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# THE CITY OF EAST PEORIA, ILLINOIS ORGANIZATIONAL ANALYSIS

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September 2015

**CENTER FOR GOVERNMENTAL STUDIES**  
NORTHERN ILLINOIS UNIVERSITY  
DEKALB, ILLINOIS 60115



NORTHERN ILLINOIS UNIVERSITY

**Center for  
Governmental Studies**

*Outreach, Engagement, and Information Technologies*

September 11, 2015

David Mingus  
Mayor  
City of East Peoria  
East Peoria, IL

RE: Organizational Analysis

Dear Mayor Mingus,

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

An analysis of the City's current operations in the Tourism & Special Events, Planning and Community Development and Buildings & Public Property departments was conducted and is presented for your consideration. This examination culminated in a wide range of findings and alternatives for change, which raised many issues for the entire organization. They are also included for your consideration.

The consulting team-David Hulseberg and I wish to thank you, the elected officials and the many employees throughout the departments who participated in interviews and provided valuable information during the process. This report would not have been possible without their cooperation and responsiveness.

Yours truly,

A handwritten signature in black ink, appearing to read "Craig Rapp". The signature is fluid and cursive, with a large initial "C" and "R".

Craig R. Rapp  
Senior Advisor  
President, Craig Rapp, LLC

## Table of Contents

|  |    |
|--|----|
| Executive Summary.....                             | 4  |
| Overview-Methodology.....                          | 5  |
| Organizational Context-Framework for Analysis..... | 6  |
| General Findings.....                              | 8  |
| Major Challenges/Critical Issues.....              | 10 |
| EastSide Centre.....                               | 10 |
| Observations.....                                  | 11 |
| Options.....                                       | 11 |
| Recommendations.....                               | 13 |
| Leadership and Accountability.....                 | 13 |
| Observations.....                                  | 14 |
| Options.....                                       | 15 |
| Recommendations.....                               | 15 |
| Governance and Role Clarity.....                   | 18 |
| Observations.....                                  | 19 |
| Options.....                                       | 20 |
| Recommendations.....                               | 22 |
| Other Considerations and Recommendations.....      | 22 |
| Summary.....                                       | 23 |

## **Executive Summary**

The City of East Peoria contracted with the Center for Governmental Studies (CGS) at Northern Illinois University to conduct a high-level review of three departments: (1) Tourism & Special Events, (2) Planning and Community Development and (3) Buildings & Public Property. The purpose of the review was to identify operational improvements and restructuring opportunities.

The CGS team conducted a major documents review, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis and a series of interviews with employees and other key personnel-including elected officials. These efforts revealed a number of significant organizational issues-the importance of which shifted the report's focus to those issues.

### General Findings:

1. The organization has a long serving, dedicated staff and City Council who are committed to delivering high quality service
2. EastSide Centre needs a comprehensive review to clarify its competitive positioning
3. A lack of consistent accountability for performance has created confusion and distrust within the organization
4. The governance structure of the city presents unique challenges to efficient, effective management
5. The City has long-term, dedicated employees, but lacks a comprehensive workforce development system
6. There is a commitment to goal setting, but a need to align operations for results
7. Opportunities exist for alternative approaches to service delivery

### Major issues requiring immediate attention:

- The future of EastSide Centre
- Leadership and accountability
- Governance and Role Clarity

### Major Recommendations:

- Conduct a comprehensive review of EastSide
- Consider offering an early retirement incentive (ERI) to the organization
- Create a professional development plan for the organization
- Implement succession planning throughout the organization
- Analyze the governance structure-particularly form of government
- Evaluate modifications to key positions

The recommendations included in the report are suggested as ideas to improve the entire organization, which, if implemented, will improve the functioning of the three departments in the original study scope.

## **Overview-Methodology**

In August 2014, the City of East Peoria contracted with the Center for Governmental Studies at Northern Illinois University to provide a high-level analysis of operations and staffing in the Tourism and Special Events, Planning and Community Development, and Buildings and Public Property departments in order to offer recommendations for efficiency improvements and potential restructuring.

The analysis, which follows, includes an evaluation of strategic alignment, management practices, and effective deployment of resources. During the course of the engagement, the examination revealed a number of challenging issues applicable to the entire organization, as well as a number of specific issues in individual areas, such as EastSide Centre. Those issues, and their implications fell outside the scope of this study; however, they quickly became the focus of the report. The issues were analyzed to various degrees, and recommendations for each are included in this report.

