




**COUNCILMEMBER CHRIS CATE
CITY OF SAN DIEGO
SIXTH DISTRICT**

M E M O R A N D U M

DATE: January 28, 2021

TO: Honorable Members of the Budget and Government Efficiency Committee

FROM: Councilmember Chris Cate, Chair, Budget and Government Efficiency Committee 

SUBJECT: 2021 Budget and Government Efficiency Committee Work Plan

I am honored to serve as Chair of the Budget and Government Efficiency Committee for 2021. This Committee will play a critical role as we navigate an extremely difficult budget year. As Chairman, my top priority will be to ensure the passage of a balanced and responsible budget that protects core City services.

It is my pleasure to submit the 2021 Work Plan for the Budget and Government Efficiency Committee. This Work Plan is reflective of my priorities as well as many of the priorities outlined by my fellow Committee Members. While this Work Plan will guide our agenda this year, it is not meant to be exhaustive and I welcome the ideas of my fellow colleagues on the Committee throughout the coming year. I look forward to working with the Mayor, the Independent Budget Analyst (IBA), and my fellow Committee Members on this important Committee.

The Budget and Government Efficiency Committee covers a wide range of important topics, including the Annual Budget, financial reports, fees, performance measures and analytics, information technology, enterprise resource management, purchasing and contracting, managed competition, revenue, corporate partnerships and development, fleet services, risk management, equal opportunity contracting, prevailing wage, living wage, San Diego City Employees' Retirement System, personnel, civil service, and human resources. My goal is to have the items below covered by the Committee over the course of the year as time permits.

Annual Budget and Budget Monitoring Reports

The top priority for this Committee will be to guide the City through the budget development process in an effective and transparent manner. The Committee will bring budget related items forward in accordance with the Council-adopted Budget Development and Monitoring Key Dates calendar. Throughout the budget development process, the Committee will ensure that opportunities for public input is a priority. In addition, the Committee will be bringing forward budget monitoring reports for review. Because of the extremely volatile nature of the City's

revenue resources due to the COVID-19 pandemic, the Committee will closely track changing revenue projections and work with staff to provide additional updates to the Committee as necessary.

Track Federal and State COVID-19 Relief Funding

The COVID-19 pandemic has brought financial challenges not seen in decades. The Federal and State governments have allocated funds in the past and are considering additional funding to help cities and residents survive this unprecedented crisis. As such, the Committee should prioritize tracking any potential new COVID-19 relief funding opportunities available, and work with the Mayor and City departments to ensure funding is reaching those who are hardest hit as efficiently as possible.

Receive Report Regarding Vacancy Savings

Over the past several fiscal years, budgeted vacancy savings has been significantly lower than the actual vacancy savings accumulated over the course of a fiscal year. For example, according to the IBA's office, the budgeted vacancy savings in FY20 was \$38 million. However, the actual vacancy savings for FY20 was \$57.8 million, which is \$19.8 million over what was budgeted. The under-budgeting of vacancy savings is not a transparent approach to budgeting, and also prevents vacancy savings from being redirected to other important funding priorities. This is especially significant during difficult budget years such, as the one the City faces this year. The Committee should receive a report from Department of Finance staff and the IBA's office regarding vacancy savings and explore ways the City can better account for vacancy savings in future fiscal year budgets.

Receive Report Regarding Operational Efficiencies and Implement Enhanced Key Performance Indicators (KPI) and Department Service Level Information

The Committee should receive a presentation from Performance & Analytics regarding City programs that have demonstrated gains in operational efficiencies, or other programs or projects that have led to improved delivery of services for San Diego residents. The report should also include a status update on how City departments are collecting and utilizing data to realize operational efficiencies that result in improved quality services. In addition, the City Council and residents rely heavily on adequate reporting on all KPIs and service level information from City Departments in order to understand how taxpayer dollars are spent and ensure they are spent efficiently. The Committee should work with the Mayor's office, the IBA, and the Performance and Analytics Department to review KPIs for City Departments and explore ways to include enhanced KPIs and detailed information regarding department service levels in future annual budget documents.

Review of Efficacy of Added Positions

Since FY16, the City has added 341 net new FTE positions to increase the level of service of varying functions provided by the City. In FY17, the Department of Finance underwent a pilot program of Zero-Based Budgeting principles to measure the performance and service level provided by the Performance & Analytics Department and the Facilities Division within the Public Works Department. The intent was to measure the efficacy of the work being done as compared to the investment being made by the City. Given the limited resources available, as well as significant projected deficits in the near-term, it's critical the City is maximizing each dollar invested in the services provided to residents. Therefore, the Committee should work with the

Mayor's office to expand the program that began in FY17 to other critical divisions and/or departments as determined by the Mayor and City Council.

