,759									
	Head Start Project		6,906									
	Jenkins St. School (C.D.)		14,932									
	Municipal Dock Building		229,984									
			1,174,157									

(Total gross square footage - Pos 1 & 2, Ex. C)



CITY OF PROVIDENCE  
OWNED BUILDINGS

Bldg. No.	STREET ADDRESS	BUILDING NAME	BUILDING SQUARE FOOTAGE		LAND S.F.	DEPARTMENTS OCCUPYING/S.F.	YEAR BUILT	ANNUAL COSTS			TOTAL S.F.	TOTAL
			GROSS	USABLE				JANITOR S.F.	HEATING & A/C S.F.	ELECT. S.F.		
	60-20 Ernest St.		46,593									
	North Burial Ground		5,000									
	North Burial Ground (Maint)		3,552									
	North Burial Ground Office		2,094									
	Boat House Administration Bldg		7,829									
	Carriage House		10,121									
	Children's Nature Center		2,758									
	Polar Bear Shelter		1,164									
	Bird House (Roger Wms. Park)		1,164									
	Tennis Court Club House		3,088									
	W.D.A. Bldg.		225									
	Nursery Bldg.		4,709									
	Pony Barn (R.W.P.)		2,315									
	Misc. Animal Shelter (R.W.P.)		1,614									
	Zoo Barn (R.W.P.)		3,824									
	Stables (R.W.P.)		15,936									
	Charles A. Smith Greenhouses		17,974									
	Museum of Natural History		27,051									
	Burnside Park Shed (R.W.P.)		200									
	Public Works Administration		9,000									
	Incenerator Garage		35,118									
	Public Works (Highway & Garage)		182,199									
	Port Authority Mun. Warehouse		1,387									
	City Hall (Dorrance Street)		96,741									
	Water Supply Board		40,583									
	Water Supply Board (Admin.Bldg.)		56,079									
	Hydro plant Water Supply		5,310									
	Water Sup. Board Pumping Sta.		13,379									
	Water Supply Maint. Garage		13,402									
	Zuccolo Pool		7,791									
	South Prov. Pool		7,791									
	Danforth Pool		18,425									



## Attachment 6

CITY OF PROVIDENCE  
LEASED LOCATIONS

LINE NUMBER	STREET ADDRESS	BUILDING AREA	BUILDING SOURCE FUNDING GRANT	LAND S.F.	DEPARTMENT OCCUPYING/S.F.	YEAR BUILT	ANNUAL COSTS		ADDITION S.F.	HEATING S.F.	LANDING S.F.	LANDLORD	LEASE		OPTION OFFICE REQUIRE
							RENT	HEAT					START	FINISH	OPTIONS
1. L	43 Washington St.	3rd Fl.	5,000		Law Department		\$ 40,000	\$ 8.00				Slade R E Dvl.	8/1/84	7/31/89	1-5 yr
2. L	55 Eddy St.		12,000		Community Development		\$ 96,000	\$ 8.00				CBH Realty	4/19/84	4/18/89	1-5 yr
3. L	1 Reserve Av.		27,000		Recreation Department		\$132,300	\$ 4.90				Jake Kaplan V.M.	12/4/79	12/3/89	
4. L	21 Reserve Av.		5,000		Recreation Department		\$ 18,750	\$ 3.75				Fifty Three Rlty.	11/79	11/84	1-5 yr
5. L	127 Terrace St.	Journal Bldg	13,000		Building Inspection		\$104,000	\$ 8.00				Cerrilli & Mallico	8/1/84	7/31/89	1-5 yr
6. L	27 Washington St.		2,500		Economic Development							John Rao			
7. L	40 Fountain St.		9,200		Planning & Urban Dvl.		\$ 55,200	\$ 6.00				Gardner Realty	3/1/81	2/28/86	1-5 yr
8. L	40 Fountain St.		9,200		C.E.T.A.		\$ 55,200	\$ 6.00				Gardner Realty	3/1/81	2/28/86	1-5 yr
9. L	40 Fountain St.		1,000		Providence Human Rel.		\$ 27,750	\$ 6.50				Gardner Realty	11/1/80	10/31/85	1-5 yr
							\$24,200 *								

\* This does not include the 77 Washington St. lease cost which was not available



C

VI. OTHER

C



PLANS OF ACTION TO REFORM OTHER SELECTED CITY FUNCTIONS  
Executive Summary of the Reports on Other Selected City Functions

Contributors:

John L. McCarthy, R.I. Group Health Association  
Francis E. Mullen, Esq., Slattery, Balkum and Mullen  
Joan Sackett, Joan Sackett Associates

Although no attempt has been made to prioritize the recommendations in this section, each problem area is serious enough to warrant close scrutiny and serious consideration of implementing a solution to it as soon as practical.

