
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Delegation to the Housing Commission of Authority to Award Certain Contracts

OVERVIEW

On November 23, 2009, the City Council will consider the actions recommended in the report “City Council Delegation to the Housing Commission of Authority to Award Certain Contracts.” This action, requested in response to recommendations issued by the Office of the City Auditor in the Performance Audit of the San Diego Housing Commission (SDHC), recommends that the City Council delegate authority to SDHC for the award of maintenance, modernization, and improvement related contracts.

The purpose of this IBA report is to provide to the Council additional background information regarding this action, including an overview of similar contracts approved in recent years and a discussion of the City’s policy regarding the delegation of authority to outside agencies.

FISCAL/POLICY DISCUSSION

On October 20, 2009, the Housing Authority reviewed and accepted the Performance Audit of the San Diego Housing Commission (SDHC), issued by the Office of the City Auditor. As part of this action, Housing Commission staff was directed to implement actions needed to address recommendations included in the Audit Report.

Among the audit results presented in the report, the City Auditor found that there were “excessive time delays” between Housing Commission and Housing Authority approvals. As such, Recommendation 1 in the Audit Report (Part I) stated in part:

“As appropriate, the Executive Director should recommend that the Housing Authority and City council adopt effective resolutions to delegate authority to the Board on “advisory only” issues that the Housing Authority identified as routine, which would alleviate the Housing Authority docket for more significant matters.”

In response to this recommendation, the Housing Commission is requesting that the City Council delegate to the Commission authority to award contracts for maintenance, modernization and improvement of properties throughout San Diego that are owned and managed by the Housing Commission. Currently, contracts for goods and services valued less than \$250,000 may be awarded by the SDHC Board without Housing Authority approval. However, Commission staff has indicated that such maintenance, modernization and improvement contracts are typically awarded at amounts greater than \$250,000, requiring final approval by the Housing Authority.

The current action would essentially eliminate the \$250,000 threshold, delegating to the SDHC Board full authority to award contracts for maintenance, modernization and improvement, with no dollar limit. However, such authority to award contracts would still be limited to the funding included in the annual budget for these activities. In addition, the Housing Authority would continue to retain authority under the Finality of Actions provision of Municipal Code Section 98.0301(e), which states that any action taken by the Housing Commission may be referred to the Housing Authority for final action within seven days upon written notice to the Executive Director by three Council members or the City Manager.

To provide examples of the type and size of contracts that may be delegated in the future under his action, the IBA reviewed past agendas to identify similar contracts that were previously approved by the Housing Authority. The table below shows the type of service for which the contract was awarded, the contract amount approved, the dates of Housing Commission and Housing Authority approval, and Housing Authority vote count.

Report No.	Contracted Service	Contract Amount ¹	HC Approval	HA Approval	HA Vote
HAR 08-027	Provision and Installation of Stoves at Various HC Sites	\$745,817	7/9/08	7/29/08	8-0
HAR 08-024	Provision and Installation of Refrigerators at Various HC Sites	\$924,750	6/6/08	6/24/08	7-0
HCR 07-022	Kitchen and Bathroom Upgrades at Grove Avenue	\$766,260	3/23/07	4/17/07	5-0
HCR 07-012	Improvements at Fulton Street and Golfcrest Drive	\$3,242,800	3/2/07	3/27/07	7-0
HCR 06-081	Plumbing Services	\$500,000	11/17/06	1/16/07	8-0
HAR 06-004	Kitchen and Bathroom Upgrades at Sycamore Road	\$388,080	2/10/06	3/21/06	7-0
HCR 05-043	Improvements at Fulton Street, Saranac Street and Golfcrest Drive	\$2,575,100	5/20/05	6/14/05	6-0
HCR 05-031	Kitchen Modernization at Eastman Street and Levant Street	\$526,625	5/6/05	5/24/05	7-0
HCR 04-026	Kitchen/Bathroom Upgrades and Exterior Improvements at Mira Mesa Boulevard	\$305,570	4/23/04	5/11/04	9-0
HCR 04-027	Various Exterior Upgrades at Three Public Housing Sites	\$533,499	4/23/04	5/11/04	9-0
HCR 02-011	Replacement of Roof and Application of Stucco Coat at One Public Housing Site	\$328,900	3/1/02	4/2/02	8-0
HCR 02-020	Bathroom and Kitchen Upgrades and Site Improvements at One Public Housing Site	\$590,271	3/22/02	4/2/02	8-0
1. Contract amount includes 10% contingency, except HCR 06-081 Plumbing Services					

