



# City of Santa Fe, New Mexico

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## **Mayor's Report on Modernization and Temporary Raises**

The subject of temporary raises for a select group of City employees implementing a new Enterprise Resource Planning (ERP) system to modernize and streamline operation of City government has touched off a flurry of questions.

*Why were some City employees being given temporary raises? Why these City employees and not others? How were they chosen? Why wasn't the City Council asked to approve the temporary raises? Where did the money come from? Why were the temporary raises approved just as the new Mayor and City Council were being sworn in? What was the role of the union in the temporary raises?*

Behind these and others are two basic questions that color the way we view City government in Santa Fe.

People outside City government ask, "Why can't we trust City government to do the right thing, the right way, with our tax dollars?"

People inside City government ask, "Why can't we trust City government to treat us fairly and with respect?"

One simple decision to implement temporary pay raises made virtually everyone angry:

- Residents of Santa Fe were angry at what looked like "business as usual."
- People who got raises were angry that they read their names in the newspaper in a negative light—after having done nothing wrong.
- People who didn't get raises were angry that others did.
- City Councilors were angry they weren't informed, and that they first read about the temporary raises in the media.

Rarely has one decision made so many people angry for so many different reasons. But there is another way to view this. It is an opportunity for more than anger. This decision gives us an opportunity to reflect on the way we feel about our City government and our City employees; to pause and think seriously about what we want from City government and for our City employees; and to ask what kind of City we want for ourselves now and in the future.

*In other words, this one decision—and the project it involves—is ultimately about change and how we make change in a City government that needs fundamental, basic, and far-reaching change.*

On Monday, April 10th, I got to the bottom of the decision on the temporary pay raises. I sat down with the key City managers who originated the software and information technology project and asked them all of the questions listed above. I was briefed on background documents that go back more than three years, when the need for the project was first identified. I reviewed internal memos that outlined the thinking behind the temporary pay raises and the duties expected of those who received the money. I went over the budget for the project and the management structure that was put in place to oversee it.

I found a number of things that were being done exceptionally well—especially given the complexity, scale, and scope of the project and its profound significance on the operation and culture of City government. And I uncovered a number of things that lacked adequate follow through or were insufficiently thought through.

Before I talk about my findings, I want to highlight the factors that shape this project and its significance to the people of Santa Fe and to our employees.

In considering the future of our City, here are some things you need to know:

- Project ¡Ándale!—as this effort is known internally—was created to bring Santa Fe government operations into the 21st century. That makes it fundamental to our future. Very simply, we all need this mission-critical project to succeed. In too many ways to list, the operation of City government is stuck in old, outmoded practices. We are still operating in the old world of paper and pencils, while the rest of the world has moved on to software and information technology. This simple fact is amply documented in the McHard Report, released last September. It accounts for much of the frustration many Santa Feans feel when dealing with the obsolete ways of doing business that characterize their government. We all want a City government that is efficient, effective, fast, responsive, and responsible. Inside City government—again as documented by the McHard Report—our employees are frustrated and discouraged by having to operate as if they were in City Hall back in the 1950s.
- In conceiving of, designing, and implementing Project ¡Ándale!, current City managers resolved to deliver a mission-critical project on time and on budget. They are determined that it will succeed. The City has a history of failing miserably at implementing complicated information technology projects. Roughly ten years ago, the City spent \$600,000 on an IT disaster recovery system that was never implemented. The system currently in use is actually designed for manufacturing companies, not governments, and is itself outdated.
- We all know it: Change is hard. In Santa Fe’s government or in any organization where employees have suffered from a general lack of training, development, managerial oversight, or career investment as described in the McHard Report, change is even more difficult. Enterprise software projects that integrate or link up essential processes of a company or a government are notoriously complicated, difficult, and challenging. They are not only about software; they are about culture change. They require employees to let go of old established ways of working and adopt new, unfamiliar practices. They change habits, relationships—and culture. They can meet

with resistance from people uncomfortable with change or threatened by what change could mean for their jobs in the future. People must let go of the past to embrace a future they may not be able to visualize. Even if you embrace change, the work itself is hard. Since the pieces of the project are all inter-related, it requires people to do difficult work on a demanding schedule and a tight budget. It involves staffing issues and workload issues in a number of City departments, starting with Finance, Human Resources, Information Technology, and Land Use.

- For the record, the implementation cost for Project ¡Ándale! is \$4.2 million in one-time costs and \$1.0 million in annual software subscription fees. The budget was approved by the Governing Body which recognized the need for a fundamental transformation of the way the City government does business. In addition to the City management team driving Project ¡Ándale!, the City has engaged the services of the software vendor, Tyler Technologies, a major public-sector software company, and BerryDunn, a consulting firm that assists in change management and the implementation of complicated enterprise software systems.

That's the context in which this project is happening. This context is critical in understanding the issue that has arisen involving temporary raises for City employees working to implement Project ¡Ándale! in Finance, Human Resources, and Information Technology.