LEGAL SERVICES

The monies currently allocated for legal services can be more effectively utilized. The Study Team believes that reducing the number of part-time City attorneys and providing more full-time attorneys, who would be required to forego a private practice, should result in an annual savings of from \$80,000 to \$100,000.

The Team also believes the City Solicitor should monitor the legal fees charged by private attorneys, who will still be necessary in certain situations.

RECORDER OF DEEDS

The Study Team believes the Recorder of Deeds Office could be reorganized to provide a more efficient indexing system, improve records availability and



better insure records safekeeping. The specific suggestions offered would allow for a more effective operation to serve the public.

#### PLANNING, COMMUNITY DEVELOPMENT, AND ECONOMIC DEVELOPMENT

The City currently has three agencies engaged in similar community and economic development activities.

The Study Team feels that the City's planning and community development agencies should be consolidated to eliminate the duplication of effort and staff in those areas. Since the directors of both agencies have suggested such consolidation before, a detailed joint proposal to accomplish it should be submitted to the Mayor within 30 days.

A "single purpose agency" for economic development should be maintained, although some changes are recommended to cut costs as well as to improve program coordination so that the agency can be action--as opposed to planning --oriented.

#### INTERDEPARTMENTAL COMMUNICATIONS/POLICY DIRECTION

The Study Team believes needed improvements in this area include the convening of regular Mayoral meetings with key department directors on a formal and informal basis. Such meetings would allow for the promulgation of many of the policies and procedures recommended in this report, and the building of understanding and support for them. Greater interdepartmental cooperation could also be encouraged at these sessions.



OTHER SELECTED CITY FUNCTIONS - ANALYSES AND RECOMMENDATIONS

Contributors:

John L. McCarthy, R.I. Group Health Association

Francis E. Mullen, Esq., Slattery, Balkum and Mullen

Joan Sackett, Joan Sackett Associates



OTHER SELECTED CITY FUNCTIONS - ANALYSES AND RECOMMENDATIONS

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Interdepartmental Communication/Policy Direction	11



## LEGAL SERVICES

### Present Operations

The Law Department provides legal services for the City of Providence. The operating budget for this department totals \$374,000, when the line item of \$650,000 for claims and damage payments is excluded from the Department's fiscal year 1985 appropriation.

The City Budget indicates that the present staffing level in the department totals 14, of which 11 are attorneys. However, the only full-time attorney in the Law Department is the City Solicitor, who by the City Charter is prohibited from engaging in private practice. The remaining attorneys are not so prohibited.

In addition to the Law Department, various other City agencies also employ legal counsel. For example, the Department of Planning and Urban Development (DPUD), employs four attorneys at an annual cost of approximately \$100,000. One of the attorneys assigned to DPUD is the legal counsel to the Providence Redevelopment Agency.

The Department of Inspections and Standards also employs two part-time attorneys. These lawyers handle matters relating to minimum housing and building code enforcement and zoning. This department's budget includes \$44,000 in personnel costs for the two attorneys.

In addition, other agencies employ in-house legal staff and the City also retains outside legal counsel to assist with employee relations, collections and other matters.



To help control legal service costs and assure more accountability, the following recommendations are offered:

REDUCE THE NUMBER OF PART-TIME CITY ATTORNEYS

The City currently employs more than 15 attorneys who may also engage in the private practice of law. To improve accountability and assure more efficient administration, the number of part-time attorneys should be reduced, and more City attorneys should serve on a full-time basis and be required to forego a private practice as a condition of employment. Such a reorganization of legal services should result in fewer total attorneys on the City payroll, with an annual savings of \$80,000 to \$100,000.

MONITOR COST OF OUTSIDE LEGAL COUNSEL

While the use of private attorneys should be kept to a minimum, it may be necessary for the City to occasionally retain outside expert counsel. In such cases private attorneys should be required to submit a time and activity report to the City Solicitor. The Solicitor should review and comment on these reports before payment is made.



