



MAYOR MIKE SPANO



YONKERS PUBLIC SCHOOLS

CONSOLIDATION REPORT



The City of Yonkers Comprehensive Overview
of the Inter-Municipal Agreement (IMA)
with the Yonkers Board of Education

Issued by the Yonkers Department of Finance
John Liszewski, Commissioner
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I. SUMMARY OF YONKERS CONSOLIDATION PROGRAM

The *City of Yonkers-Yonkers Board of Education Consolidation Program* (Yonkers Consolidation Program) is a first-of-its-kind, large-scale merger of the administrative operations of a New York state dependent school district and its host municipality, resulting in greater operational efficiencies and economies of scale to both organizations and the stakeholders which they serve. In a period of less than one year, the City of Yonkers (City) has successfully guided the merger of five non-academic, administrative departments of the Yonkers Board of Education (BOE) - Finance, Human Resources, Chief Administrative Office, Public Information and Law - into the City of Yonkers government; achieved the transfer of 52 BOE employees to the City government, including the completion of desk audits, title adjustments, changes to labor affiliation and co-location of newly consolidated departments; and permanently assumed \$10 million worth of administrative functions into the City government, thereby making additional funding available for the classroom.

II. RELOCATION AND BLENDING OF STAFF

During the period of April 1, 2014 through March 6, 2015, the City planned and physically relocated personnel of the two organizations to blend workforces in the consolidated departments.

The two organizations' Public Information (PIO) functions were merged into expanded space at Yonkers City Hall, located at 40 S. Broadway, where the City's PIO offices were already located. Conversely, the personnel in the City's Finance, Human Resources and Law Departments relocated to expanded work space at the BOE headquarters located at 1 Larkin Center.

One of the biggest challenges was the consolidation of different civil service job titles, unions and pay scales. NYS Civil Service Department was brought in and conducted desk audits that helped pave the way for negotiations with the various unions. There were also challenges associated with the physical merging of COY and BOE workspaces to provide adequate space for all employees of the consolidated departments under one roof in a configuration that maximized work flows and supervision. This challenge was mitigated by the City's use of an engineering firm to assist with space optimization and floor plan development. To further the objective of establishing a work environment that promotes productivity, employees were interviewed; existing and available work spaces in City and BOE facilities were surveyed, and a successful plan that reorganized work spaces in both City and BOE facilities, at the above-referenced locations, was implemented. To execute the relocation plans, the City also contracted with a professional moving company, which moved office furniture, files and equipment for all relocating departments.

The City's Department of Information Technology (DoIT) also extended City and BOE network access in both the City Hall and Larkin Center locations. Other costs associated with this process were managed in-house, including the use of City and BOE facilities personnel to reconfigure office spaces and re-structure reception, break, and conference spaces.

As part of the Yonkers Consolidation Program, one area that required an additional level of resources in both space assessment and the need to increase operational efficiency was the merger of the City and BOE's print shops and records centers. The BOE uses first-class office space at Larkin Center to house large commercial printing equipment (including paper and materials storage), while the City uses raw warehouse space in a flood zone to house its (antiquated) printing equipment.

At the same time, the BOE rents large warehouse space to house its records, while the City keeps its records in a separate city-owned facility that has recently been sold for redevelopment as a manufacturing facility, as well as in various other sites. Neither organization has a meaningful paper reduction/records digitizing protocol in place. In an effort to free up the prime office space at Larkin Center; merge the two organizations' print shop staff; reduce the number of facilities being used for printing and records; and create an environment suited to scanning/digitizing of documents; the City identified a single, new leased space and again sourced the professional services of engineers to design the work space. This project will provide for more efficient use of space and improved operations, along with a specific focus on paper reduction and digital archiving. All records, printing, and scanning operations will soon be co-located in this unified space. The build-out costs will be shared between the City and the landlord, as a part of the new lease arrangement. Completion of construction and move-in of print shop and records functions and staff is expected this month.

We are pleased to report the already-consolidated departments are operating more effectively under one roof than ever expected, and continued progress is anticipated upon completion of the print and records center merger. Print routing software is being installed to insure that the combined City and BOE printing needs are properly coordinated and efficiencies are realized. Through combined resources, the City is delivering a better quality of services, and consolidated staffs have maximized cross-training, communications and planning as one team, and – with greater City oversight – are operating at a higher level of accountability. Efficiencies are evident and paying dividends, as to date, the Yonkers Consolidation Program has provided for over \$1 million in cost-savings (please refer to Exhibit A, annexed hereto).

