

*Considerations for a
City Manager Contract
for the City Of Lowell, MA*

Presented to:



City of Lowell City Council
Personnel Subcommittee

Presented by:



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Introduction and Purpose

The Move Lowell Forward is a non-partisan political action committee founded by Lowell residents in order to promote professionalism in city government. Currently, the City Council (CC) and its personnel subcommittee are charged with working out the details of the next City Manager contract. This paper is submitted to the CC Personnel Subcommittee and made available to the public online at movelowellforward.com in order to bring some ideas to the table and facilitate discussion. It is not put forward as a prescription for a particular course of action. Indeed, we understand that the legal details of such a contract must be reviewed by professionals and that the ideas put forth here may well be rejected after professional review. We would take no offence to such a rejection from a professional review. We believe in the power of professionalism in moving our community forward.

The context of the task at hand is as such: The current City Manager (CM) is nearing completion of a fourth year in Lowell, and the current contract will expire on July 31st, 2010. The CM is working under a two-year extension to his initial two-year contract, with the same compensation as in the initial contract. Although it would be reasonable to extend the contract with increased compensation, the current difficult financial conditions of the State and the City make that unlikely. However, it is generally accepted by the CC that the current CM's performance is commendable in professionally managing the City through this difficult period. As such, we feel that the CC would be wise to retain the CM's services for an extended period.

Move Lowell Forward Vision and the CM Contract

In order to reconcile the competing interests of the City's financial disposition and retaining effective and professional management, it would seem advisable to adopt a long-term contract that provides for increased compensation over time, but with the majority of the compensation increase dependent on the achievement of performance goals that place the City in a stronger financial position. Additional goals can be integrated into the new contract as well, representing other desirable goals for our community. In this way the City can afford the increased compensation, the residents will benefit from the stronger condition of the community, and the CM will be rewarded for his performance in an equitable manner.

The Move Lowell Forward PAC has outlined many of our goals for our community:

- *A Professionally Managed City Government*
- *Renewed Economic Growth to Stabilize City Finances*
- *Opportunities Provided by Local Jobs*
- *Effective Public Services*
- *A High Quality of Life*
- *A Strong Educational System*
- *Affordable Standard of Living*
- *Safe, Clean Neighborhoods*
- *Efficient Transportation*
- *Accessible Commercial Enterprises*

Certainly, the success of any administration toward such goals as outlined above (or others) could be reflected in the particular administrative and managerial decisions and actions. For example:

- The “Professionally Managed City Government” is reflected in the qualifications of the CM and the quality and actions of his staff. Therefore, the CM must ensure that he employs capable people and that they perform their jobs effectively. In doing so, the CM should flow down performance objectives to each of his direct reports and tie these performance objectives to the budget allocation for each of their departments.
- “Renewed Economic Growth to Stabilize City Finances” relates to the obtaining of an increased tax levy primarily through new growth, the minimization of tax levy increases, and the building up of the city’s financial reserves .
- “Opportunities Provided by Local Jobs” can improve the financial health of the community, thereby backing the finances of the City. The administration contributes to these opportunities to the degree it is able to foster a municipal environment attractive for companies to thrive, such as the use of tax incentives to make job creation more affordable for the companies.
- “Effective Public Services” can control the costs of City government while enhancing the lives of its citizens. The CM must implement policies and procedures that provide the essential services at a reasonable cost.
- “A High Quality of Life” requires the CM to set goals for each department so they can perform the work necessary to make the lives of the residents of the City better. This includes park maintenance, traffic control, code enforcement, health assistance, quality library facilities, public events, addressing homelessness and others.
- Although the CM is not directly responsible for “A Strong Educational System” he is an essential partner to ensure adequate funding for the School Department and that the City properly maintains the physical facilities of the School Department, preferably by use of a well thought out capital plan.
- The primary means to provide “An Affordable Standard of Living” by the CM is to limit the property tax burden to the citizens. He also can implement policies that ensure a mix of housing opportunities that make the City affordable at the low end, yet productive at the higher end to improve the tax base of the City. These concerns are also salient for City’s 10 year plan to address homelessness.
- “Safe, Clean Neighborhoods” are critical to the quality of life of the citizens of Lowell. This requires an effective inspectional services department, a strong public works function and thorough public safety efforts.
- “Efficient Transportation” contributes to the quality of life of the citizens as well. It also increases the opportunity for visitors to contribute to the local economy, and saves time and money for the businesses of the City. The administration has influence in this area through such means as improved traffic signalization, clearly marked cross-walks, and planning for a trolley system.
- “Accessible Commercial Enterprises” provide the businesses that the citizens require with convenient access to them. This combines the need for improved transportation with neighborhood development strategies to provide services while retaining the preferred characteristics of the neighborhoods.