## RECORDER OF DEEDS

### Present Operations

The purpose of this office is to accept for recordkeeping, safekeeping and indexing, all records concerning real estate within the Providence City limits including deeds, mortgages, leases, attachments, suits, liens and violations of the Minimum Standard Housing Code.

The Recorder of Deeds Office records these documents in chronological order as they are received. They are kept at the front desk for one day and then are sent to the "back room" where they are examined to determine whether or not names are missing, the document has been recorded in the right town, or if any other errors exist. Book and page numbers are assigned on that day, or shortly thereafter.

It takes about six weeks before the average document is photocopied, and there are about two years of prior documents which have never been photocopied.

Approximately two to three months after this process takes place, the documents are entered by name, book, and page number into the computer system. There are presently only two persons who can operate this equipment, and it is run for only three to four hours daily.

### Evaluation

Office operations are conducted in a relatively inefficient manner because personnel are not being used as effectively as they could. There is a "Catch 22" situation here: Much of the time of the staff is spent in distributing documents which have not been processed because of the existing



backlog. Had they been processed in a timely manner and been made available in book form in the first place, it would be possible for the public to have direct access to them. This would free staff to do other important tasks, including helping to relieve the backlog.

There are documents in the system, such as attachments and Notices of Violation, which should be made accessible to the public without having staff spending most of their time at the counter handing them to people who wish, and who have a right, to see them.

The computer system is poorly located as is the photocopy equipment. They should be moved to a space which has more room so as not to bottleneck the operations of the balance of personnel. This could require rewiring for the purpose of avoiding an electrical overload.

Finally, working conditions are abysmal. Paper is crammed into every nook and cranny. These "papers" are the deeds and mortgages and all allied documents supporting the title to much of the real estate in the City of Providence. This area is susceptible to fire and its destruction would be devastating, not only to the records but perhaps to the entire building.

REORGANIZE THE OFFICE OF RECORDER OF DEEDS TO PROVIDE A MORE EFFICIENT INDEXING SYSTEM, IMPROVE RECORDS AVAILABILITY AND BETTER INSURE RECORDS SAFEKEEPING

The Recorder should be a working member of the Office, knowledgeable in all aspects of operations. There should be a subordinate, taken from the staff, to assist the Recorder and operate the Office in her absence. In addition:



- The screening of documents between the time they are received and the time they are photographed should be eliminated. This task is already done by the recording clerk.
- Photocopying of instruments should be immediate, with the film being kept in a safe and fireproof place.
- Use of the computer system should be continuous until such time as an alphabetical index is within one or two days of the recording date.
- The electrical wiring systems should be improved so that the computer system and the photocopy equipment can be moved to more functional areas.
- A concerted effort is needed to photocopy the backlog of documents.
- Attachments, presently recorded Notices of Violation, Inheritance Tax Discharges, and similar documents should be available to the public in recorded form without the help of office personnel.
- The physical working areas must be improved in order to obtain an atmosphere conducive to better morale and efficiency. This requires cleaning, painting, air conditioning and readjustment of space. Installing fire exit doors may be involved.



## PLANNING, COMMUNITY DEVELOPMENT, AND ECONOMIC DEVELOPMENT

The City of Providence currently has three organizations that are involved in community and economic developmental activities. These are the:

- Department of Planning and Urban Development (DPUD),
- Mayor's Office of Community Development (MOCD), and
- Providence Office of Economic Development (POED).

Only DPUD is a regular line department of City government, whose duties and responsibilities are stated in the City Charter. The other organizations were created in response to federal programs and public-private sector concerns about development. In addition, the Office of Community Development provides funding for the private, non-profit, Providence Industrial Development Corporation (PIDC).

### Mayor's Office of Community Development

The Mayor's Office of Community Development was created in 1975 to manage the Community Development Block Grant Program (CDBG), a program which would disburse an average of \$8.0 million a year for such activities as: housing rehabilitation, playgrounds and parks, community facilities, social programs and economic development.

MOCD's staff consists of 54 persons. The largest department in the agency is housing rehabilitation, which makes up approximately one-quarter of the agency's staff.

The agency has a line/staff structure, with four staff sections (legal,



fiscal, construction monitoring, planning and evaluation) and four line sections (rehabilitation, parks and open spaces, community facilities, special projects). The Office of Community Development administered a budget of \$10.0 million during fiscal year 1983 and will receive \$7.0 million in block grant funds in fiscal year 1984.