Tracking and Reviewing Overtime Expenditures of City Departments

The Committee should track, monitor, and review overtime expenditures of City Departments, including public safety overtime. Overtime expenditures have remained high in recent years as have the number of vacant positions in the City. The Committee should work with the Mayor's office and the IBA to identify strategies to reduce overtime spending by filling vacant positions more effectively and identifying operational efficiencies.

Analysis of San Diego City Employees' Retirement System (SDCERS) Calculations

Every year, SDCERS produces an actuarial valuation report for the City of San Diego. These reports provide an annual assessment of the financial health of the SDCERS Trust Fund. The reports also provide information regarding the City's Actuarially Determined Contribution (ADC) payment for the upcoming fiscal year. The latest actuarial valuation report was released in December 2020. The Committee should receive a presentation from SDCERS to update the Committee on the actuarial valuation report prior to the release of the proposed FY22 budget in order to inform the Committee on the anticipated ADC payment required for FY22.

Review City Contractors Insurance Requirements

The City's insurance requirements for contractors can be significant hurdles for small businesses and non-profit organizations that want to contract with the City. The Committee should work with the Mayor's office and City staff to review existing city contractor insurance requirements and explore strategies to increase access to City contracts for small businesses and non-profit organizations.

Strategic Human Capital Management Audit Reports, Implementation, and Monitoring

Last year, two performance audits of the City's Strategic Human Capital Management were conducted by the City Auditor. The objective of the first audit from April 2020 was to look at the City's efforts to collect, monitor, and analyze the reasons for employee separation trends and compensation competitiveness. This audit made three key findings related to employee compensation and the need to increase efforts to monitor and communicate the core metrics of the City's workforce. The audit also made 14 recommendations which included the development of a compensation strategy. The second audit from November 2020 specifically looked at employee performance management. This audit made four key findings and 11 recommendations. The Committee should work with the City Auditor's office, Human Resources and Personnel Department, and the Mayor's office to track the implementation of the City Auditor's recommendations.

City of San Diego Disparity Study Review and Implementation

The City of San Diego has contracted with BBC Research & Consulting to complete a Disparity Study to assess whether minority-, women-, and disabled veteran-owned businesses face barriers as part of the City's contracting process. Initiated in January 2020, the Disparity Study will analyze contracting data over a five-year period from July 1, 2014 to June 30, 2019. The Study is expected to be completed in early 2021 and the findings along with an action plan should be presented to this Committee.

Receive Annual Reports from the Purchasing & Contracting/Equal Opportunity Contracting Program (EOCP)

The Committee should receive annual reports from the Purchasing and Contracting Department and the Equal Opportunity Contracting Program. These annual reports include the Living Wage Ordinance Annual Report and the Business Diversity Annual Report, which also provides an update on the Small Local business enterprise (SLBE) Program.

City Real Estate Contracts

The Committee should work with the Mayor's office and the IBA to evaluate options and strategies to strengthen Council's oversight, review, and evaluation of new City real estate contracts. City real estate contracts often result in significant impacts to the City's revenues and liabilities and it is prudent for this Committee to explore ways to ensure that any proposed real estate contracts are thoroughly and objectively reviewed.

Explore Additional Grant Writer Positions for City Departments

Grant opportunities are extremely important to help the City achieve various policy and programmatic goals, especially during tough economic and budget times. Grant opportunities can help supplement funding for vital City services and programs, such as homelessness, Climate Action Plan (CAP) implementation, infrastructure projects, parks and recreation programs, childcare, and many other core City services. The Committee should work with the Mayor's office to explore opportunities for additional grant writers or leverage existing FTE positions within various City departments to focus on grant writing responsibilities.

Review Opportunities to Expand the Corporate Partnership and Development Program

The City's Corporate Partnership and Development Program has generated significant revenue from prior and existing agreements with organizations and companies. These partnerships have provided San Diego residents and City employees with a wide variety of programs and services while allocating new revenue for the General Fund. This is especially important now during difficult budget years. As such, the Committee should work with City staff to leverage our Corporate Partnership and Development Program and identify additional partnership opportunities to bolster this Program.

Small Business Technical Assistance Program

Small businesses are the backbone of our economy and are vastly underrepresented among businesses contracting with the City. This Committee should explore designing and adopting a Small Business Technical Assistance Program to assist small businesses become eligible to contract with the City. The Program should provide guidance on technical contract qualifications, the advertising, bidding, and awarding process, and aid small businesses in obtaining the necessary certifications, bonding, and insurance to do business with the City.

Water and Wastewater Cost of Service Study

While water and wastewater operations fall under the purview of the Committee on the Environment, if appropriate, the Budget Committee should receive the results of the water and wastewater cost of service study. The findings from the study could have significant budget impacts and the Committee should be kept abreast of this analysis.