



October 28, 2014

To: Local Government Personnel Institute (LGPI) Board of Directors

From: Jon Nelson, Interim Administrator

Re: Phase I Assessment Report and Recommendations

Following the resignation of the executive director, the LGPI Board requested assistance in soliciting member feedback on current services, LGPI's future and a profile for the executive director vacancy.

The report has the following sections:

- I. Background and context
- II. Assessment
- III. Recommendations
- IV. Recommendations Alternatives
- V. Other Issues

The professional interactions held with Board members, members, staff, partners, and interested parties are very much appreciated.

I. Background and Context

a. Creation and Growth

LGPI was a 1971 "Joint Venture Agreement" creation of the League of Oregon Cities (LOC), Association of Oregon Counties (AOC), and the Oregon School Boards Association (OSBA) for the purposes of providing "services and information and to act as a clearinghouse for local government employees in matters relating to personnel program development." The three executive directors served as the Board of directors providing guidance for LGPI, its \$50,000 budget and full time coordinator. The OSBA withdrew its participation in 1981 and the latest iteration of the intergovernmental agreement (IGA) between AOC and LOC was in 2005. While the Board currently has five members, either the LOC or AOC executive director serves as Board Chairperson and adoption of the budget requires unanimous Board support. A successor document titled "An Intergovernmental Agreement Regarding the Authority, Governance, Structure, Finance, and

Your Resource for Labor Relations and HR Assistance

(503) 588-2251 (503) 485-5900 fax
www.lgpi.org asklgpi@lgpi.org
PO Box 908 Salem, OR 97308

Operation of the Local Government Personnel Institute” is in draft form and requires an affirmative vote by both the AOC and LOC executive directors to approve the annual budget.

For many years LGPI’s expertise focused on its information role including compensation surveys, the Public Employee Retirement System and monthly newsletters on State and Federal personnel related issues. In the last decade this role has been expanded dramatically through human resource and labor relations services to members. For comparative purposes, a cursory internet search for entities similar to LGPI in selected states (CA, WA, ID, MT, and AZ) did not reveal similar institutes.

LGPI and its staff enjoy strong support from members using LGPI services. Service offerings have increased substantially in the last 15 years for member and non-member cities, counties, and special districts.

An annual snapshot of LGPI services used by jurisdictions reveals the following:

<u>Area</u>	<u># of Jurisdictions</u>
• Membership, Newsletters, Technical Assistance	180 +
• Conference and training (attendees)	200 +
• Human Resources (HR) Related (Surveys, policies, recruitment, and investigations)	80
• Labor Relations (LR) related (Negotiations, arbitrations, etc.)	73

While annual reports delineating the number of employees and size of budgets impacted by LGPI services are not available, it is safe to say LGPI plays a vital role on the millions of dollars represented in the jurisdictions’ personnel related operating budgets.

b. Budget

If recent trends continue, the annual LGPI budget will have tripled in the last fifteen years; from \$425,000 to over \$1.2 million. LGPI survives and grows on its membership, HR and LR revenue. In general terms revenue generation is from the following categories:

Membership, training and technical assistance	20%
HR related	30%
LR related	50%

Membership fees provide 20% of revenues and charges for services over 80% of revenue. Expenditures are over 80% in employee related categories. The two largest materials and services charges are in rent/lease obligations (\$80,000 year) and contracted consultants (\$20,000 year). The recent net change in fund balance has been positive with the June 30, 2014 “net-position ending”

of \$488,290 in the draft FY 2013-14 audit. Given that 80% of revenue is based on charges for services that vary from year-to-year, an appropriately sized reserve is necessary to meet fairly constant cash flow needs. Financial planning (services pricing models, multi-year financial forecast) beyond the annual budget process is appropriate given the ebb and flow of revenue generation. Tasked with providing its own revenue generation to survive, any deletions or changes to services offerings should be carefully considered with an eye towards how it impacts LGPI's ability to pay its expenditures.

c. Staffing

The approved budget provides for 8 permanent full time positions plus three on-call investigators and a bookkeeper working approximately 4 hours per week.

