

February 23, 2005

Ms. Kay Johnson
Finance Director
Town of Chapel Hill
306 North Columbia St.
Chapel Hill, NC 27516

Dear Ms. Johnson:

The following is a project activity report and preliminary issues identification for our efficiency study with the Town of Chapel Hill.

At the outset, permit me to express our appreciation to your staff for their assistance in scheduling interviews and arranging project logistics. Their assistance has been excellent and has contributed to a smooth project flow.

To date, we have conducted approximately thirty interviews, including all of the department directors, division heads, and most supervisors for the departments and functions included within the scope of the project. We have also had the opportunity to observe staff at their work stations. We have also been provided by your staff and with detailed financial information and the departments have been able to provide various work volume reports.

The project staff are assembling the industry practices analysis, which will indicate areas for more detailed study. Once we have completed that report and reviewed it with the Town, we will begin undertaking the second part of the analysis.

While the diagnostic will provide more insight, there are a number of patterns that are appearing. Of particular note:

- Town staff, both organizationally and individually, are very committed to high levels of customer service. The emphasis derives from the elected officials and management of the Town and the personal commitments of the staff.
- Overall, service levels and staffing within the Town seem commensurate with each other. Our initial impression that Town services are generally within industry performance standards. We will be conducting more detailed analysis in several areas to confirm appropriate staffing levels.
- Preliminary information from project staff is that principal cost savings and service efficiencies will come primarily from combining various service components:

- The public service area—public works, engineering, planning—appears to be organizationally fragmented, potentially causing higher than necessary work volumes.
- Interviews and initial data review indicate sufficient reason to believe that cost savings and improved efficiency might be achievable with better coordination of maintenance—both facilities and fleet—activities.
- Management technology appears to be an important concern. Our initial impression is that many of the public service functions have limited capacity for automated management and reporting systems.
- The Town's fee system appears to be driven more from market and incremental considerations rather than actual costs; the Town appears to be missing some service fee opportunities.

Should you have any questions or desire any further information, please feel free to contact me at your convenience at (919) 876-8042 or on my cell phone at (312) 310-0827.

Sincerely,

MAXIMUS, Inc.



Kenneth R. Murray
Vice President