III. FUNCTION-SPECIFIC ACCOMPLISHMENTS

Another component function of the IMA has been the attempt to streamline the organizations' administrative and functional processes, including the governance documents which underpin them, namely the City's Charter and the Board of Education's By-Laws, and related staffing. There has been and continues to be an ongoing review and adjustment of policies and procedures of both organizations in an effort to achieve conformity. Each of the merged functions of the organizations has made significant strides in operational efficiency over the past year, as detailed below.

FINANCE

With respect to the Finance function, the first order of business was to analyze the personnel in the Finance Departments and devise a plan to restructure while strengthening the newly merged units. An internal assessment was conducted and positions for Accounting, Accounts Payable, Payroll and Purchasing were reviewed for efficiency. Specifically, in Accounting, a Director of Accounting was hired to provide better oversight, coordination and accountability for the city's finances. Two Chief Accountants with dedicated functions on the City and BOE finances report directly to the Director of Accounting. In addition, the Director of Accounting has instituted changes in staff assignments in Accounts Payable as well as reevaluated the middle manager supervisory responsibilities - all which have resulted in tighter controls without additional costs. With the new Director on board, there is greater transparency, improved integrity of the numbers through better end-of-month closings and reporting. Tremendous progress has been evidenced by the closing of FY15 which took place in July, whereas, FY14 closed in February 2015. As a result of breaking down the firewall between the City and BOE, there is greater transparency and better cash flow monitoring that produced less borrowing and cost savings on debt service interest.

Notably, upon merging the Accounting units, the City was made aware of the intricacies of the BOE's Medicaid Reimbursement Program and the need to have staff allocated to ensure accurate reporting and ultimate recovery of funds to the school district. This is a key function for YPS both with regard to the management of the Special Education function, and with regard to essential reimbursement funding. Working with the BOE's Special Education Department, a new **Medicaid Finance Unit** was established within the Department of Finance. This allowed for improved efficiencies in staffing and cost savings for Special Education. The functions of 5 FTE's were transitioned to the Finance Department, allowing this headcount to be dedicated solely to the educational components of the BOE's Special Education Program. In addition, a consultant of the YPS transitioned functions and historical knowledge to a member of Finance. This saves the BOE annual fees and overtime costs.

Over the last 2 months, Finance and DoIT also undertook a massive deletion and linking of data between databases (IEP Direct and Medicaid Direct) which generated more efficient processing and a significant amount of additional Medicaid claims. Approximately 8,000 student records were deleted and \$260,000 in claims were processed during that two month period.

Additionally, the City's Corporation Counsel spearheaded a collaborative effort with the Mayor's Office, Finance, and the BOE to ensure the BOE's compliance with the Medicaid program's new requirements for re-certification. Re-certification is required for the BOE to be able to continue to submit claims. The cost of non-compliance would have resulted in lost budgeted revenues of \$675,000 and any fines/penalties assessed due to any findings of non-compliance upon audit. Corporation Counsel's Office shaped a compliance program which utilizes existing staff, supplemented by expert outside counsel who will provide training and general oversight to City and BOE staff, to ensure ongoing compliance. Led by Corporation Counsel, additional steps were also taken and completed for the BOE to remain in compliance, including:

- Review, update and implementation of operating procedures which include controls on processing, data review and reporting.
- Completed full verification of all current services providers, including ensuring that service providers were NOT in the federal and state OMIG exclusion lists.
- Serving on the Joint Compliance Committee.

Finance redistributed its workload and utilized technological resources to benefit from in-house expertise and streamline processes to maximize state aid reporting. These proactive changes resulted in expedited contract processing, and more timely payment to vendors. The Department also improved expense tracking obtained from required follow up, quarterly reconciliations and integrated knowledge of accounting system and data mining.

Similarly, in Purchasing, significant modifications were made to enhance the productivity of staff and to improve recordkeeping as it relates to BOE contracts. All YPS contracts and public works projects approved by the BOE are now also reviewed and formally approved by the City's Board of Contract and Supply, ensuring confirming of appropriate procurement processes, funding availability and budget lines. In addition, the Law Department developed a new Procurement Policy for the City and BOE which were adopted by both the City and the YPS Board of Trustees early in 2015, ensuring that procurement practices follow a consistent and legally compliant protocol in both organizations.

Likewise, in Payroll, the Payroll Administrator and Assistant Payroll Administrator assumed additional responsibilities without extra positions or salary costs. Challenges remain with the two payroll systems, ePersonality and Ceridian, but the

issues are currently being addressed by the Department of Information Technology (DoIT) as detailed below.