#### Providence Office of Economic Development

The Office of Economic Development was made an independent agency in 1980. Previously it was a department of the Mayor's Office of Community Development.

The staff at POED consists of eight people who perform outreach, research, loan packaging, Urban Development Action Grant (UDAG) assistance to private developers, and administer a rehabilitation loan program for retail/commercial establishments in selected areas of the City.

Almost the entire budget of this agency is provided by the Office of Community Development. This includes both the administrative and program budgets (the only other source of funds had been a small grant of approximately \$22,000 from the Economic Development Agency). However, since terminating their combined loan/grant program, the office should continue to earn approximately \$0.2 million in interest payments, which will be used to either offset administrative costs or be used for other economic development projects.

The only type of economic development the agency does not perform is industrial development, which is undertaken by the Providence Industrial Development Corporation.



The budget for POED in fiscal year 1983 was \$0.9 million. It is anticipated the agency will receive approximately \$0.6 million in fiscal year 1984.

#### Department of Planning and Urban Development

The Department of Planning and Urban Development is a regular City line department under the City Charter. Its responsibilities include providing staff for the Providence Redevelopment Agency and the City Plan Commission. This department also is responsible to advise the administration on any matter affecting the physical development of the City, and develop and periodically review a five-year capital improvement program.

The DPUD consists of six divisions (planning, project development, research and evaluation, fiscal affairs, family relocation, legal services) manned by a staff of 54 persons.

Prior to the enactment of the Community Development Block Grant, DPUD was the recipient agency for federal Urban Renewal funds which were used for projects similar to those undertaken today with CDBG funds. Funding for the department now comes from the City's operating budget and from bonds issued by the City for specific projects.

#### Recommendations

##### CONSOLIDATE THE DEPARTMENT OF PLANNING AND URBAN DEVELOPMENT AND THE OFFICE OF COMMUNITY DEVELOPMENT

A single agency with one overall director should be established to better coordinate and administer City-wide planning and development activities. As



currently organized, there exists a duplication of effort in several areas. For example, both agencies have personnel who perform similar functions:

- Both have their own land acquisitions specialists.
- Both have staff members who basically perform research and evaluation of programs, and prepare applications for grant assistance.
- Both agencies have personnel who manage construction projects until completed.
- Both agencies maintain separate legal and fiscal staffs.

Furthermore, consolidation of these agencies should result in reduced administrative overhead. For example, DPUD and MOCD currently have their own separate offices located within one block of each other. A consolidation into one of these buildings or negotiation for new space could reduce the cost for rental space. Also, both agencies have office equipment that is either leased or owned. A properly managed consolidation would reduce the need for some equipment (i.e., copying machines, typewriters, phone systems, etc.).

In terms of program management, neither agency has coordinated its activities very well. For example, Urban Renewal projects were financed and undertaken without determining whether those activities could be funded with federal funds, rather than burden the City's taxpayers with increased debt service.

In conclusion, both the Director of Planning and Urban Development and the Director of Community Development have recognized the need for the creation of a single agency to coordinate planning and development activities. The Study



Team, therefore, recommends that DPUD and MOCD present a detailed joint proposal for consolidation to the Mayor within thirty days.

MAINTAIN A "SINGLE PURPOSE AGENCY" FOR ECONOMIC DEVELOPMENT

The Office of Economic Development should continue to operate as an independent entity due to the nature of its responsibilities in working with the business community.

However, one change should be considered for the Office of Economic Development: the agency should relocate to smaller quarters. It is presently located in the Strand Building in space planned for a much larger staff than currently exists.

A formalized coordination procedure should also be established between POED and the department created by the merger of DPUD and MOCD. This procedure might be the establishment of a cabinet council on development which would institutionalize reviews by department heads before any activity is finalized. Furthermore, the larger Department of Planning and Community Development might provide support and planning resources to the Office of Economic Development so that it can be action- as opposed to planning-oriented.



## INTERDEPARTMENTAL COMMUNICATION AND POLICY DIRECTION

### Present Operations

Each City department is run independently with its own policies and procedures. Each is run by a director, whose values, experience, ability and enthusiasm determine its direction and effectiveness. There is a variance in the quality of communications among and between City departments.

### Evaluation

Allowing directors so much flexibility and freedom in running their departments can create a group of committed and motivated leaders. However, it also leaves room for potential abuse by those who do not feel answerable to the Chief Executive.

The Mayor's Office should utilize meeting with key department heads to communicate administration policies and coordinate program concerns.