Translating Goals into Performance Benchmarks

We believe the new CM contract would be well served by the inclusion of some goals (such as those suggested above) as performance benchmarks. For inclusion in a contract, ideally each such performance benchmark should be achievable, realistic and measurable by some means. Certainly not all goals are easily measurable, but many are. Some goals that are desirable to include in a contract may not lend themselves easily to measurement, but could nonetheless be subjectively rated by the CC. Also, many goals the city might have may be more long term than can be encompassed within the term of a CM contract (such as a goal to end homelessness in Lowell within

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10 years). Such goals should contain intermediate milestones, and those that occur within the term of a CM contract can be utilized as a performance goal within the contract. Below are hypothetical examples of items that might be considered in a contract, some of which are directly measurable and reflective of goals outlined above and others that would be subjectively rated by City Councilors. They are presented in a hypothetical 5 year contract term.

Parameter	Initial	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Moody's Bond Rating	A3	A3	A2	A2	A1	Aa3
Percent increase in Base Tax Levy	2.5%	2.5%	2.25%	2.0%	1.75%	1.5%
Stabilization Fund	\$4.736M	\$5.0M	\$5.5M	\$6.0M	\$6.5M	\$7.0M
Debt Service	\$20.848M	\$20.0M	\$19.5M	\$19.0M	\$18.5M	\$18.0M
Net School Spending	103%	101%	102%	102%	103%	103%
Crimes Reported	TBD					
Private Sector Jobs Added (from initial value)	0	100	200	300	400	500
Commercial/Industrial Assessed Valuation	\$917M	\$945M	\$975M	\$1,010M	\$1,045	\$1,075M
<i>Subjective Assessment of Quality of Life Issues</i>						
<i>Quality of Responses in City Council Packets</i>						

Additionally, there may be some specific goals of specific departments within the administration that could be included in the contract (with their own methods of measure) of particular interest to the City. Indeed, such a system of performance goals and measures could be utilized by the CM themselves in evaluating the performance of top administration personnel.

Certainly, such parameters and the objective values as shown by example above should be established by mutual agreement between the CM and the CC prior to the signing of the contract. Many methods could be employed to weigh the relative value of each goal. The details of the particular parameters, the data sources for their measure, the method of measure, and the relative weight of such goals should be worked out in negotiation with consultation by professionals. It may also be desired that the weighting considerations for subjectively rated and objectively measurable criteria be treated differently or even separately.

For the subjective assessments, it would be wise to define in advance the type of issues to be considered, such as the cleanliness of the City, the maintenance of the parks and public buildings, the effectiveness of traffic control mechanisms, the proper ratios of housing affordability for the financially diverse residents, the progress in making the city more livable, etc. In many cases, the CM must effectively flow down these goals to the various departments, and be able to define objective parameters for each to measure them against (as previously explained above).

A Hypothetical Contract Outline

For purposes of furthering the discussion, let us present hypothetically how a contract might work that might be fair and beneficial to all parties.