The analysis offers observations regarding the current deployment of human and capital resources, strategic positioning and enterprise management. Based upon those observations, recommendations are offered regarding organizational change.

The study methodology included direct observation, analysis of financial and operational documents, and interviews with elected officials and key management and front line staff. An examination of leading practices in the various areas was also conducted, resulting in a set of recommendations, drawn from this collective effort.

A series of framing questions were used to focus the team's efforts and to test the information gathered. The questions were:

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

## Organizational Context-Framework for Analysis

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

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

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

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

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

Most leading edge organizations have adopted organizational structures that are carefully designed to meet key outcomes. In the private sector, the highest priority typically is satisfying customer needs. Widespread use of self-managing/collaborative teams empowered to meet customer requirements have long been standard practice. While local government hasn’t embraced this approach to the same degree, examples do exist.

In development services, for example, many local governments now have one-stop shops where plans and permits are reviewed and approved as part of a team effort rather than in individual departments. In some organizations they partner with developers and consultants

up front, to minimize application problems, all in the service of making the customer's experience better.

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

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

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

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

The information that follows includes a set of general findings that provides an overall picture of the current situation, an organizational review that documents specific challenges and issues to consider, and a set of opportunities and recommendations for change.

## **General Findings**

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

The findings establish the foundation for the critical issues to be addressed and the recommendations for action contained in succeeding sections of this report.

**1. The organization has a long serving, dedicated staff and City Council who are committed to delivering high quality service.**

It is apparent that the employees, managers and elected officials of the City of East Peoria are dedicated to public service, and that the commitment to delivering quality service was high. The workforce expressed pride in their accomplishments, and their desire to provide good customer service was evident. The Mayor and Commissioners (those interviewed) have significant experience, deep community connections, and openness to addressing systemic problems. These circumstances provide a solid foundation upon which to build.

**2. EastSide Centre needs a comprehensive review to clarify its competitive positioning**

EastSide Centre is one of the premier athletic facilities in the Midwest, with a broad range of offerings and partnerships. However, it is losing money annually and the introduction of Louisville Slugger into the marketplace poses a significant threat. The original scope of this study was an examination of ways to increase efficiency and effectiveness at EastSide. It was quickly determined that the appropriate focus was strategic positioning of the Centre, and the long-term viability of its operational model. Issues identified during the interview process regarding staffing and current investment/renewal only served to exacerbate these fundamental questions.

**3. A lack of consistent accountability for performance has created confusion and distrust within the organization.**

Interviewees in every area cited a concern regarding the City's long history of "not holding people accountable for performance". This has resulted in a variety of negative consequences-specifically demotivation and a lack of trust. Confusion regarding the motives for various reassignments, promotions or demotions was apparent in many interviews.

**4. The governance structure of the city presents unique challenges to efficient, effective management.**

In East Peoria's commission form of government, leadership and oversight of functional areas is divided amongst the Mayor and City Council, and coordinated by the City Administrator. This presents challenges to both the organization and the leadership group. Many staff expressed concerns regarding the role and effectiveness of the City

Administrator. It is likely that at least part of this is attributable to the practical realities of the commission form of government, and the ways in which each Commissioner chooses to exercise their oversight and authority. The challenge confronting the organization is how to provide efficient, effective oversight, and do it in a way that is transparent and understandable to the organization.

**5. There is a commitment to goal setting, but a need to align operations for results.**

The City has made a commitment to goal setting, as evidenced by the priorities and objectives adopted at the 2013 retreat, and the individual objectives in place for each Department Head. The challenge confronting the organization will be to move beyond performance of individual tasks and into an integration of effort across departments.

As noted, the City has a dedicated staff, and some appear to be strategic thinkers. The departments however, generally exhibit a “task” orientation. Specifically this means that for the most part, they put goals or challenges in the context of tasks to be accomplished rather than strategic issues and systematic approaches for achieving results, continuous learning and improvement. This is partly due to the small size of the organization, and partly the separation of department oversight in the commission form of government. The opportunity appears to exist to raise the overall level of strategic thinking and collaboration to achieve results.

**6. The City has long-term, dedicated employees, but lacks a comprehensive workforce development system**

The City has many dedicated, hard-working employees, as noted previously. A SWOT analysis, interviews, and a review of staff capabilities however, reveal shortcomings in job competencies and staff development. In addition, many long-term employees will be retiring in the near-mid term, increasing the need for trained personnel to fill the vacancies, and fill-in during transition periods.