As this table shows, there have not been excessive delays between Housing Commission and Housing Authority approvals for these types of contracts. With the exception of one two-month delay over the holiday recess, all of these contracts were approved by the Housing Authority within three to four weeks of Housing Commission approval. Nevertheless, the requested delegation of authority may be a desirable action in order to free up the Housing Authority docket for more significant matters, as recommended in the Audit report.

As reflected above, every contract of this type presented to the Housing Authority dating back to 2002 was approved by a unanimous vote, suggesting that these types of contracts are of a more routine nature. However, the IBA is concerned about approving a delegation of authority to award contracts that does not include a dollar limit. Such an action would be inconsistent with existing City policy, and with the recent actions taken to amend the Operating Agreements and Bylaws for CCDC and SEDC.

As shown in the table above, only two contracts since 2002 have been awarded for amounts greater than \$1 million. Establishing a limit of \$1 million on the delegation of authority would still provide the Housing Commission with considerable flexibility, yet allow the Housing Authority to retain approval authority for the largest contracts. In addition, a \$1 million limit would be consistent with the City's policy for awarding service contracts.

Alternatively, the Council may wish to require further detail on the amounts included in the annual budget for these types of contracts. As previously noted, this delegation of authority would allow the Housing Commission to award contracts for maintenance, modernization and improvement subject to funding approved by the Housing Authority in the annual budget for these activities. The table below reflects the funding budgeted for these types of contracts in FY 2010.

San Diego Housing Commission FY 2010 Budget

Contract Type	Budget
Building (Maintenance of SDHC office building)	\$ 272,730
Extraordinary Maintenance (such as roof repair, paving)	1,819,482
Routine Maintenance (such as landscaping, trash collection)	2,239,032
Tenant Improvements (such as kitchen/ bath upgrades)	2,323,423
TOTAL	\$ 6,654,667

In the absence of a specific dollar limit on the delegation of authority for these types of contracts, the amounts approved in the annual budget essentially establish a *de facto* dollar limit. Any contracts that exceed these budgeted amounts would require Housing Authority approval. However, the annual budget for these contract types cannot be easily identified, as they are not broken out as line-items in the Housing Commission budget. If no dollar limit is established on the delegation of authority, we would recommend that the Housing Commission provide line-item detail of the dollar amounts budgeted for these types of contracts in the annual budget.

CONCLUSION

In response to recommendations made in the July 29, 2009 Performance Audit of the San Diego Housing Commission, the City Council is being requested to delegate authority to the Housing Commission to award contracts related to maintenance, modernization and improvements of properties throughout San Diego that are owned and managed by the Housing Commission. These types of contracts are considered to be of a more routine nature, and have consistently received unanimous approval by the Housing Authority in prior years.

While the delegation of authority would still be limited to funding included in the annual budget for these activities, as well as subject to the Finality of Actions provision in the Municipal Code, we are concerned that the delegation of authority does not have a dollar

limit. We recommend that either the delegation of authority be subject a dollar limit of \$1 million, or that the Housing Commission annual budget include line-item detail of the dollar amounts budgeted for these types of contracts. Either of these options would still provide the Housing Commission significant flexibility in awarding contracts, while clearly defining a dollar limit on the delegation of authority.

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