We could start with a contract that is basically the same as the current CM contract with two exceptions:

- 1) The contract would be written for a 5-year term, with two years “guaranteed” and three 1-year options.
- 2) The compensation would be increased in accordance with a schedule for each year, with the amounts of increase being a combination of a fixed percentage based on government cost-of-living data and a variable percentage using a performance-based incentive formula.

In the first year of the contract (essentially FY 2011) there would be no increase in compensation.

In subsequent years the increase in compensation will be a calculated percentage increase in both base compensation and deferred compensation. The percentage calculated could be based on the sum of a fixed percentage based on cost-of-living adjustment (COLA) and a variable percentage based on performance in achieving the objectives set forth in the contract.

The fixed percentage might be 1% less than the increase in average CPI-W over the April-June quarter of one year over the preceding year, but not less than 0%.

The variable percentage might be 5% factored by the scoring of performance parameters. (For example, if the score is 60% of the performance objectives for a given year, the variable percentage increase would be 3%.)

Considerations for the Inclusion of Performance-Based Incentives

Since, in our example contract, the performance-based incentives are the greater portion of each year’s potential compensation increase, it would be important to have agreement on how these are calculated, as well as a clear agreement of what these objectives would be.

In our example, it would be important that parties to the contract:

- 1) Establish a firm agreement on the parameters to be measured and the objective values when the contract is negotiated.
- 2) Identify which of the parameters will be objective values, and how much each will be weighted for the final evaluation.
- 3) Agree to a system of scoring. In our example we might use a system where the measure a “perfect” score is defined (for example: 100 ‘points’), and agree that any lesser score will be used to calculate the actual variable raise for that year.
- 4) Identify which of the parameters will be subjective values, and how each councilor’s evaluation of these categories will be combined to produce a score.
- 5) Agree ahead of time how much of the total score will be based on objective parameters, but it should be the majority of the scoring.

Other Contract Considerations

In consideration of the City’s interest in retaining professional CM services it is desirable to construct the contract in such a way that ensures fair compensation for services rendered. It is also desirable not to define the length of the contract’s term in such a way that neither party can exercise flexibility. For example, one might consider extensions options that might be exercised by either party. Also, as with many well constructed contracts, there may be escape clauses that should be considered or other such early termination mechanism.

Extensions

As stated earlier, in our example contract the base contract will be for 2 years. The first year the CM would continue with the current compensation to reflect the adverse financial condition of the City, State and nation. However, the second year compensation would be calculated based on the parameters discussed above.

Extension options might be defined in many ways. For example, the contract could be designed thusly: If the CM achieves all of a subset of objectives (those with quantitative, non-subjective rating mechanisms) in any year, he may exercise an option to extend the contract for the following year. If he does not achieve all the objectives, the exercise of the option for extension would be based on the mutual agreement of the CC and the CM. In such an example, it would be fair that the CC be obligated to give the CM an advanced notice (say a minimum of a 60 days) if they are not going to exercise an option for the following year.

Early Terminations

Our example contract might be constructed such that it may be terminated early by either party, in addition to the clause of not exercising an option. To make such a clause reasonable, such a move to exercise an early termination clause would presumably include compensation to the CM. Such compensation might include some defined months of salary, deferred compensation, some amount for outstanding vacation time, an extension of insurance. Such terms might also be defined with maximums amounts. Additionally, should the CM invoke an Early Termination clause such considerations as outstanding vacation time, extension of insurance, etc. (and defined maximum amounts) might be defined much more favorably to the City.

Conclusion

While many specifics were presented above, their use is hypothetical. It is important that their actual inclusion in any contract be worked out by legal and contract professionals. Our aim here is only to present some ideas that may be considered. Whether they are adopted in whole or in part or not at all is not our chief concern. Our chief concern is that this process that the city, the CC, and the Personnel Subcommittee is going through right now be as beneficial to our city as possible. It is our sincere hope that what Move Lowell Forward had presented here is useful in furthering the discussions on this important issue for our city. Thank you.