**7. Opportunities exist for alternative approaches to service delivery**

The City does an admirable job delivering a wide range of services, and there are a number of services that are delivered by subcontractors or in a manner other than by traditional city departments. High performing organizations consistently look for ways to improve service delivery through a combination of productivity improvements, collaboration, consolidation or outsourcing. There appear to be a number of opportunities to pursue new modes to enhance delivery, improve efficiency, and/or reduce cost.

## **Major Challenges/Critical Issues**

The original purpose of this analysis was to review the operations of three departments, seeking opportunities to improve efficiency and effectiveness, and recommending improvement strategies—including restructuring, collaboration and alternative delivery approaches.

The consulting team quickly found a number of major challenges and serious enterprise-wide problems that require attention prior to pursuing restructuring of departments, or improving the collaborative environment. As a result, this report focuses primarily on these broader issues, while still offering observations of each department, along with recommendations for change.

The following are the critical issues facing the organization:

### **I. EastSide Centre**

EastSide Centre is a premier athletic facility, hosting tournaments on the national, regional and local levels in softball, baseball, volleyball, soccer and track. Residents take great pride in its Festival of Lights, which is a City-wide celebration largely supervised by EastSide Centre personnel. While EastSide Centre is identified as a great community asset, it is not without its challenges. According to the City, the park is losing an estimated \$250,000 annually. The asset is in need of a cash influx for capital improvements and maintenance. If operation of EastSide Centre is to continue in the present format, additional personnel are needed.

EastSide is the home for East Peoria youth baseball, softball, basketball and soccer; East Peoria Community High School (District 309) baseball, softball, soccer, football and track; Central Junior High School (District 86) baseball, softball and track; Robein School (District 85) baseball, softball, and track; Peoria Christian High School soccer; and Robert Morris University Football, Baseball, men's Basketball and women's basketball.

The park plays host to not only local community recreational play identified but also is the home to many tournaments throughout the year predominately from May to September. Most of this is centered on ball and bat (baseball/softball) play. While the City does not directly oversee the tournaments, it has partnered with other organizations to deliver those services.

As a result of the city not managing the tournaments, the hosting organizations have taken a cut of the profits, thereby hampering necessary reinvestment in the facilities. While the other partners have bought or made improvements to EastSide, the improvements that were made haven't necessarily been those desired by the City. This generous profit sharing arrangement has led to significant wear and tear on the property since its construction in 1997. The City has assumed all of the risk and maintenance but has not received all of the profit. This is a not an ideal, and is probably an unsustainable, business model.

The opening of a Louisville Slugger operation in nearby Peoria represents a direct threat to EastSide. Louisville Slugger will have AstroTurf fields and a dome. Exacerbating this is the

fact that the former Manager of EastSide is now working for Louisville Slugger-bringing with him the knowledge of all tournament activity that was occurring at EastSide.

From discussions with knowledgeable experts, it appears that nationally there is a growing trend of private sport tournament operators entering markets that have been dominated by public fields. In each case, local government personnel operating the venues are hired away by the new private operator-in order to capitalize on their knowledge and relationships in the industry.

In addition to the playfields, the EastSide Centre Fitness facility also faces a threat from external competition. There are numerous private fitness facilities in the greater Peoria market. Membership rates at those facilities are very affordable and the facilities are more up-to-date than EastSide. Exacerbating this problem is the need for new equipment, maintenance and a face-lift to freshen its image.

Overall, EastSide Centre must take action to address its business model, and its competitive position in the marketplace prior to any decisions on reorganizing or restructuring within the larger organization.

#### Observations:

EastSide falls under the reporting authority of the Mayor. Due to the broad range of responsibilities and competing priorities, the Mayor may lack the necessary time and attention necessary to address the needs of EastSide.

Department morale is poor, and employees are frustrated. This appears to relate to their strong sense of ownership and belief in the potential of EastSide, a perspective that they don't believe is broadly shared.

Like other staff interviewed, there exists some jealousy between EastSide and the "big three" departments (Police, Fire, Public Works), and the allocation of resources.

In general, employees feel underappreciated and overworked. There is a sense that when it comes to EastSide the City is reactive instead of proactive.

The City does partner with the East Peoria Chamber of Commerce--using its Executive Director as a part time City employee where he serves as a mentor to the Tourism Director.

#### Options to Consider:

Below are options for the City to consider in response to the issues identified:

- a. Hire a sports expert to determine whether EastSide has the ability to remain competitive in the tournament marketplace. In this scenario, a market analysis would be conducted to determine the strengths, weaknesses, opportunities and threats facing EastSide. The market study would also look at fees that others are charging and where and how the industry is consolidating costs-especially if they are moving it to team fees.