New Human Resources and Payroll System Initiative

The City and the BOE currently operate separate Human Resource/Payroll (HR/P) systems. Specifically, the BOE has utilized a Ceridian system since 2012, and the City has utilized *ePersonality* as its HR/P, since 2001.

Since the implementation of the Yonkers Consolidation Program in July of 2014, the City's Human Resources Department has had to manage and operate these two distinct HR/P systems. Unfortunately, neither system provides an optimal solution for the HR/P needs of the user organizations, nor has either been fully implemented.

The Ceridian system was deployed by the BOE with a very high level of customization in order to meet the BOE's specifications. The deployment did not go well and it appears that the system's features may have been oversold, and/or that Ceridian did not fully understand the intricacies of many of the BOE's HR/P personnel/payroll practices. For example, after three years, overtime continues to be tracked and logged manually. Conversely, the *ePersonality* system was deployed by the City with few customizations, but provides only the most basic payroll functions for the City. Much of its larger capacity has never been explored or utilized. The system's Human Resources functionality is only just now being reviewed.

The shortcomings of both systems, and the organizations' historical inattention to the capacity of these tools, have prevented both organizations from automating even the most basic human resource processes (i.e. time-keeping). As a result, manual (paper-heavy) processes have been institutionalized, resulting in an inordinate waste of human and paper resources. In addition, because the systems have not been integrated into our financial system, our DoIT and Accounting teams are forced to undertake the weekly task of moving data from one system to the other. We estimate that thousands of employee work hours will be saved annually once a unified system is implemented.

An organization-wide requirements process for the HR/P needs of both the City and the BOE is now underway. The Requirements Process will identify and clarify specifically what functions are needed from a HR/P system in order to maximize efficiency and accuracy, reduce redundancies and eliminate paper record-keeping. This exercise will result in a detailed specification of the consolidated organization's HR/P system needs.

The Requirement Process is being spearheaded by DoIT. An Internal Business Processes Analysis will also be contracted with to examine current City & BOE workflow processes and develop a roadmap of how best to move toward streamlined processes.

Our initial review of both existing HR/P systems has led to the preliminary conclusion that Ceridian is not a candidate for the now-combined HR/P needs of the City and BOE, though *ePersonality* may be. Our next step, as we go through the Requirements Process, is to conduct a full review of the *ePersonality* application from both a functional and cost perspective. In addition, we intend to look at a number of additional HR/P systems including ones that we have already identified, including systems from New World Systems and Workday. Notably, the City is currently in the process of replacing its Oracle financial system with the New World ERP as the City/BOE's primary financial system (with a planned go-live date of January, 2016). New World's financial management tools and its HR/P modules are utilized in municipalities and school districts around the country, and adding New World's HR/P modules to this deployment may provide the consolidated organization with invaluable synergies.

The City's focus moving forward will be on securing a single (HR/P) system that will ensure precision in the payroll function, reduced transactional time for staff, reduced paper reliance, speeding processing, and cutting costs. Collectively, the new system should reduce the organizational stress now associated with a process which should be fully automated.

Notably, in 2014, the City was awarded a \$400,000 Local Government Efficiency (LGE) grant from New York State for the express purpose of offsetting the costs associated with the consolidation of functions, as referenced in Section II. above, and the development of the unified HP/R system, described above. The Mayor's Office and the City's CIO are working closely with the NYS Department of State for the release of these grant funds, which is expected by the end of 2015.

OFFICE OF MANAGEMENT & BUDGET (OMB)

Another critical component of Finance, the Office of Management and Budget, was able to reduce its budget staff from eight (8) down to six (6) by transitioning two analyst positions to understaffed functions elsewhere in the Finance Department, saving on wages and associated fringe benefits. OMB is relatively small and has a budget of only \$742,000 – down from \$946,000 – which was achieved by eliminating overtime expenses by \$59,000. This modification to overtime aligned with the city's policy, as non-represented management is not entitled to overtime pay. Therefore, by combining workforces OMB found efficiencies. Further, OMB eliminated printing costs of \$12,000 as budget books will now be printed by the BOE print shop at a cost of only \$1,000 to cover overtime for this service. Ultimately, OMB will utilize an in-house capability with a small increase in overtime versus paying an outside vendor. It should be noted that the City did not have this printing capacity before the merger.

Beyond the cost reductions mentioned above, the combined OMB has an efficient staff that performs all the necessary budget and management functions for a total budget of \$1.07 billion: \$520 million for the City functions and \$550 million for the school district costs, ensuring constant budgetary oversight through the year, and real-time reporting and forecasting.

