
CITY COUNCIL REPORT

TO: David Cavazos
City Manager

FROM: Mario Paniagua
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SUBJECT: 2012 INNOVATION AND EFFICIENCY TASK FORCE
ACCOMPLISHMENTS AND NEW GOAL

This report provides this year's Innovation and Efficiency Task Force accomplishments and announces the savings level has reached \$59.7 million. Additionally, the City Manager is raising the total savings goal to \$100 million for the Innovation and Efficiency Task Force to accomplish by December 2015.

This report is for information and discussion only; no Council action is required.

Overall Savings Generated

The City Manager established the Innovation & Efficiency Task Force in December 2009 with the charge to develop and implement innovative solutions that would result in the most efficient delivery of services at the most effective cost. Since it was formed, the Task Force has generated \$59.7 million in annual savings; \$20.8 million to the General Fund and \$38.9 million to non-General funds. The changes have helped reduce costs substantially while maintaining or enhancing the City's delivery of services. The task force continues to be critical to the City's strengthened fiscal health, structurally balanced budget, and continued AAA bond rating.

New Goal

Demonstrating the city's continued commitment to innovation and efficiency, the City Manager has established a new total savings goal of \$100 million to reach by December 2015. The first year goal of the Task Force was to reach savings of \$10 million. Having now identified \$59.7 million of savings and counting, results have been an outstanding success. The new savings goal will continue to push the organization to even higher standards of efficiency in all areas. Through the leadership of the Mayor and Council, the Finance, Efficiency, Innovation and Sustainability Subcommittee, and as a result of the ongoing diligence of many dedicated individuals, both staff and community representatives, the city continues to enhance services while reducing costs and staffing requirements, currently at the lowest level per capita in 40 years.

Accomplishments

During calendar year 2012, the task force strategically reassessed its goals and key focus areas for moving forward. Based on these priorities, the City Manager established a new set of workgroups charged with continuing to develop innovation and efficiency measures in five key areas. See Attachment 1 for the list of the workgroups with the assigned Chairs and members for 2012.

- 1. Communications**
- 2. Process Improvement**
- 3. Regional Public Partnerships**
- 4. Right Sourcing**
- 5. Technology**

During 2012, these workgroups looked at best practices and evaluated existing and new technologies, systems, processes, and service delivery methods to identify further opportunities to innovatively enhance city services at the lowest possible cost. In addition, the work groups recommended over this past year that the city implement strategic actions requiring initial capital investments that would enhance long-term productivity and provide a multi-year return on investment particularly with technology. Technology initiatives like infrastructure consolidation and virtualization, a vendor management system and developing a mobile application for the Phoenix.gov website were focused on during 2012. The use of regional public partnerships was a new area of focus for the task force and will provide an excellent opportunity to broaden resource-sharing and economies of scale by working with external organizations in the near future. Several initiatives are already underway and other initiatives continue in the area of rightsourcing, which are important in identifying best possible means of service provision to the community. Also, during 2012, city communications were enhanced several ways, which included expanding the use of social media as an effective and low-cost tool for public engagement, transparency, and accessibility and the other by enhancing the Phoenix.gov website. The task force also continues to follow-up on various ideas to improve individual processes to increase productivity, decrease costs, and fully maximize the use of resources. These work groups continue to collaborate with city departments to identify specific improvements and cost saving initiatives.

Highlighted accomplishments in 2012 include:

- 1. Alliance for Innovation Award** - The task force was awarded the Outstanding Achievement in Local Government Innovation Award in April 2012 by the Alliance for Innovation, which is a national organization focused on local government innovation.
- 2. Organizational Review** - The third year of annual organizational reviews of all City departments is underway and it is anticipated the reviews will result in additional department cost saving and efficiencies measures. These measures will add to the success of the first two years of organizational reviews, which resulted in the elimination of over 128 positions,

reclassification of more than 90 positions, and savings of over \$9.9 million. Additionally, the current ratio of supervisors to employees is 8 to 1, as the City has flattened its organizational hierarchy and broadened the span of control to improve services to residents.