- b. If the City is going to continue to use EastSide as a tournament play facility, a break-even business model must be developed. This would most likely mean taking control of all tournament play and ceasing the sharing of revenue with others at the facility.
- c. The City should attempt to sign long term leases to lock in future tournament play at EastSide. This will develop a model that provides for future revenues and create comfort for capital investment now.
- d. The City could consider moving EastSide away from a traditional ball and bat (baseball/softball) tournament venue and moving toward lacrosse, kickball or other recreational competitive sports.
- e. Explore the option of the park becoming an authority of the City with the ability to bond as an instrument of the City. This should be considered only if a positive business model can be developed for EastSide. The authority then could work closer with the Peoria Convention and Visitors Bureau (PCVB) in attracting users to EastSide. Since upfront capital is often necessary for certain events, access to funds is critical. Existing debt service for the Park will be paid off in 2017.
- f. All contracts effecting EastSide should be reevaluated. The City needs to ensure that its asset is being properly depreciated and it is receiving proper compensation for its use.
- g. The stadium use should be maximized. Concerts could be hosted there and additional field play could occur there.
- h. A 5% entertainment tax Citywide, with revenue committed to EastSide.
- i. Increasing or sharing the local hotel occupation tax as a set aside for EastSide is plausible as a result of the number of overnight stays EastSide generates.
- j. Consolidate concessions. There are five vendors operating concessions at EastSide.
- k. If EastSide cannot remain competitive in the market and demonstrate that it can break even, than the field number should be reduced and sized to meet only the community need. Stronger partnerships with the Park District and the School District should be embraced in dealing with EastSide with the understanding it as a community asset.
- l. Consider outsourcing or trading services with other local units of government services such as lawn mowing to increase efficiency.
- m. Consider issuing an RFP for the fitness facility to determine whether there is interest from the private sector in taking it over under a prescribed structure where seniors (and/or others) receive free or reduced memberships.

### Recommendations:

- The future of EastSide should become a top City priority. A prioritized action plan should be adopted based upon the list of options above.
- Take measures to protect key staff from competition hiring. Maintaining continuity during a period of intense competitive pressure is critical.

## **II. Leadership and Accountability**

Effective leadership is the key to successfully addressing strategic priorities and meeting performance targets. During the process of interviewing staff, elected officials, and key consultants, it was repeatedly stated that senior leaders, and the organization generally, have failed to hold people accountable for their performance. While a few comments like this are not unusual, the number, frequency and variety of examples was significant. These findings led to a broader examination of the issue, and additional discussions with key leaders and employees.

The most frequently mentioned problem was the practice of moving people into new jobs, and/or creating jobs for underperformers rather than directly addressing unsatisfactory performance. According to some interviewees, this benevolent approach is the result of valuing loyalty over accountability.

In most organizations, accountability for performance rests with the City Administrator. In East Peoria, on paper, this is the case, and it does appear that some of the responsibility for this situation rests with him. However, due to the diffused power structure in the commission form of government, it also appears that the City Council made some, or perhaps all, of the decisions.

Organizations that fail to consistently hold people accountable, and lack transparency in promotion, demotion and transfer decisions, risk alienating the workforce, and causing disillusionment, anger and fear. Interviews conducted in the three departments studied revealed the presence of all of these conditions.

The interviewees also mentioned that these problems were an issue for the entire organization, not simply the three departments studied. Public Works and Finance were also cited as areas of concern.

A summary of observations follows:

### Observations:

*The organizational culture has been negatively affected by leadership inconsistency*

Employees from all areas expressed a range of feelings and opinions about senior leadership from frustration and disappointment to anger and disillusionment. As

mentioned, it is not uncommon to find individuals who are angry or frustrated with management. In the case of East Peoria, the frequency and depth of the negative comments appear to indicate an organizational culture that has become disillusioned. Interviewees cited poor job performance by at least five people in senior leadership positions. The comments made were consistent and broad-based, indicating deep dissatisfaction.

*The City Administrator is perceived as committed and hard-working, but ineffective*

The City Administrator is seen as a hard working, ethical, good person who has provided loyal service to the City over many years. However, many comments were made regarding the fact that he was often not included in key decisions, and in some cases seemed to be unable, and/or lacks the authority, to make the decisions that staff believed needed to be made.

