

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

**Date Issued:** May 16, 2007

**IBA Report Number:** 07-52

**City Council Agenda Date:** May 21, 2007

**Item Numbers:** 201, 202, 203

**Item:** Business Process Reengineering Items

The IBA has and continues to support Business Process Reengineering (BPR) in the City of San Diego. Earlier this year, the City Council unanimously approved the four completed BPRs to date: Human Resources, Contracting, Information Technology, and Environmental Services. The Mayor has included seven new BPRs in his Proposed Budget, with the intention of budgeting and realizing the savings in FY 2008 and simultaneously obtaining City Council approval for two of the BPRs.

In our review of the Mayor's Budget<sup>\*</sup>, we noted that we found it very difficult to distinguish between vacancy eliminations that were identified last Fall as part of the Five Year Outlook; position reductions which emanated from completed reengineering efforts; and other reductions necessary to balance the remaining FY 2008 deficit.

With the information available, we have confirmed 16.75 General Fund and 191.75 Non General Fund position eliminations for FY 2008, specifically tied to the new reengineering efforts. We were not able to confirm that the remaining 177.16 position reductions identified in the BPR reports were a direct result of processes being reengineered. They represent vacancy eliminations identified earlier in the year and/or reductions tied to a decline in workloads.

<sup>\*</sup> See IBA Report No. 07-46, "Review of Mayor's Proposed Fiscal Year 2008 Budget," pp. 3-4, 32-35, 77, 79-80, 85-87, 90, 111, 122.

<b>Confirmed BPR Reductions</b>	<b>GF FTE</b>	<b>NGF FTE</b>
Fleet <sup>1</sup>	9.00	16.00
MWWD <sup>1</sup>	-	134.00
Engineering <sup>2</sup>	7.75	41.75
Subtotal	16.75	191.75
<b>Vacancy/Workload Reductions</b>		
DSD <sup>3</sup>	-	112.00
Publishing <sup>2</sup>	-	10.00
Streets <sup>2</sup>	33.16	-
Police <sup>3</sup>	22.00	-
Subtotal	55.16	122.00
<b>TOTAL BY FUND</b>	<b>71.91</b>	<b>313.75</b>

<sup>1</sup> Approval of these BPRs is requested May 21<sup>st</sup>.

<sup>2</sup> These BPRs are being presented for information only on May 21<sup>st</sup>. Vacancy reductions are included in the FY 2008 budget.

<sup>3</sup> These BPRs are underway. Position reductions, filled and vacant, are included in the FY 2008 budget.

In response to confusion about the pending BPRs, the Mayor issued a memo on May 7, 2007, to the City Council to clarify how they related to his FY 2008 Proposed Budget. In his memo, the Mayor identifies two BPRs – **Fleet Services and Metropolitan Wastewater\*** as completed, including the meet and confer process; and he is requesting City Council approval on May 21<sup>st</sup>. The corresponding results of these two BPRs have been incorporated into the Mayor’s Proposed Budget.

The Mayor has identified the BPR reports for **Engineering, Publishing Services and Streets** as complete, although, the meet and confer process is not. The vacant position eliminations associated with these BPRs are also reflected in the Proposed Budget. These BPR reports will be presented for information on May 21<sup>st</sup> as backup to the Mayor’s budget recommendations.

In his memo, the Mayor notes that the **Police and Development Services** BPRs are underway. Twenty-two vacant Police civilian positions, identified in this initial phase, are proposed for elimination in the Proposed Budget. Additionally, 115 Development Services position reductions, both filled and vacant, are reflected in their preliminary BPR report. The Mayor issued a memo in March 2007 announcing these position reductions due to significant declines in workload and revenues, and this information was discussed during the budget hearing for DSD.

The Council is only being asked to approve two BPRs on May 21<sup>st</sup> – Fleet Services and Metropolitan Wastewater. The full BPR reports for the other five will be noticed for your consideration as they are completed in the months ahead. The Mayor will be requesting

\* See IBA Report No. 07-53, “IBA Review of MWWD BPR.” All other BPR reports are discussed in the appropriate department sections of our IBA Report No. 07-46.

that you approve as part of the FY 2008 Budget, the elimination of all 385.66 positions that have been captured in the seven new BPRs, whether complete or not.

On April 15, 2007, the Mayor submitted to you a proposed budget for FY 2008 that was balanced in part by the elimination of these 385.66 positions. The Mayor has stated that the value of these savings is in excess of \$50 million. We have not been able to confirm these savings as all position reductions, whether BPR-related or not, were combined together in the budget documents. Based on the positions identified, about 20% of the estimated savings falls to the General Fund and 80% to the Non General Fund. If Council were to not approve the BPRs for Fleet Services and Metro Wastewater, or the position reductions associated with the other five BPRs, the Council would need to identify other cost savings or revenue increases in their place.

Utilizing the budget process to obtain Council approval of the actions associated with seven BPRs, including five of which are not yet complete, has made the budget process confusing and budget analysis very difficult. Seeking Council approval of the BPR-related actions at this late date, with the savings already assumed in the FY 2008 budget, is also inconsistent with the intent of the BPR Ordinance.

#### **CONCLUSION/RECOMMENDATIONS**

As we indicated in our report, we recommend the inclusion and approval in the budget of the BPRs for Fleet Services and Wastewater and the position reductions identified in the other five BPRs with the following caveats:

- 1) In the future, BPRs should not be included in the budget until requirements of the BPR ordinance have been met.
- 2) Future budget documents should clearly identify the position reductions and savings associated with each BPR.
- 3) Future BPR back-up reports should be complete prior to notifications being placed on the docket and should include the following:
  - Description of process improvements;
  - Detailed position and cost information;
  - Baseline budgets and revised post-BPR budgets;
  - Performance metrics that were evaluated in the BPR process; and
  - New performance metrics that will be monitored.
- 4) Service levels/performance measures should be developed and monitored for all BPR areas.

5) Annual audits should be conducted of actual implementation of BPR recommendations and savings achieved.

**[SIGNED]**

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Andrea Tevlin  
Independent Budget Analyst