Full time positions include:

- (1) Executive Director
- (3) Labor Relations staff
- (2) Human Resources staff
- (1) Office Manager
- (1) Administrative Assistant

Besides the executive director position, one labor relations position and one human resources position are vacant. Staffing is below desirable levels with services maintained due to a historic lull in labor relations (picks up after January 1st) and a professional and dedicated staff. Two of the five current staff were hired in 2014. Several current staff are reviewing their position responsibilities and exploring streamlining existing work in order to accommodate a greater workload.

d. Strategic Plan

The LGPI Board recently unanimously adopted the 2014-15 Strategic Plan. It sets the vision for LGPI as the "premier organization providing labor relations and human resources assistance to cities, counties and special districts throughout Oregon." The plan goes on to state that achieving this vision is possible through an effective governance structure and financial oversight created by AOC and LOC; services that meet member needs; collaboration with AOC, LOC and City County Insurance Services (CIS) to meet member needs; and generating sufficient revenue to be self-supporting. Goals to achieve the Strategic Plan vision include:

- i. Developing and implementing appropriate administrative and financial policies (budget, finance, audit, personnel, purchasing, contracting, harassment),
- ii. Annually assessing member needs,
- iii. Collaborating with AOC, LOC and CIS to minimize duplication of services and offerings while enhancing member services,
- iv. Informing AOC and LOC members of LGPI's value,
- v. Developing an LGPI Board member position description and orientation packet, and

- vi. Reviewing and updating the executive director position description including a performance evaluation tool.

II. Assessment

Three areas of need emerged from the assessment.

a. Governance and IGA

LGPI is sufficiently sized (budget, staff and services) to merit a membership driven Board. LGPI thrives or fails based upon its services, and resulting membership use and support. LGPI's role on behalf of members is critical to member operations. A second draft intergovernmental agreement should set revised expectations for LGPI's purpose, powers, governance, management, assets, debt authority, amendments, and termination. The current draft IGA lacks member participation on the Board and focuses conflict and resolution on individuals versus Board decision making.

b. Recruitment

Members need assurances that LGPI will continue to provide services. Without this assurance, members will explore other marketplace providers. An executive director and labor relations professional are the most pressing needs. Exploration and discussion on services duplication between LGPI, CIS, LOC and AOC should occur prior to the human resources vacancy recruitment.

c. Collaboration

Memorandums of understanding or protocols do not exist in sufficient specificity regarding service areas where LGPI, LOC, AOC and CIS intersect. Expectations should be established, as well as a means for discussing and collaborating on behalf of shared members, in such areas as employee investigation, training opportunities, and human resource services.

III. Recommendations

a. Governance and IGA

- i. Communicate to members, staff and candidates for employment that a revised governance model is being pursued. An expanded Board modeled after CIS with equal parts elected officials and administrators plus the AOC and LOC executive directors is recommended.
- ii. Prepare a second draft IGA focusing on core IGA clauses with operations issues left to the future Board's approval through by-laws, operating policies and an executive director contract or work plan.

Communicating the above two intentions will have a positive effect on both staff retention and vacancy recruitments.

b. Recruitment

- i. Recruitment of an experienced labor relations staff should be undertaken immediately. This position is necessary to supplement the senior labor attorney and recently hired labor attorney. Experience in labor relations should be emphasized.
- ii. Recruitment of a half time executive director should also be undertaken immediately. Strategic Plan goals, marketing of LGPI services, financial planning, Board development and

collaboration efforts are executive director work plan goals. Key skills are a good understanding of personnel, labor relations and Board administration. Half time is recommended in recognition of the proposed position not carrying a caseload with resulting revenue.

- iii. Filling the vacant HR analyst position should be delayed pending exploration of collaboration opportunities described in the next section, and a better picture of future LGPI revenue generation. Increasing the use of outside consultants to work on projects, re-assigning existing staff responsibilities and hiring a temporary HR analyst may be necessary in this interim period.

