



To: Zero Waste Advisory Commission - **Cost of Service / Efficiency Working Group**
From: Bob Gedert, Director
Austin Resource Recovery Department
Date: February 19, 2016
Subject: **City Council and Auditor Plans for Departmental Review**

Over the past several months, Austin Resource Recovery (ARR) staff has presented updates to the Zero Waste Advisory Commission (ZWAC) on the progress toward Zero Waste, the proposed new programs to gain new diversion, and the costs associated with those new programs. In addition, at the January 13th ZWAC meeting, ARR presented a detailed cost of service for each of its program services.

As you recall, the Commission Chair has expressed some concern about program costs within ARR. In response, the Commission voted to establish a new Working Group to address these costs. The Working Group mission is generally defined as investigative on cost of service of delivered services. The Working Group has met once, and plans future meetings, requesting staff assistance in delivering cost analysis and explanations of various cost factors.

Commission Procedures

Based on these recent actions, I want to take this opportunity to clarify the role of the Commission relative to the Working Group's activities. This clarification is being provided to ensure activities moving forward are consistent with established City procedures.

The stated purpose of the ZWAC is noted in its By-Laws as the following:

The commission shall act as an advisory body to the city council and shall review programs and make recommendations regarding:

1. the City's waste discard stream;
2. minimization of environmental impacts due to materials management and waste disposal;
3. implementation of programs that achieve the city's goals and objectives relating to materials management, including recycling, composting, alternative methods of waste disposal, garbage collection, and landfill diversion; and
4. zero waste programs.

As you know, the Commission is an advisory body to City Council. The recommendations of the committee are meant to advise Council of potential policy decisions. Commission activities do not trigger necessary action from the Department or its staff. Additionally, the By-Laws note that Working Groups shall operate without the assistance of the Department and its staff.

The City Clerk recommended action, as noted in the Commission's formal training, is for the Commission's Working Group to investigate issues of concern, within the limitations of the by-laws, and make a recommendation to the full Commission. Upon deliberation, the Commission then makes a formal recommendation to City Council.

Cost of Service

Regarding the cost of service concerns, ARR staff has made available its presentations on cost of service, as well as current and past Council adopted budgets. In April, staff will present to the Commission the Department's five-year forecast, as an annual practice prior to presenting to City Council. I am concerned however regarding the Work Group's potential request for information and the subsequent staff work required to fulfill those requests. As stated above, we certainly will deliver our financial information (forecast and proposed budget) to the entire Commission. If the Work Group, as you have inferred, desire to dig deeper into the budget in an "audit" type function, if we were indeed to support that effort, I'm anticipating substantial staff time to accommodate that work.

In light of this potential major staffing effort, that will take staff away from their already assigned priorities and functions, you will need to get Council authorization to ensure that they acknowledge the work effort required to support this activity. In the new Council Committee structure, a board or commission can vote to take an issue to the applicable Council Committee for their consideration. In our case it would fall to the Public Utilities Council Committee, or perhaps the Audit and Finance Council Committee. If you decide to take that path, we will consult with these Committee chairs to determine the appropriate path. If the Council Committee takes up this item and endorses it, the item directing the City Manager to perform these functions for the Work Group would then go to the full Council for their consideration.

I also want to inform you about the new City Manager program that may influence planning around the Group's efforts. My hope is that awareness of this new program will help avoid any potential duplication of effort.

The City Manager, in response to conversations with City Council, has established Office of Performance Management (OPM) within the Financial Services Department. As part of the Fiscal Year 2015-16 budget, City Council included funding for the creation of a new departmental and program budget review function (item 1.86 from the Council Concept menu). The stated intent for the program was to: (1) Improve service delivery; (2) Test the continued desirability of programs and whether they are meeting data driven outcome objectives; and (3) Positively impact the annual operating budget through reduced costs or increased efficiencies.

The goals and objectives of OPM include:

- Review departments, programs, and cross-department issues for alignment with City priorities;
- Provide a means to formally verify and recognize "best managed" practices and policies;
- Provide the community and City Council greater understanding of service delivery, performance measure, and expenses and revenues required to deliver core services;
- Identify possible gaps in current service delivery or performance;
- Identify possible inefficiencies or duplication of services;
- Suggest changes to performance measures and targets;
- Assess staffing levels and span of control;
- Identify opportunities to consolidate or outsource services;
- Recommend changes to (or reallocation of) line item budgets.

As Department Director, I have requested that the Austin Resource Recovery Department be included in the OPM review. The City Manager will determine in which rotation various Departments will be reviewed, but has agreed to include ARR in the line-up. I will notify ZWAC of any advancing details regarding the OPM audit process.

Staff Recommendation

As Department Director, I respect the authority of the Commission, and recommend consistent alignment with its required procedures as an advisory body for the Council. In addition, the intent of the established Working Group overlaps and duplicates the research and analysis to be performed by the OPM. I recommend that the Working Group work in concert with the OPM process to achieve a professional audit and review of the Department.