*Lines of authority and accountability are not transparent due to “end runs”*

There were numerous comments regarding “end runs” around the formal reporting structure. A clear and transparent reporting structure—or chain of command—is important to effective supervision, and the maintenance of organizational accountability. By encouraging or allowing direct communication and decision-making outside of the formal reporting structure, the organization sends a message that structure is not important, and in particular, that certain people are not important. If accountability and respect are to be maintained, this should be addressed.

*A uniform level of competency in core functions is needed*

The need for training was mentioned by many people. This need was identified at both the lower and upper levels of the organization. In addition to the comments regarding the City Administrator position, concerns regarding the competency of some department heads and other key personnel were raised multiple times.

In a similar vein, a concern was expressed that some individuals had been moved into positions because they were thought to be good at achieving results, but they did not possess the requisite technical background or experience to manage the area assigned to them. Competency testing was not part of this report; therefore, the opinions of interviewees together with interviewer observations form the basis for these statements. When these concerns are raised in conjunction with the aforementioned lack of accountability, it is reasonable to speculate that an issue exists regarding performance or competency. A determination as to whether the organization meets a basic level of competence in core functions seems in order.

*Goals are established, but there does not appear to be a clear connection between strategic goals and accountability for individual performance*

Based upon documents reviewed and interviews conducted, the City appears to be committed to developing goals. Each department head has a set of written objectives for the year. These objectives also appear to be reasonably well articulated. The organization

however, does not appear to have a strong connection between strategic goals and accountability for performance, and as importantly, how those strategic goals are communicated throughout the organization.

*A significant number of key people will be eligible for retirement in the near future*

A significant number of employees will be eligible for retirement within the near future. This will represent an opportunity and a challenge for the organization. It will be an opportunity, to the extent that the organization can effectively plan for the transitions and address skill building--matching capabilities with needs. It will be a challenge because the organization does not have detailed succession plans in place to address the impending vacancies.

#### Options to Consider/Recommendations:

Below are options for the City to consider in response to the issues identified:

##### **a. Tailor the solution to the problem**

Accountability for performance was identified as an issue. There can be many reasons for unsatisfactory performance. It is important to correctly diagnose the root cause of the problem in order to apply the appropriate corrective measures. In situations where performance is the issue, people and circumstances must be evaluated to determine which of three conditions is present:

1. Is the problem performance due to the fact that individual **“can’t do”** the required work, or meet required standards? If yes, the solution involves **training**. This is a relatively straightforward and easy to address at all levels. How this could be accomplished is described in the next section.
2. Is the problem performance due to the fact that the individual **“won’t do”** the required work, or meet required standards? If yes, the solution involves **discipline**. Again, like training, this is straightforward and easy to address, but it does require good management skills. If managers do not have the requisite skills, training will be necessary.
3. Is the problem performance due to the fact that the individual doesn’t have a **“chance to”** do the required work or meet standards due to the internal bureaucracy, lack of clear procedures, or a system that stifles action? If yes, this indicates that the solution involves improving **organizational systems and processes**. This is more difficult to address, and typically requires an audit of organizational processes, and corrective measures at the system or enterprise-wide level. Inconsistent management practices and lack of written procedures are examples of system and process issues.

Can’t do (training), won’t do (discipline), chance to (system) problems require careful diagnosis, but ultimately are the methods by which to diagnose the underlying

performance problems. In the case of the City of East Peoria, there seems to be a combination of “can’t do” and “chance to” circumstances. If true, this would require both a commitment of management time to addressing training, process improvement, and a review of organizational systems. The issue of organizational systems, and in particular, form of government, is addressed in a later section of this report.

**b. Consider establishing workforce and leadership development programs**

Based upon the identified concerns about training and near-term retirements, the City should make workforce development and knowledge transfer a high priority. The overarching goal should be to develop a comprehensive workforce development program. The program should include training and development for front line and management employees, and a strategy and program for succession planning. This would require the organization to:

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

### c. Consider offering early retirement incentives (ERI) to employees

Based upon the long-term effects of poor performance accountability, and the lingering issues of poor morale and employee discontent, the City should consider the benefits of offering early retirement incentives (ERI) throughout the organization. Depending upon the outcome, this could create a significant opportunity for realigning the organization and putting the right people in the right positions.

#### *Early Retirement Incentive (ERI) Plan:*

The Illinois Municipal Retirement Fund allows municipalities to offer an ERI to certain employees--those with 20 years of credible service and at least 50 years old.

This tool is explained in detail at the IMRF website

([http://www.imrf.org/pubs/member\\_pubs/mbr\\_books/MBR\\_ERI.pdf](http://www.imrf.org/pubs/member_pubs/mbr_books/MBR_ERI.pdf)).

