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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** September 4, 2008

**IBA Report Number:** 08-95

**City Council Docket Date:** September 8, 2008

**Item Number:** 200

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# Update on “*Amendments to the Managed Competition and Business Process Reengineering Ordinances*”

## OVERVIEW

On July 28, 2008, the City Council heard the introduction of the IBA’s proposed changes to the Business Process Reengineering (BPR) and Managed Competition Ordinances. The Council voted to approve the IBA recommendations for the ordinances with additional amendments. It was anticipated that the second reading of the ordinances would occur following legislative recess in early September. Since the first hearing, a significant event has occurred that impacts the proposed ordinance amendments. This report will provide an overview of that event on the council action docketed for September 8, 2008.

## POLICY/FISCAL DISCUSSION

On August 22, 2008, the State of California, Public Employment Relations Board (PERB) ruled that the City did not bargain in good faith with its employee unions as it worked to implement managed competition. This ruling has suspended managed competition efforts and will require the Mayor and labor unions to meet and confer on the Managed Competition Guide. Accordingly, the IBA recommends that the proposed recommendations to amend the Managed Competition Ordinance be pulled and returned until the PERB issues are resolved.

The IBA does recommend that the City Council approve the proposed changes to the BPR Ordinance as follows and previously heard:

- Completed Business Process Reengineering studies which show that cost savings, efficiencies and/or increased service levels can be achieved upon implementation,

with no budgetary increases, must be docketed for Council review to initiate implementation within six months of study completion or upon completion of meet and confer if this occurs more than six months after study completion. A function that is involved in an active managed competition procurement process is exempt from this requirement.

- The BPR Ordinance be amended to provide for “direct docketing” of BPR studies to reflect the current practice. This would eliminate the 60-day posting period prior to BPR implementation and the related requirement that four Council members send a memo to the Council President requesting that the BPR be docketed. The Council President has waived this requirement in the past to respond to Council interest in the matter and to facilitate timely implementation of BPR’s.

In our opinion, these amendments impact the BPR process and not managed competition; thus these two amendments are not subject to the PERB complaint and subsequent suspension of managed competition.

We further recommend that the Mayor’s Office return to the Council or Committee and provide information on the status of implementing BPRs. The resolution of the PERB ruling could take a significant amount of time, at a minimum, six months. With this delay, consideration should now be given to implementing BPRs that have been completed for some time, but were not implemented pending the managed competition process.

The Environmental Services Department – Solid Waste Collection Services BPR, for example, was completed in January 2007. Upon conclusion of the pre-competition assessment (PCA), a decision was made in May 2008 that Collections would proceed directly to the competitive procurement process for one-fifth of Solid Waste Collection Services and the preliminary Statement of Work (SOW) was in the process of being developed. With the potential for achieving cost savings and operational improvements through the BPR, the results should be implemented as soon as feasible for Collection Services and other BPRs.

**[SIGNED]**

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Lisa Celaya  
Fiscal & Policy Analyst

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APPROVED: Andrea Tevlin  
Independent Budget Analyst