c. Collaboration

- i. There is an immediate need for LGPI and CIS to collaborate on investigations. Investigations may lead to discipline, termination and subsequent lawsuits. Regularly scheduled communication on investigations should occur between LGPI and CIS. Members using investigation services should also be made aware of the level of details, time and cost estimates for investigations prior to engaging LGPI. Written investigation guidelines should be developed by LGPI and CIS.
- ii. A near term collaboration effort between LGPI, LOC, AOC and CIS should occur on training offerings. Because of its self-supporting and unsubsidized nature, LGPI cannot compete with the other jurisdictions when it comes to the cost of training opportunities. LGPI should continue with its annual conference and a specialty training offering or two per year. Partners' use of LGPI staff expertise in their training offerings is appropriate. Training expectations by LGPI, CIS, LOC and AOC should be reduced to writing.
- iii. A longer term collaboration effort should begin following the establishment of the new LGPI Board and IGA. Once the executive director has been hired and membership has been expanded on the LGPI Board, a joint LGPI/CIS survey of members should be undertaken on the intersection of their human resource related services. Issues to be explored include: what services are duplicated, is there benefit to consolidating certain services, what is the impact of service consolidation on LGPI's budget, how will non-CIS members of LGPI continue to receive services, will collaboration result in lower member costs and are members comfortable receiving HR services through a risk/insurance "lens." This is a significant undertaking requiring member feedback, input, proper facilitation and both Boards' participation.

IV. Recommendations Alternatives

Three alternatives follow with comments on why the alternative is not recommended.

- a. Proceed with recruitment and collaboration without the governance and IGA recommendations.
Existing employees and new employee candidates are not assured of a change in how LGPI business is conducted. Resolution of differences, including changes in services from collaboration deliberations, may not be the product of Board deliberation. Members are not adequately represented on services impacting their operations.
- b. Terminate LGPI

Members would be without services in the short term. After a settling out period AOC, LOC and CIS

may be able to provide certain of the personnel and HR services. Labor relations would be provided by the private sector. Information gathering and sharing would be decentralized due to the many entities that former LGPI members would engage in order to receive LR services. Unions would have a competitive advantage in sharing information based on already established communication links.

c. Develop a New Entity

Following the collaboration discussion outline in section III. C. Collaboration (iii), this alternative may emerge. To pursue this alternative absent assessing membership desires and representation in the decision making through an expanded Board would likely result in member and staff discord.

V. Other Issues

Discussions with participants brought forward strong sentiments, especially in the area of the draft IGA. None of the issues are insurmountable and successful resolution is possible.

a. LGPI and legal staff status

LGPI has had as many as four attorneys providing labor relations, human resources, and administration services. Currently there are a senior labor attorney and labor attorney on staff. At a minimum, two attorneys practicing in labor relations is recommended. Some members prefer negotiations and representation by attorneys, especially if the union is represented similarly. Certain LGPI work is best conducted by an attorney given complexity, opposition and hearing Board expectations (e.g. unfair labor practice, arbitrations, Employee Relations Board, article review, investigations review). LGPI's existing "special counsel" clause in the "Agreement for Services between Members and LGPI" adequately captures the LGPI attorney role in providing member services. This language could be included in LGPI bylaws or an operating policy versus the IGA.

b. LGPI Recruitments

Beyond the two attorney minimum noted, it may not be necessary to hire additional attorneys for labor relations or human resources. The critical qualification is experience necessary to fit LGPI membership needs. In the recent labor attorney resignation and resulting vacancy the critical need is labor relations experience. In the case of the executive director vacancy the critical need is the ability to move forward with the Strategic Plan goals, collaboration efforts and organizational needs outlined in this report.

c. Operating Reserve

Cash flow requirements to meet expenditure obligations coupled with uncertainty of revenue receipts requires a healthy reserve. The draft IGA proposed 30% of gross revenue reserve should be analyzed and changed only after additional financial modeling.

d. AOC/LOC Percent of Gross Revenue

A percent of gross revenue distributed annually to AOC and LOC as compensation for IGA based assurances and parent organization empowerment is appropriate. LGPI members have analogous charges for their operating and enterprise funds in order to support administrative overhead and organizational revenue requirements.

e. Investigation of Elected Officials

AOC and LOC have decided the investigation of elected officials should be directed to them respectively. The definition of "public official" versus "elected official" is easily captured in LGPI bylaws or an operating policy versus the IGA.

Please call or email if you have questions regarding this report. I look forward to your Board discussion on November 4th. This report has been shared with members, partners and interested parties based upon their interest so you may receive feedback in advance of the meeting.

cc: LGPI Staff
LGPI members
LGPI partners
LGPI interested parties