### USE REGULAR MAYORAL MEETINGS TO DISCUSS BROAD POLICY MATTERS AND COORDINATE DEPARTMENTAL CONCERNS

Communication with departments should be positive and informative. This may take the form of a newsletter - "From the Mayor's Desk", for example.

Regularly scheduled meetings of key department directors, or "cabinet meetings" with the Mayor should also be established, perhaps each one focused on a clear agenda for a limited time, but with room for discussion among attendees. An informal breakfast, lunch or dinner "rap session" for all department directors is another suggestion. Such Mayoral meetings would help to ensure understanding of and support for major administration goals and programs. For



example, they would be a perfect opportunity to discuss new policies and procedures recommended in this report.

The benefit of opening up communication on a regular basis is to create a feeling of loyalty, support and mutual understanding among department directors. This also serves as an example to other personnel and encourages the managers within City government to adopt similar practices with their employees. Everyone is motivated by recognition and positive interest from those in authority.

In addition, the Mayor should encourage meetings between departments to facilitate program coordination and possible economies in the delivery of similar services.



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## VII. IMPLEMENTATION GUIDE



PLAN OF ACTION FOR THE IMPLEMENTATION OF  
THE PROVIDENCE MANAGEMENT STUDY RECOMMENDATIONS



After several months studying City government operations, the Providence Management Study is submitting this report with the expectation that it will enable the Mayor, the City Council and City department heads to provide more efficient and effective services to the taxpayers of Providence.

Because such improvements do not just happen, but require the interest and active participation of all City officials and employees, the Study Team recognized its responsibility to provide a plan to help turn its recommendations into accomplishments.

Each section of the report, therefore, includes a "plan of action/executive summary" to guide policymakers to the highest priority recommendations in each area of the study as well as to indicate the potential benefits from implementation.

Similarly, the attached "Implementation Guide" should help to delineate the steps necessary to aggressively get the overall implementation process underway.

The first step necessary in the process is for the Mayor to name a full-time Implementation Director to oversee this effort and to appoint an Implementation Review Committee to assist that individual in the arduous task ahead. Second, all Department Directors must be notified not only of the Mayor's commitment to the implementation of Providence Management Study recommendations, but also that the Implementation Director will be directing his full-time efforts to assisting departments in this process.



A sample memo is attached to so notify Department Heads. The detailed "Implementation Guide" should be enclosed with that memo.

The management specialists who participated in the Providence Management Study represented a considerable investment by the City's private sector. Their support clearly indicates their desire to ensure cost-effective City operations.

The Study Team realizes, however, that the ultimate success of this program will be measured by the effectiveness of the implementation phase of the Study. In this regard, the Providence Management Study sponsors and participants stand ready to assist in any way possible.



(Draft memo to all Department Heads)

TO: All City Department Directors

FROM: Mayor Joseph R. Paolino, Jr.

DATE:

RE: Implementation of Providence Management Study

The Providence Management Study has presented its report. This document is the product of months of work by management specialists representing the private sector.

The recommendations outlined in the report suggest methods for improving city government operations. These proposals range from simple procedural modifications to complex recommendations involving major operational changes. Properly implemented, the results can have a major impact on the City's ability to provide its citizens the cost-effective government they deserve.

Implementation of the Providence Management Study recommendations will be a high priority of this administration. It will require the support of all City employees. To facilitate this effort, I have formed an Implementation Review Committee to recommend policy direction for the City's implementation effort. Furthermore, \_\_\_\_\_ has been appointed Implementation Director to administer the overall program, provide technical assistance and monitor the results.

To ensure the implementation effort achieves maximum results, the attached guidelines have been developed to provide the basic information which is necessary to initiate action on these improvements. However, if you have any questions, please feel free to contact \_\_\_\_\_ (Implementation Director) \_\_\_\_\_. With your cooperation and aggressive follow up, this project can have a significant impact on improving city government operations.



PROVIDENCE MANAGEMENT STUDY  
IMPLEMENTATION GUIDE



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## OBJECTIVES

The prime objective of the implementation program is to convert recommendations made by the Providence Management Study (PMS) into actual operational improvements in the administration of Providence City government. Emphasis will be placed on assisting departments in their efforts to provide citizens with services in the most expeditious and economical manner. Success will be measured in terms of reduced costs, increased efficiencies, improved services, and other benefits.