In general, an ERI would:

- Offer an early retirement incentive to qualified employees
- Provide an opportunity for the City to comprehensively address staffing, job requirements and service delivery approaches
- Improve the chances of hiring and promoting the right people for the right positions
- Offer a chance to make large scale change quickly

An Actuarial Analysis of the potential effect of an ERI Program was completed for the City of East Peoria by IMRF. While the analysis does not indicate how implementing the program can save money, there are some pertinent facts that should be considered regarding the analysis:

- There are 35 members in the Teamsters union in Public Works. From January 1, 2015 to December 31, 2016 there are 16 Teamster members and two supervisors eligible to retire. Perhaps it would be beneficial to discuss the implications of the ERI Program with the union representatives.
- Other employees who would be eligible are: two Telecom union members, GIS employee, treasurer, housing director, building inspector, Police Department administrative assistant and the city administrator. Depending upon the position, savings could occur by:
  - Outsourcing the work
  - Merging positions
  - Making some into part time positions

An ERI can provide a fresh start for the organization-but it is a tool, not a goal. In order to maximize the opportunity, it should be tied to a broad repositioning strategy for the organization based upon goals, objectives and a clear accountability system-developed as the road map for the entire organization.

### III. Governance and Role Clarity

Interviews, observations and the results of the SWOT process revealed that the organization suffers from a lack of unified direction and clarity within its leadership roles. Some of this appears to be past practice, but much of it relates to the form of government in East Peoria, and its implementation approaches. While it is clear that no one in the organization is purposely subverting the effective governance and management of the organization, it does appear that there is inconsistency in leadership, as well as a lack of transparency regarding systems and accountability. This suggests a review of systems and practices is in order, including the form of government.

The City of East Peoria operates under a Commission form of government as prescribed in Illinois Statutes (Municipal Code- 65 ILCS/5 Article 4). Under this form, the Mayor and elected Commissioners are vested with executive, legislative, and administrative authority over all functions of the City. The Commission form-the oldest form of municipal government-became a popular structure in the early 20<sup>th</sup> century, with nearly 400 cities using the form by 1914. The reform movement of that period however ushered in a shift to Mayor-Council and Council-Manager forms. Nationwide in 2014, the Mayor-Council form represents 34% and the Council-Manager form 48%, of all cities. The Commission form is now estimated to exist in less than 1% of all cities across the country.

The national move away from the Commission form came about not only due to the reform movement, but also due to the need to provide a single, central figure to provide unified direction to the organization. The Mayor-Council and Council-Manager forms provide that type of executive leadership. In East Peoria, the Mayor, Commissioners and City Administrator all have clearly prescribed roles, which on paper, provide for organizational direction and accountability. As the comments below reflect, the practical implementation of these appears to fall short of the ideal.

The observations and recommendations that follow are not meant as criticisms of the Commission form used in the City of East Peoria, but are meant to point out the challenges associated with its use, the consequences of current practices, and opportunities for improvement.

#### Observations:

*Organizational direction and focus is diffused, limiting clarity of purpose and mission*

The East Peoria form of government provides for a centralized power structure vested in the Mayor and City Commissioners. Like all other local governments regardless of the form, the City Council performs legislative tasks-establishing laws and ordinances, setting policy and adopting goals.

Unlike non-Commission form cities however, the day-to-day responsibility for setting direction, and establishing and maintaining operational accountability is diffused. The Mayor and Commissioners have statutory responsibilities for operational oversight and

accountability, and they share these responsibilities with the City Administrator, as prescribed by ordinance, policy and general practice.

Interviews and discussions revealed that there are varying expectations and approaches to oversight of City departments. According to those interviewed, this owes in large part to the interest and capabilities of the Commissioners. It was stated frequently that as a Commissioner gained in experience, they often take a more “hands-on” approach to department oversight. This typically results in reducing the City Administrator’s role. This ranges from Commissioners collaborating more with the Administrator, to excluding the Administrator from department meetings.

None of these practices in themselves are either surprising or inappropriate, but over long periods of time, they limit organizational effectiveness. Because each Commissioner and the Mayor have their own style, it is difficult to establish a consistent and transparent approach to management and accountability. Theoretically, this is where the City Administrator’s position can have the greatest impact-bridging the differences and creating a common set of expectations for the organization. Unfortunately, the general opinion is that the City Administrator has been unable to accomplish that. This is likely related to the Commissioners’ approaches to oversight.

