



REPORT TO COUNCIL City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
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Staff Report
July 14, 2009

**Honorable Mayor and
Members of the City Council**

Title: Report Back: Citywide Financial and Operational Review

Location/Council District: Citywide

Recommendation: Provide direction to staff to release a Request for Proposal (RFP) for professional consulting services to conduct a citywide financial and operational review

Contact: Marty Hanneman, Assistant City Manager, (916) 808-7508

Presenter: Marty Hanneman, Assistant City Manager, (916) 808-7508

Department: City Manager's Office

Division: N/A

Organization No: 02001011

Description/Analysis

Issue: At the June 9, 2009 City Council meeting, Mayor Johnson requested the City Manager to bring a report for Council's consideration to release a Request for Proposal (RFP) for professional consulting services to conduct a citywide financial and operational review. Staff has outlined a general scope of work for such a review and seeks Council direction on whether to issue a RFP and the draft scope of work.

Policy Considerations: A review of the City's operations and finances is consistent with City strategies to identify cost saving efficiencies and right-size the organization to meet reduced revenue trends.

Environmental Considerations: N/A

Commission/Committee Action: N/A

Sustainability Considerations: N/A

Rationale for Recommendation: This report seeks direction from Council regarding the potential issuance of a RFP for professional consulting services to conduct a citywide financial and operational review.

Financial Considerations: The cost of a citywide financial and operational review will depend on the scale and focus of the scope of work desired by Council. If approved to issue a RFP, staff will return within 60 days to Council with a consultant and funding recommendation.

Emerging Small Business Development (ESBD): N/A

Respectfully Submitted by: 
Marty Hamerman, Assistant City Manager

Recommendation Approved:


Ray Kerridge, City Manager

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Background

At the June 9, 2009 City Council meeting, Mayor Johnson requested the City Manager to bring a report for Council's consideration to release a Request for Proposal (RFP) for professional consulting services to conduct a citywide financial and operational review. Staff has outlined a general scope of work for such a review and seeks Council direction on whether to issue a RFP and the draft scope of work. Such an effort would be intended to identify opportunities for cost savings, efficiencies, and improved service to citizens.

The above review would be distinct from formal audit processes the City already conducts. For example, Article IX of the City Charter requires the City Manager to annually engage an independent certified public accounting firm to examine and report to the City Council on the financial statements of the City. The City publishes its audited financial statements in the Comprehensive Annual Financial Report (CAFR). Additionally, the City Auditor provides independent oversight of City activities, operations, services and programs. This oversight is accomplished primarily through individual performance examinations conducted in accordance with Generally Accepted Government Auditing Standards that culminate in formal audit reports.

Staff has outlined a general phased scope of work (see Attachment 2) for such a review and seeks Council direction on whether to issue a RFP and the draft scope of work.

Scope of Work

Phase 1

Task 1 – Gain a Functional Understanding of City Finances and Operations

- Review and understand City fiscal trends, organizational structure, policies and procedures
- Understand City revenues and expenses

Task 2 – Identify Departments With the Greatest Opportunities for Cost Savings, Efficiencies or Revenue Enhancements

- Identify functions with departmental overlap
- Identify departments with significant “budget to actual” variances (positive or negative)
- Work with the Mayor and Council offices, City Manager, Charter Officers, department directors to understand areas that are critical priorities for the City
- Identify City Departments recommended for further review and their respective potential cost savings and/or revenue enhancement potential

Task 3 – Preliminary Report

- Present a written preliminary report outlining analysis and conclusions related to Tasks 1 and 2

Phase 2 (City Council retains sole option to proceed with Phase 2)

Task 4 – Detailed Departmental Review

- For each identified department, conduct a detailed review and identify fiscal savings/revenue opportunities and risks

Task 5 – Develop Preliminary Written Recommendations

- Prepare preliminary written recommendations for the identified departments, including estimated cost savings/revenue potential, estimated timeline to achieve savings/revenue; risks and implementation hurdles and mitigation strategies

Task 6 – Final Report

- Prepare a final written report of recommendations