To achieve this, an organization structure and procedures have been established to:

- Formulate constructive responses to Providence Management Study recommendations.
- Develop plans to achieve maximum benefits in the shortest possible time.
- Monitor progress to make sure goals are obtained.
- Ensure continuing cost control efforts.



## ORGANIZATION

Overall responsibility for the implementation program rests with the Mayor. However, an Implementation Review Committee, working under the Mayor's broad policies, will provide guidance. It will consist of the Mayor, the Director of Administration\*, five representatives of the private sector (including two members of the Providence Management Study Team), the Chairman of the City Council Finance Committee, and the Implementation Director who will serve as chairman. The Implementation Director will report directly to the Mayor and have basic responsibility for overall administration of the implementation effort.

Initiating action on specific recommendations will be the responsibility of the individual departments. Department directors must review and take action on recommendations which directly affect their operations. They must spearhead the implementation activities of their departments and work with their respective division heads to develop action plans for implementing specific recommendations.

The basic organization structure for implementation is shown on Exhibit 1 on page 3. It illustrates formal reporting relationships, but does not attempt to show all informal lines of communication.

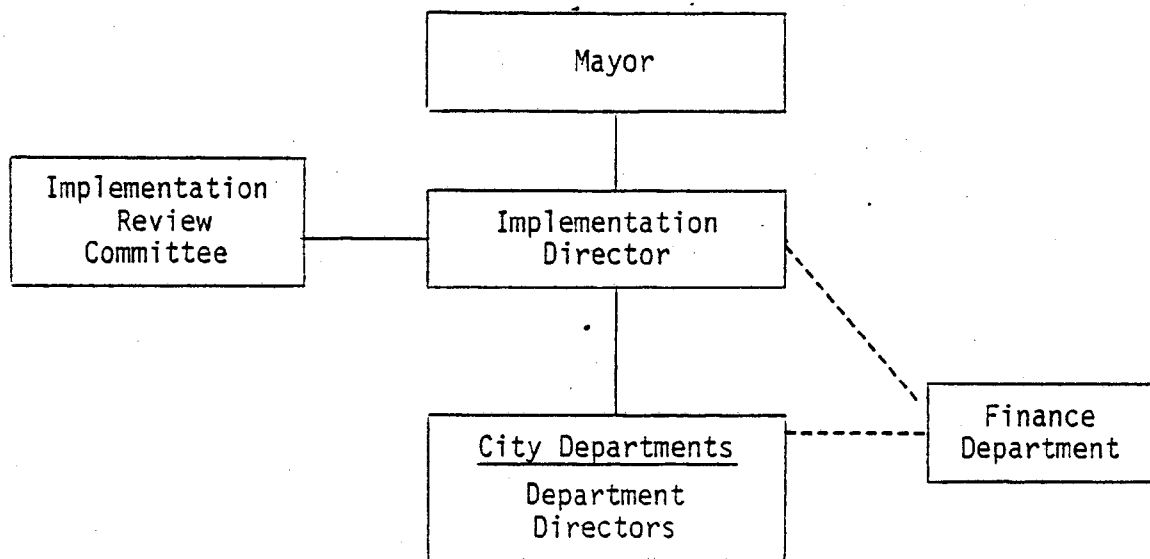
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\* Since it will require time to hire this individual, the Director of Finance should sit on this Committee in the interim.



Exhibit 1

Providence Management Study  
Implementation Organization





## RESPONSIBILITIES

To ensure an effective implementation program, responsibilities are assigned as follows:

### The Mayor

- Provide continuing support, leadership and motivation for the implementation effort.
- Establish overall policy.
- Meet regularly with the Implementation Director, Implementation Review Committee and other key officials to review progress as well as establish priorities and strategies.

### Implementation Review Committee

- Review major Providence Management Study recommendations and set priorities for implementation.
- Coordinate policy decisions as they relate to recommendations which cross department lines.
- Work with the City Council on proposals requiring changes in the law or the City Charter.
- Evaluate performance against overall plans and initiate action where appropriate.
- Stimulate new cost control measures on a citywide basis.

### Implementation Director

- Direct, coordinate and evaluate citywide implementation efforts in accordance with priorities established by the Mayor and the



#### Implementation Review Committee.

- Conduct regular meetings with department directors to review progress and discuss problems.
- Coordinate joint implementation efforts involving more than one department.
- Assist the department directors and their staffs in day-to-day implementation activities.
- Coordinate preparation of ordinances for proposals requiring changes in the law or the City Charter.
- Work with the Department of Finance to ensure implementation actions are incorporated in the budget process.
- Measure performance against department commitments and prepare periodic progress reports for the Mayor and the Implementation Review Committee.
- Prepare and release public statements on implementation progress through the Office of the Mayor.