An example of this dynamic is the recent change in the Planning and Community and Buildings and Public Property departments. Shifts in responsibilities from Planning to Buildings and Property were carried out due to perceived lack of action and results. The changes, spearheaded by a Commissioner, have apparently resulted in the desired outcome, but many in the organization are unclear about the reasoning and purpose--including some directly involved.

Decisiveness and a desire for results are important qualities of a high-performing organization, but so are transparency and clear direction. Balancing these is the challenge for the City of East Peoria.

*The City Administrator’s job responsibilities shift as political and organizational changes occur*

Related to the previous issue is the concern about the job responsibilities and expectations of the City Administrator. The practical reality is that setting clear direction, and establishing consistent accountability standards is crucial in every organization, but in this form of government, it can be difficult.

As stated in the previous section, the Mayor and Commissioners have very explicit executive and administrative powers over various departments. The group collectively relies on the City Administrator to support them in setting broad organizational direction and establishing consistent accountability across departments. To achieve clear organizational direction and accountability for results requires all parties to have a high level of trust and a shared interest in collaboration. Under the best circumstances this can be difficult, but over time, as the actors change due to elections, etc., a unified approach can be difficult to sustain.

While the City Administrator is theoretically the one constant-vested with certain job responsibilities connected with achieving organizational outcomes, it is apparently not happening to the satisfaction of the Council, or the organization. From interviews, it appears that the Administrator has adapted his approach to the job based upon both explicit and implicit direction given by the Mayor and Commissioners. Whatever the contributing factors, the organization is not achieving optimal results.

Unlike a Council-Manager or Mayor-Council forms of government where accountability clearly lies with an Administrator or Mayor, in East Peoria, the Administrator must depend upon the cooperation and support of Mayor and Council to fulfill his responsibilities.

It is beyond the scope of this report to assess the performance of the City Administrator, who by all accounts is dedicated to the job and loyal to the City. It is accurate to say however, that the Administrator appears to be struggling to fulfill his stated responsibilities, at least in part, due to the way the organization is structured.

Options to Consider:

- **Consider clarifying and reconfiguring elected and appointed leadership structure**

One way to improve direction and transparency would be to reconfigure leadership roles. The goal of this effort would be to provide clear accountability for oversight, direction and results. Working within the current form of government, one option would be to modify current roles in the following manner:

- *Strengthen the position of Mayor as the CEO of the City.*  
The Mayor under statute is responsible for the supervision of all departments. Making it clear that the Mayor is the CEO, and the point person for decisions is one solution to the issues of accountability and clear direction. In addition to this change, it would be important to clarify the administrative structure and the roles of other elected officials as follows.
- *Create the position of COO/CFO.*  
If the Mayor becomes the CEO, it will be important to address day-to-day administration, perhaps establishing a Chief Operating Officer, or Chief Financial Officer as the person responsible to the Mayor for administration and finance. In the case of East Peoria, this means adjusting the City Administrator position, perhaps to collapse the Treasurer's position into one position responsible for Administration and Finance.
- *Clarify the role of Commissioners.* The Commission form of government clearly establishes the legislative, executive and administrative responsibilities of Commissioners. If the expectations are clarified regarding the Mayor's role as CEO, then it will be important to clarify how the Commissioners' oversight roles with departments work together with the Mayor's unifying role as CEO.

- **Clarify and reinforce role of the City Administrator**

If it is determined that the primary issue for organizational accountability and results lies with the City Administrator, then the Mayor and Commissioners should clarify performance expectations and reinforce support for the role of the City Administrator within the organization. The organization needs clear signals and direction from leadership. It is incumbent upon the Mayor and City Council to determine its goals, empower and hold the Administrator accountable, and pursue this in unambiguous ways through a leadership structure that everyone understands and follows.

- **Evaluate form of government to determine whether modifications are necessary to improve governance and achieve desired outcomes**

As noted, the Commission form of government can create inefficiencies and confusion within the organization due to its shared power configuration. If the Mayor and City Council are sufficiently convinced that the form of government may be hindering peak effectiveness, then a formal evaluation of the form of government may be in order.

As noted, the commission form is the least used form of local government nationally. In Illinois, the City of Dixon recently converted from the Commission form to the Council-Manager form. The previous two communities to change were the Village of Sycamore in 2003, and the Village of Rochelle changed in 1994.

In each case, the communities followed a process of education and community involvement to ensure that its citizens and stakeholders embraced the outcome. If the City of East Peoria chooses this option, following the lead of these communities would be advisable.

