



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: January 5, 2012

IBA Report Number: 12-01

Rules Committee Docket Date: January 11, 2012

Item Number: TBD

Managed Competition Process Improvements

OVERVIEW

The City Council is responsible for ensuring that service quality is maintained through all managed competition processes in accordance with the City Charter. The implementation process put into place by the Mayor's Office, following voter approval of the managed competition ballot item in November 2006, provided no opportunity for Council to review the service levels or performance standards that staff proposed to include in the Requests for Proposals (RFP's).

To provide Council the opportunity to review service levels under consideration by the Mayor's Office, in July 2008 the IBA proposed a municipal code change which required the Mayor to bring forward to City Council, for review and approval, Preliminary Statements of Work (PSOW) for all managed competitions. In creating a role for the Council it was necessary to identify a timely step in the process which focused on service levels without divulging information considered procurement sensitive during the competition process. The PSOW is the first step which identifies key existing performance standards that are to be included in the RFP's. This proposal was approved unanimously by the City Council at its first reading in July 2008. The second reading was scheduled to follow in September 2008.

On August 22, 2008, prior to the second reading of the ordinance amending the managed competition process, an administrative law judge (ALJ) with the California Public Employment Relations Board (PERB) issued his decision in an unfair labor practice charge case filed in 2007 against the City by two of its employee organizations. The ALJ determined that the City violated the Meyers-Milias-Brown Act by failing to bargain in good faith with the employee organizations over the Managed Competition Guide and by failing to follow its impasse procedure.

The PERB decision required the City to resume negotiations on the Managed Competition Guide and the implementing ordinance. As part of the renewed negotiations, the Mayor incorporated a role for the Council in the revised Managed Competition Guide which called for the Council to review and approve the Preliminary Statements of Work. Following negotiations with labor groups, the new Guide was adopted by Ordinance on October 12, 2010.

FISCAL/POLICY DISCUSSION

Following the most recent PSOW reviews, our office expressed concerns regarding the lack of information available for the Council and IBA to effectively evaluate the reasonableness or accuracy of the proposed service levels. Performance data for the vast majority of the measures was not available in any recent public documents. Of the 19 measures included in the recent Streets and Sidewalks PSOW only two were included in the FY 2012 budget document. In the FY 2010 budget document (the most recent fiscal year that comprehensive measures were available) only three of the 19 measures were included. No performance data was available in the FY 2007 or FY 2008 budget documents.

As a result, Rules Committee members requested staff to provide historical service levels for the last several years in order to understand the context of the service levels called for in the PSOW's. Additionally the IBA requested historical budget and position information to try to understand the reasons for significant service level deterioration in the streets and sidewalks function, particularly for pothole repairs.

The managed competition process has underscored the importance of consistently tracking and reporting performance measures and budget information for all service areas including current and historical data. While it is Council's responsibility to ensure that current levels of service are maintained in managed competition, and the Guide requires that PSOW's include existing service levels, limited information has been available for the Council and the IBA to effectively evaluate the service levels presented in the PSOW's. How existing service levels are represented in the PSOW's is core to the managed competition process and to ensuring the Council's ability to preserve quality services to the community.

Recommended Process Improvements

To assist the Council and IBA in future reviews of PSOW's we recommend Rules Committee consider the following process changes to be implemented for all future managed competition processes:

1. Request staff to provide a five-year history for all performance measures specified in the PSOW's.
2. Request staff to provide a five-year budget history for the managed competition function under consideration.
3. Ensure that a corresponding service level is provided for each service area described in the PSOW.
4. If current services are performing below budgeted expectations, anomalies that could be causing this should be evaluated (e.g. hiring freezes; unusually high vacancies; major equipment breakdowns) when defining existing service levels.

5. For all functions involved in managed competition, include in the proposed and final budget documents all performance measures that were specified in the PSOW/RFP and data for the prior year, current year and next year's targets.

Additionally we recommend requesting the City Attorney's Office to clarify the process for potentially increasing service levels in the future, should the Mayor or Council so desire, within the parameters of managed competition, labor matters and the City's budget process.



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