#### Department of Finance

- Provide guidance in the identification, classification and quantification of savings and costs to ensure uniformity and proper documentation of all figures.
- Review benefit claims for accuracy and budget impact.
- Assist the Implementation Director and the departments with activities as required.

#### Department Directors

- Coordinate intra-department implementation efforts and document and execute detailed action plans for implementation of each



recommendation.

- Prepare progress reports on a recommendation-by-recommendation basis for submission to the Implementation Director.

Chamber of Commerce

- Independently monitor implementation progress and make periodic public reports on such efforts.



## REPORTING SYSTEM

Responsibility for implementing Providence Management Study recommendations rests with the individual departments and their line managers. These individuals must analyze each recommendation, prepare action plans to accomplish the desired changes, execute these plans and report on progress.

### Initial Action Plans

Principal responsibility for reviewing and analyzing recommendations belongs with the respective department directors, assisted by their line managers. Appropriate Providence Management Study backup material and documentation will be provided to facilitate this activity. Also, members of the Providence Management Study may be called upon through RIPEC, the Chamber, or the Implementation Director on an as-needed basis to provide background, technical expertise or other insights. The Implementation Director will also help obtain whatever information or assistance might be required from other departments.

Following this initial review and analysis, line managers, working with the department director and staff, will develop detailed action plans identifying all tasks required for implementation, assigning individual responsibility for specific activities and setting time schedules for completion. These plans will be documented on the Individual Recommendation Action Report form. (A sample of this as well as detailed instructions for completing them are attached).

This information will be reviewed by the department director and, when approved, sent to the Implementation Director. (All action plans will be submitted by an assigned date.) The Implementation Director will review this



material to ascertain if the intent of each recommendation reasonably correlates with the action being taken. Follow-up meetings will be held with department directors and line managers where misunderstandings exist or clarification is necessary. All unresolved matters will be brought to the attention of the Implementation Review Committee for resolution. The Committee will also review all responses for less than full implementation.

#### Department Progress Reporting

Primary responsibility for carrying out the action plans and meeting target dates also rests with the department line managers. In order to monitor progress against plans, regular reporting will be required. The first report will be due on an assigned date. In this instance, a dual purpose will be served. First, it will provide an update of the initial action plans as a result of the clarification and follow up. Secondly, it will reflect accomplishments against plans. Subsequent monthly reports will be due on a specified date. Here, the emphasis will be directed primarily toward reporting progress against the initial and updated plans.

Activities completed, plan modifications and financial benefits will be documented by department directors on a recommendation-by-recommendation basis, using the Individual Recommendation Action Report form. These will be submitted monthly to the Implementation Director.

Documentation supporting all benefit claims will be required as part of the action reporting. In those instances where there is financial impact, the progress reports will be evaluated by the Finance Department.



### Public Reporting

Upon receipt of the action reports, the Implementation Director will review benefit documentation with the Implementation Review Committee for accuracy and adequacy. In some instances, additional discussions may be necessary with department personnel for clarification of the progress reported. Recommendation write-ups and related background materials developed by the Providence Management Study will be utilized to ascertain the intent of the proposals and establish the basis for calculating financial benefits.

After this review process, the Implementation Director will consolidate the data into a report which will tabulate the collective achievements for all departments. This report will then be submitted quarterly to the Mayor and the Implementation Review Committee. It will also provide the basis for issuing public statements on implementation progress, which will be issued through the Office of the Mayor.



### INDIVIDUAL RECOMMENDATION ACTION REPORTS

The Individual Recommendation Action Report (IRAR) form (Exhibit 2) has been developed to ensure the preparation of consistent information by all departments in regard to their implementation plans and activities. It will be used for reporting initial action plans as well as ongoing progress on a monthly basis.

An IRAR form must be prepared for each department recommendation included in the Providence Management Study report. The department director will assign responsibility for implementation of each recommendation to a specific manager within the department. The designated manager is responsible for filling out this form. Completed forms are sent to the department director, and after review and approval will be forwarded to the Implementation Director, with a copy retained in the department files. The top portion of the form should be completed as follows:

- Department--Insert the functional area, department, or office under which the recommendation appears in the report. Further identification may be added if appropriate.
- Recommendation Statement--Type this information exactly as it appears in the report.