3. **Rightsourcing** - Citywide outsourcing levels in 2011-12 totaled approximately \$477 million in services in more than 340 service areas. From 2005-06 to 2011-12, the level of services outsourced expanded by \$133 million or 38.6%. Several rightsourcing initiatives have been approved or implemented to date, and many more currently under evaluation. It is anticipated that through the 2012 organizational review process additional rightsourcing opportunities will be identified and will be presented to the Finance, Innovation, and Efficiency Subcommittee in the coming months.
4. **Bloomberg Innovation Grant** - In September 2012, based on the recommendation of the Innovation and Efficiency Task Force, the city submitted an application to the Bloomberg Philanthropies Innovation Grant for up to \$5 million. The city's proposal to become the Smartest Energy City in the World will compete against several hundred cities throughout the nation for the award, which must be used to implement the proposal. This process also generated several other excellent ideas which the city will seek to implement wherever possible.
5. **Marketing Partnership Program** - The city's Marketing Partnership Program has identified marketing opportunities that generate revenue and develop beneficial business partnerships. The Prescription Drug Discount Card Program launched in November 2010 has generated more than \$70,000 in new General Fund revenue. Also, the city launched the Water Service Line Protection Program, an optional warranty program for residential sewer and/or water lines. This program is expected to provide a benefit to interested residents and generate about \$400,000 in annual revenue.
6. **Transit Efficiencies** - Public Transit route changes will bring \$3 million in annual savings while maintaining service levels.
7. **Water Efficiencies** - Water Services Department efficiencies resulted in an additional \$9 million in annual savings while receiving top ratings in water quality and system reliability, recognition of well-managed water resources and a very low water loss rate and optimum usage of treatment chemicals.
8. **Water Services Department / Employee Suggestion Program** – Seven employees from the Water Services Department found a way to avoid spending \$3.4 million recommended by consultants to comply with an Environmental Protection Agency rule by only spending \$15,000. This innovative thinking by city employees not only provides great service to the community but also saves money that helps keep the City of Phoenix water and sewer rates among the lowest of large cities nationwide.

9. **Public Works Efficiencies** - Public Works efficiencies totaled over \$2.6 million in annual savings through municipal recycling facilities operating savings, contract savings, rightsourcing custodial day cleaning, and warranty credits for citywide fleet equipment.
10. **Efficiency Studies** - Several recommendations from efficiency studies continue to be implemented, including Police, Fire, Municipal Court, Prosecutor's Office, Public Defender, and Water.
11. **Technology** - Technological improvements include the development of the City Manager's Performance Dashboard; PHX 11 streaming live all City Council meetings including the subcommittee meetings; Water Services' Mobile Workforce Management System which could result in an estimated annual average savings of \$780,000 over the next five years while approximately 5% of the delinquent accounts may be captured totaling an additional \$400,000; and Public Works Solid Waste Business Analytics Upgrade will assist the city with reaching its goal to divert approximately 40% of solid waste from the landfills by 2020.
12. **Chief Innovation Executive** - The city's first Chief Innovation Executive Officer has been selected and is expected to start in November 2012.

The Task Force appreciates the leadership and direction of the full City Council to implement a wide variety of innovative solutions that improve efficiency and service.

Recommendation

This report is for informational purposes only; no Council action is required.

ATTACHMENT 1

2012 INNOVATION & EFFICIENCY TASK FORCE

WORK GROUPS AND CHAIRS

Communications- Continued focus on improving the city's internal and external communications to enhance transparency and public accessibility and facilitate efficient operations.

Members:

Chair Toni Maccarone, Public Information Office Director

Bill Barquin, Citizen Member

Don Hamill, Citizen Member

Carolyn Bristo, Assistant Public Works Director

Janet Smith, Human Resources Director

Process Improvement- Continue to evaluate city processes and operations and develop solutions to improve productivity, eliminate unnecessary procedures, and fully optimize staffing and other city resources.

Members:

Chair Rita Hamilton, City Librarian

Don Hamill, Citizen Member

Deanna Jonovich, Human Services Director

Kevin Robinson, Assistant Police Chief

Debra Stark, Planning and Development Director

Regional Public Partnerships- Develop solutions to gain efficiency and economies of scale through regional collaboration, such as regional procurement agreements.

Members:

Chair Neal Young, Acting Public Transit Director

Rick DeGraw, Citizen Member

Roger Peck, Citizen Member

Marty Shultz, Citizen Member

William Smith, Citizen Member

Steve Kreis, Assistant Fire Chief

Ron Ramirez, Chairman of City of Phoenix Coalition of Unions and ASPTEA President

Rightsourcing- Continue to evaluate whether outsourcing, insourcing, and/or managed competition is the most cost-effective means of providing city programs while maintaining or enhancing service levels.

Members:

Chair John Chan, Acting Community & Economic Development Director

Mark Dobbins, Citizen Member

David Tierney, Citizen Member
Jim Burke, Acting Parks and Recreation Director
Neil Mann, Acting Water Services Director
John Trujillo, Acting Public Works Director

Technology- Examine and identify technology initiatives that enhance productivity and customer service, enable innovation, and provide long-term return on investment.

Members:

Chair Rob Sweeney, Acting Chief Information Officer
Richard Rea, Citizen Member
Diane Scherer, Citizen Member
Wylie Bearup, Street Transportation Director
Jeff DeWitt, Finance Director
Lisa Takata, Deputy City Manager