With that as background, I'll turn to the temporary raises and answer some of the key questions that have been asked by others and by me. A copy of the questions I used to lead the meeting with project managers is attached to this report.

#### **Why were temporary raises given to some people in those three departments?**

Discussions inside the management team and with the consultants—who had used the pay raise approach on similar projects in other cities—produced the decision to authorize the temporary pay raises. The City management team in charge of the project began the work last July only to discover serious staffing and workload challenges in implementation. As a result, the project completion date for the core financial functionality was extended by six months to develop a new approach. The team needed to design a way to build acceptance from affected employees; to deal with staffing issues; and to handle the additional duties demanded by the project. Working with the consultants, they identified three possible approaches: 1) Outsource implementation to the consultants—at additional expense, and without the participation of the employees who would ultimately have to use the new system; 2) Hire new employees to do the day-to-day work of the departments while key staff were deployed to implement the software—leaving those key staff worrying about their jobs when the implementation was done; or 3) Approve temporary pay increases for the staff leading the implementation work to compensate them for taking on leadership roles. The third approach made the most sense for the project and was decided on by the management team after discussion with the consultants.

#### **How were people selected?**

Staff in the initial three departments were selected based on three criteria:

- Their institutional knowledge and subject matter expertise,
- Their willingness to participate in a difficult project, and
- Their desire to make change inside City government.

The work was divided into two roles: Functional Leads, who took on additional leadership responsibility to guide the implementation of the software; and Subject Matter Experts, coordinated by the Functional Leads in doing the work. Not everyone who was part of one of the teams stayed on the teams—a sign of the serious demands placed on City staff as the project began to unfold. In other cases, when offered an opportunity to participate on one of the implementation teams, City staff decided to retire altogether from their jobs, rather than undertake the demanding work of Project ¡Ándale! Ultimately, City managers found people in the departments who met the criteria and wanted to be part of the implementation teams and moved the project forward.

**Why were the people implementing the project in Land Use not given temporary raises?**

Land Use is not as far along in the process as the other departments. The way the raises were implemented in Finance, Human Resources, and Information Technology followed a pattern: First, there was a period of testing, to see how the model of Subject Matter Experts and Functional Leads worked. Second, after the model had been tested, the temporary raises could be applied to City employees who stuck with the project and remained with the teams. Land Use, which only began implementing the software in January, is currently using one contract worker as the Functional Lead working with a number of Subject Matter Experts. After the period of testing, temporary raises may be given to the Subject Matter Experts. At the time the raises in the other departments surfaced in the media, that hadn't happened yet. Reviewing the budget, it appears it may require a request to the City Council to add some money to the project budget to give raises to the Subject Matter Experts in Land Use so they can be treated in the same way as those in the other departments.

**Why were the temporary raises necessary?**

The temporary raises are an attempt to treat City employees fairly, with respect and consideration, and to allow the management team to deliver the project on time and on budget. Both the BerryDunn consulting firm and the City management team viewed the temporary raises as necessary and appropriate, given the demands of the project. They serve as a management tool to incentivize City staff who are taking on additional duties outside of their classifications. In many cases, City staff are asked to put their personal lives on hold while they take on the work of implementing this critical software project.

**Why temporary raises of 10% and 15%?**

Subject Matter Experts were given temporary raises of 10%; Functional Leads were given 15%. The consultants at BerryDunn indicated that in other projects, temporary raises have been between 10% and 20%. In this case, the amounts are at the bottom end of that range.

**Where did the money come from?**

The \$4.2 million budget for the project contains a contingency amount—a common practice in complex software projects where there are always unexpected developments that have to be dealt with as the project unfolds. The money for the temporary raises comes from this contingency fund.

**Why wasn't the City Council consulted?**

Unlike the Ranked Choice Voting project, where the Council had to authorize \$150,000 for a voter education project because there was no existing budget allocation, money for the temporary raises was within the existing project budget. Council had approved the project, approved the budget, and received periodic updates—as recently as March. Team management made the decision that no additional

Council action was required to authorize the temporary raises, as the money was contained within the authorized budget. In retrospect, some form of briefing could have been done as part of a larger communication plan for the project.

**Why were the raises authorized just before the City election?**

There is no reason to think the timing of the raises had anything to do with the City election. If anything, the decision was politically tone-deaf, rather than politically motivated. Discussions of raises as a way to keep the project on track began in January. The management team was working to answer the same questions that are now being asked in the media and by me: Who would be selected? What about those not selected? In fact, in a January email between the City Manager and the Deputy City Manager, that exact question was asked. It took the team until the first week of March to develop an approach that answered most—if not all—of the questions. Significantly, the comment from the City Manager that a plan for responding to those not on the list needs to be developed was not addressed in a satisfactory manner—one of the process failures that created this controversy. The memo requesting the City Manager to authorize the temporary increases is dated March 2.