#### Recommendation Status

In this section of the form, the department's current intention with regard to implementation of the recommendation is identified. Four alternatives are given. Only one should be checked.

- Accepted--If the recommendation is being implemented essentially as proposed by the Providence Management Study, this



Exhibit 2

PROVIDENCE MANAGEMENT STUDY

INDIVIDUAL RECOMMENDATION ACTION REPORT

DEPARTMENT: \_\_\_\_\_ REPORT FOR: \_\_\_\_\_

STATEMENT OF RECOMMENDATION: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RECOMMENDATION STATUS:      ☐ Accepted  
                                 ☐ Modified (explain)  
                                 ☐ Under Study (Decision Date \_\_\_\_\_)  
                                 ☐ Not Feasible (explain)

IMPLEMENTATION STATUS:      ☐ Completed  
                                 ☐ In Process (Completion Date \_\_\_\_\_)  
                                 ☐ Inactive (explain)

COMMENTARY (include any financial impact expected or achieved and an explanation of how and/or why it differs from the Providence Management Study expectation):

\_\_\_\_\_  
Department Director

\_\_\_\_\_  
Date



box should be checked. When checked for the first time, an action plan for implementation should be given in the "Commentary" section of the form. The action plan should detail the specific steps necessary for implementation. Assign responsibility for carrying out each step and set firm dates indicating when the steps will be completed.

- Modified--This should be checked when the main objectives of the recommendation will be achieved through a method or approach other than that proposed by the Providence Management Study. When checked for the first time, the reason for and a description of modifications should be fully explained in the "Commentary" section.
- Under Study/Decision Date--A check here indicates further analysis necessary to develop a detailed action plan. The date on which the additional study is to be finalized should be recorded on the line following this box. Reasons for the study together with a detailed study plan should be given in the "Commentary" section of the form. The plan should include specific steps to be undertaken along with individual responsibilities and completion dates for each step.
- Not Feasible--This box should be checked if, for some reason, the recommendation is not practical or cannot be implemented. When this box is marked, an explanation must be given in the "Commentary" section, indicating an understanding of the intent of the original proposal and describing the specific reasons why the recommendation was rejected. When the Implementation Director and the Implementation Review Committee agree to the "Not Feasible" finding, no further IRARs will be required for the recommendation.



### Implementation Status

A series of checklist items are also provided to indicate the current status of agency action as of the reporting date. Only one of the following three choices should be checked:

- Completed--The recommendation has been carried out. Some may have been completed before the start of the formal implementation program. In these cases, "completed" should be checked when the first IRAR is filled out. Most, however, will not progress to this status until a later date. A description of the actions taken since the last report should be given in the "Commentary" section. Once this box is checked and the Implementation Director agrees with this description, further IRARs will not be required for the recommendation.
- In Process/Completion Date--Although the recommendation is being implemented all necessary actions are not yet complete. The "in process" status commences with the development of an action plan and establishment of a target completion date. It ends when the entire recommendation has been put into effect. A target date must be indicated to identify when the proposal will be completely in force. When this block is checked, a description of the activities undertaken during the reporting period must be given under "Commentary".
- Inactive--If no activity to implement the recommendation has occurred during the reporting period, this box should be checked. The "Commentary" should contain specific reasons for checking the "inactive" box and include intended plans to change status from "inactive" to "in process" or "complete".



### Commentary

This section is used to explain the details relating to the indicated status of a specific proposal and the points to be brought out will vary depending on the recommendations. It should be completed on all reports to clearly describe plans, problems and actions. Since this is a major element of the overall report, additional pages may be added as necessary. However, each additional page should include a heading consisting of the department name and Statement of Recommendation.

One purpose of this section is to document comparative figures on potential, projected and actual benefits. In quantifying financial impacts, figures should be broken down into annual and one-time savings, cost avoidance, income and costs. "Savings" are calculated as a reduction of funds being expended for goods and services. "Cost Avoidance" is defined as a reduction in appropriated funds which were not being spent at the time of the study--for example, the elimination of a vacant position. "Additional Income" is the amount of direct inflow resulting from new service charges or returns on sales of assets. "Additional Costs" constitute the amount of actual cash outflow needed to achieve desired improvements.

As a final point, all action report forms must be dated, signed and approved by the department director.