Recommendation:

Clarity of purpose, mission and organizational objectives should be the highest priorities for the Mayor and City Council. Further, leadership transparency should be a foundation for instilling confidence and ensuring accountability. In line with those ideals, the following recommendation is made:

- **Evaluate and modify, as appropriate, the leadership structure of the organization**

The themes identified in this report- accountability, leadership and transparency all have a relationship to organizational structure. Although structure cannot solve performance problems, and should not be used as a way to avoid addressing management issues, it should be addressed once management and performance plans have been put in place.

In East Peoria, the Mayor and City Council should take a systematic approach to addressing leadership issues:

- Step one- as noted in the leadership section, diagnose the performance problems
- Step two-create a plan to address performance-via one of three methods, depending on whether the underlying condition is “can’t do”, “won’ do” or “chance to do”.

- Step three- address core competencies and organizational development needs
- Step four-update job responsibilities and descriptions-in line with core competency review
- Step four- identify structural impediments to leadership effectiveness-based on clarified reporting responsibilities and relationships.

Once these four steps have occurred, a determination regarding the appropriate structure can be made. This will require the Mayor and Commissioners to consider the issues raised in the performance process and then honestly assessing the structural problems, if any, that impede the implementation of performance improvement initiatives.

Choosing a course of action on structure from the options provided should be made based upon the best fit.

### **Other Considerations and Recommendations**

This report identified three broad challenges and a set of recommendations for change. Taken as a whole, these represent an ambitious program for organizational transformation.

In the process of reviewing operations, the consulting team noticed a number of other opportunities to improve operations and/or reduce cost--beyond the major issues. These opportunities are based upon common practices in other municipalities and observed (and anecdotal) opportunities within the organization. They are offered here for consideration. They are not prioritized or in any particular order:

#### **Alternative service delivery options**

- Consider entering into an Intergovernmental Agreement (IGA) with the county to take over delivery of housing authority services (benefit: cost reduction, better alignment of services)
- Consider creating a not-for-profit or hiring the Chamber of Commerce to deliver the economic development services of the City (benefit: focusing service delivery, leveraging outside resources, potential cost savings)
- Consider more collaborative (in-sourcing or outsourcing), or private provision of inspectional services (benefit: cost savings, improved and expanded technical capacity)
- Consider consolidating dispatch services with another community (benefit: cost savings, improved capabilities/facilities)
- Consider selling the marina (benefit: cost savings)

#### **General management**

- Move to an accrual based accounting system (benefit: upgrade to current industry standard, improved systems)

- Implement a “Disney” approach to sharing information about project and activities- could start with staff meetings (benefit: improved information sharing, transparency, customer experience)
- Consider moving GIS to Public Works and perhaps merge with staff there (benefit: improved collaboration, use of resources, savings)
- Consider hiring community service officers rather than additional police officers to free up police officers from some of the mundane duties, i.e. traffic direction, accident assistance, parking violations, lock outs, etc. (Benefit: upgrade to current industry practice, reduce cost, improve use of patrol resources)

### **Human Resource management**

- Complete a pay study to determine competitive wages (benefit: improved information for long-term decision-making, labor negotiations, cost control)
- Develop a pay scale that reflects comparability with private sector pay and benefits (benefit: support for labor negotiations, decision-making, attraction/retention)
- Create more steps in the pay system (benefit: cost containment, improved relationship between job performance and pay)
- Reevaluate positions that become vacant. Consider viability of part time to replace full time employees thereby decreasing health costs and IMRF contributions (benefit: cost control, staffing flexibility)
- Evaluate removal of retiree health benefits from contracts or providing dollars for them to buy their own insurance (benefit: long-term cost control)

### **Summary**

The City of East Peoria requested that Center for Governmental Studies analyze three departments for opportunities to improve effectiveness, and potentially restructure. What evolved from the original scope is the identification of three major organizational challenges:

1. The future of EastSide Centre
2. Leadership and Accountability
3. Governance and Role Clarity

Addressing these challenges will be necessary before making any efficiency or restructuring changes in individual departments.

Of the three challenges only one- the future of EastSide Centre, is limited to one department- but it is the most immediate problem, due to the competitive challenge of Louisville Slugger, and the on-going costs of operation. The other challenges- leadership/accountability and governance, are larger in scale, and will take time to address.

The report offers optional courses of action as well as recommendations for action on each major challenge. These are sensitive issues, involving the performance of senior leaders and the very form of government. The observations, options and recommendations have been made with that sensitivity in mind, and with the intention of providing informed choices to the Mayor and City Council.