**What was the role of the union in the raises?**

It is clear that more consultation with the union was necessary in the consideration of the temporary raises for bargaining unit members. While one of the reasons for the temporary raises was to be fair in the treatment of the City staff, failure to adequately communicate with the union represents another unnecessary mistake.

**Where does this fact-finding leave us? Here are my conclusions:**

*Everyone in Santa Fe should want this fundamental software and technology project to succeed. If you want change—if you believe as I do that we must change—this project is all about change. We need it to succeed. It is our best chance to bring City government into the 21<sup>st</sup> century. It is our best response to the findings in the McHard Report. It will change how the City does business and what it is like to work in the City government—and, critically, with the City government, a source of immense frustration for many.*

*Giving raises to select City employees who have taken on new roles as Functional Leads and Subject Matter Experts is considered a best practice in projects like this. Giving workers temporary raises for taking on additional duties on a demanding schedule, to do work that is critical to the City’s future is an important management tool to make change happen. It is appropriate—and quite frankly, necessary—to reward City workers for being change agents in an organization that has historically been change-averse.*

*While the implementation plan for Project ¡Ándale! has 40 pages of detailed steps, a carefully noted calendar of work, and an itemized list of deliverables, it has not been supported by adequate communication. Very simply, the City government has not told the people of Santa Fe or the people inside City government how critical this project is, why it is being done, how it will deliver more efficient and effective results—and why it is essential to our future. Inside City Hall it has left room for doubt, suspicion, and rumor to take root; outside City Hall, it has allowed Santa Feans to see this as another example of “business as usual” in the way the City operates. By addressing that flaw directly, we empower our community and enhance our ability to transform City government.*

*Ultimately, this is about trust, fairness, and transparency, not just temporary raises. We need to build trust in each other. We need to respect each other. We need to communicate clearly. We need to be able to make change so we can create a better future.*

With that in mind, here's what I intend to do:

- As the City's first full-time, strong Mayor, I will assume a direct and ongoing role in the implementation of Project ¡Ándale! That's what I was elected to do. I believe in this City government—and at the same time I know this City government must change and modernize. Project ¡Ándale! is one of our best and most important tools for making that change happen. I will also make sure that the City Council and the public are both regularly informed about the implementation of Project ¡Ándale!, that their concerns are addressed, and their suggestions heard. Based on what I heard yesterday, the Deputy City Manager estimates that we have completed 90% of the implementation on Kronos, 25% of the implementation on the TylerMunis HR and Finance software, and 10% of the implementation in Land Use.
- We will implement the temporary raises for the people who are working to transform City government through this mission-critical project, and we will thank them for taking on the additional work and responsibility. After proper evaluation, we will extend the same temporary raises to staff filling similar implementation roles in Land Use.
- As we begin budget hearings on April 23rd, I will also begin work with staff to design a far-reaching reorganization of City government and a re-drawing of the City's organizational chart. My aims are threefold: to make the City government more efficient in the way it is organized, to save money; to make City government more user-friendly in the way it is organized, to give better service; and to make City government more strategic in the way it is organized, to deliver more powerful results.

In the last week, some Santa Feans have told me that this current controversy shows that Santa Fe is stuck with a “business as usual” City government.

I completely disagree. This controversy is an offshoot of how hard we are working to implement real change in response to public concerns. It shows how different we are, and how dedicated we are to real change. However, the lack of communication allowed the public to fill the void with standard preconceptions.

The conversations I've had across the City since this issue first surfaced have convinced me that this isn't the next example of a City government that either doesn't care or isn't trying. This is an example of a City government that is determined to change, determined to be better, determined to be more user-friendly—and the growing pains that sometimes come with that change. This is a City government on its way to becoming more transparent, more efficient, more accessible, more equitable, and more accountable to the people of Santa Fe.

In this case, the failure was a process failure and a communication flaw, both internal and external. Those aren't small things. They matter. And they are things we can and will fix. We can and will do better making our work and our inner workings accessible to the people of the City, and the people who

work for the City. We can and will do a better job describing and explaining what we're doing—and why we're doing it. In fact, Project ¡Ándale!, when it is fully implemented, will help make that possible.

When I sat down with the list of questions I wanted to ask the project leaders, I wasn't sure what I would hear or what I would learn.

I heard honest, earnest, direct and truthful answers from Santa Feans who care deeply about our City—Santa Feans who are able to acknowledge the mistakes they made at the same time that they take pride in the important project they have painstakingly created and carefully shepherded toward success.

And I learned that we need Project ¡Ándale! to succeed—and many more such projects going forward, if we want a better future for our City and for all who live here.

There's one more lesson I've learned: We can't afford to let cynicism, self-doubt, or internal strife prevent us from embracing the changes we need to make to be the City we aspire to be. What I learned—what we can learn together from this issue, arising early in my administration as Mayor—can serve as a way forward, a determination to work together to build the trust, fairness, and optimism we need for our future.