OMB's staffing level compares favorably in terms of staff size to dollars under management with that of Rochester, another city with a dependent school district similar in size to Yonkers. Rochester has nine (9) full-time staff in their city-side Office of Management and Budget and another ten (10) performing budget (5) and management (5) functions in their school district administration overseeing budgets of \$502 million for the city-side and \$802 million (\$685 million general fund) for the school district.

COMMUNICATIONS & PUBLIC INFORMATION

The merger of the organizations' Communications and Public Information (PIO) functions has likewise brought enhanced efficiency. As detailed above, the merger of the printing staff and functions, together with the resources of the City's DoIT, has enabled the streamlining of processes and enhanced automation of what was previously an extremely manual, paper-heavy process. For example, by the Fall of 2015, virtually all print jobs will be communicated online to the merged print shop via a software tool which will prioritize and schedule jobs according to priority, reduce backlogs, and ensure the maximization of staff and paper resources. Enhance training of staff and equipment optimization will enable greater efficiency, including the production of overnight jobs.

Likewise, the YPS graphics team now serves the development needs of both organizations, enabling both to produce high quality communications materials for all constituents. Under the consolidated structure, these materials now have cohesive and consistent messaging directed to the District's audience, including students, parents, teachers, etc., as well as city residents.

The PIO team and DoIT are also in the process of streamlining the BOE website, with the goal of reducing overall maintenance costs, and enabling uniform management protocols to be put in place. This process is expected to be completed by early 2016, with annual savings estimated in the range of \$50,000.

Finally, the merged PIO function has enabled much improved, real time communications processes between the City and YPS, whose communications needs and audiences dovetail on innumerable issues.

HUMAN RESOURCES

The consolidation of the City and BOE Human Resources (HR) departments led to the review and analysis of operations and process workflows connected to the provision of services for internal and external stakeholders. Thus far, the following gaps and solutions have been identified and implemented to improve program efficiency and effectiveness:

One major issue, BOE Certificated, Non-Certificated and Benefits Units, lacked daily supervision and support. Prior to consolidation, staff reported to a Director located on the 4th floor in the Superintendent's area. Many of the HR determinations were made by HR Clerks stationed on the 2nd floor with minimal oversight.

To ameliorate this issue, supervision and support gaps were filled by assigning existing HR Deputy Commissioner and HR Manager additional duties which included the previously uncovered units. All work is now reviewed and approved/denied by management. In addition, daily workflows and problems receive the proper review and input from senior staff.

A second issue involved a lack of BOE staff required to review and, when necessary, contest unemployment insurance claims. This resulted in the BOE's payment of unemployment to former employees who were terminated with cause and not entitled to this benefit.

Upon consolidation, the City's HR Labor Specialist was assigned the function of reviewing all unemployment insurance benefit claims and challenging when necessary. To date, the City has won 82 percent of all challenged claims, relieving the BOE of an unnecessary financial burden by providing the resources needed to fill the gap that previously existed.

Finally, a key HR initiative in the first year of the IMA was to ensure fiscal responsibility in the management of the \$3.5 million budget to pay for per diem substitute teachers. Aware that the budget was reduced from the previous year, the HR Commissioner and Deputy Commissioner led an effort to monitor, track, and analyze teacher absences, a significant factor that contributes to the need for per diem substitutes.

As a result, clear direction by the Commissioners and the YPS leadership to school administrators and teachers led to more awareness of teacher absences as potential school instruction, management and budgetary issues.

As seen in the chart below, prior to consolidation in FY13-14, the per diem account was \$283,946 over budget. In the year following, the actual expenditure amount was reduced by \$258,842.90 and the account was \$21,196.90 under budget.

	Adopted Budget	Actual Expenditure (as of today)	Variance
FY14-15	\$3,487,500	\$3,466,303.10	\$21,196.90
FY13-14	\$3,441,200	\$3,725,146	-\$283,946

A new teacher absence/substitute placement program, called Aesop, is being implemented for the 2015-16 school year. Unlike the former system, Aesop provides various teacher absence reports that HR previously tabulated manually. This automation is expected to generate additional savings in staff time and resources.

LEGAL

On July 1, 2014, the City's Corporation Counsel became the General Counsel of the Yonkers Public Schools ("YPS"). Among its primary responsibilities, the office:

- a. Represents the YPS in litigation, particularly tort litigation, related special education laws, public employment statutes and regulations;
- b. Supervise all litigation involving the YPS that is assigned to outside law firms under contract with the City or the insurance carrier;
- c. Represents the YPS in all labor negotiations;
- d. Provides training to YPS staff on legal issues, such as Medicaid Reimbursement compliances and new Annual Professional Performance Review ("APPR") standards;
- e. Prepares and reviews YPS contracts, including its compliance with the public procurement process of the Education Law and the General Municipal Law.

Previously, YPS was represented by a private law firm. Since the merger, the City has assigned three (3) full time, seasoned attorneys to handle the day to day legal operations of the YPS without any further increase to the Law Department staff. In addition, the balance of the Corporation Counsel's office, and its special counsel, is available to handle matters on an "as needed" basis.

As a result of the merger, the City has been able to save approximately \$250,000.00, or 32% of the YPS legal budget. This savings was a result of handling more matters "in house" and implementing cost savings measures. Moreover, the office has been able to save an additional \$148,000 by eliminating on support staff position as a result of a retirement.

INFORMATION TECHNOLOGY

As noted above, many of the early successes of the merger of the City and YPD administrative functions were heavily reliant on the DoIT for systems and software diagnosis, design and direction.

In addition to the role that DoIT has played in those areas, early in 2015, the City's DoIT began the implementation of an operational merger with the YPS' MIS

department. The two operating groups, IT Network Support and Data Processing, have been incorporated into the City's management structure and are being supervised and directed by City management. Project selection and prioritization is now undertaken with the ability to draw from a larger pool of resources with additional and varied skills. The BOE website, as an example, is being upgraded to current technology by City personnel as BOE personnel do not have the skillset required. In addition, new technology training will soon be made available to BOE personnel to help them improve their skills but also to be able to realize economies of scale in network operations, network security, and disaster recovery.

Overall, the implementation of the IMA transition has progressed smoothly and, in addition to the specific efficiencies and savings documented herein, there are innumerable positive working synergies with the City and BOE which we expect will lead to further improvement of the organizations' operations in the coming years.

IV. COST SAVINGS REPORT

(See Exhibit A)

V. PROJECTIONS FOR FUTURE COST SAVINGS

(See Exhibit B)

**EXHIBIT A
COST SAVINGS REPORT**

Type of Action	Department	Implementation Date	Description of Action	Savings Year
				FY 2015
Shared Services	Finance and Management Services	7/1/2014	After City of Yonkers took over administrative functions of the School District, the Office and position of the Chief Administrator was eliminated, while work was reallocated to City and BOE. Savings includes fringe.	207,000
Shared Services	Finance and Management Services	7/1/2014	Eliminated school district's Purchasing Agent position after combining City and school district's purchasing departments under City control (City has a Director of Purchasing who runs newly combined department).	163,000
Shared Services	Budget and Financial Management	7/1/2014	City budget took over school district budget function and redeployed two budget analysts to accounting while eliminating all budgeted OT for school district budget function.	252,000
Shared Services	Budget and Financial Management	7/1/2014	Abolished school district payroll administrator position as city payroll administrator and assistant payroll administrator took over combined payroll office for city and school district.	130,000
Shared Services	Legal Services	7/1/2014	City took over legal services for School District and have saved and will continue to save conservatively about \$250,000 annually for outside counsel for litigation; being handled in house by staff.	250,000
Shared Services	Human Resources	7/1/2014	Eliminated HR Executive Director position for school district when City and School District HR departments were combined for shared services (City took over school district HR staff and functions).	178,800

1,210,800

**EXHIBIT B
PROJECTIONS FOR FUTURE COST SAVINGS**

Type of Action	Department	Implementation Date	Description of Action	Future Savings		
				FY 2017	FY 2018	FY 2019
Shared Services	Legal Services	7/1/2015	Support staff - Clerk IV - abolished after City took over School District's legal division. Savings includes fringe and overtime.	148,000	148,000	148,000
Shared Services	Finance and Management Services	1/1/2016	Replace two financial systems, one each for City of Yonkers and one for Yonkers Public School District, with one financial system with a merged chart of accounts that can handle both.	1,200,000	1,200,000	1,200,000
Efficiency	Information Technology	1/1/2016	Move old financial records for school district and city from mainframe hosting to Excel.	200,000	200,000	200,000
Efficiency	Information Technology	7/1/2016	Savings from moving from a circuit switchboard phone system to VOIP.	300,000	300,000	300,000
Shared Services	Budget and Financial Management	7/1/2018	Replace two current payroll systems for City of Yonkers and the Yonkers School District with just one system to handle both payrolls.		200,000	200,000
				1,700,000	1,900,000	1,900,000