



**THE CITY OF SAN DIEGO
OFFICE OF COUNCIL PRESIDENT PRO TEM MONICA MONTGOMERY STEPPE
FOURTH COUNCIL DISTRICT**

M E M O R A N D U M

DATE: February 1, 2023

TO: Honorable City Council Committee on Budget and Government Efficiency

FROM: Council President pro Tem Monica Montgomery Steppe, Chair, Budget and Government Efficiency Committee

SUBJECT: 2023 Budget and Government Efficiency Committee Workplan

A handwritten signature in blue ink, appearing to read "Monica Steppe", written over the "TO:" and "FROM:" lines of the memorandum.

I am honored to serve as Chair of the Budget and Government Efficiency (B&GE) Committee for 2023. Protecting core City services and seeking innovative solutions to maintain a balanced budget will be my top priorities to ensure the overall fiscal health and sustainability of the City. Integrating an equity lens into budget proposals will help us reduce disparities and inefficiencies in historically underinvested communities. With that, I look forward to working with the Office of Race and Equity as they work to apply the Budget Equity Framework throughout all City departments. Additionally, I look forward to working with the Mayor, the Independent Budget Analyst (IBA), and Committee members this year to address the areas of responsibility of this Committee.

B U D G E T

Budget Equity

The Department of Race and Equity, Department of Finance, and Performance and Analytics Department (PANDA) have tasked each department to analyze its base budget and submit budget adjustments through an application of an Equity Lens. The Committee will be holding City departments accountable for their roles in the implementation of the new Budget Equity Framework. The aim is to operationalize and systematically integrate an Equity Lens into all budget proposals, adjustments, and requests. The City should provide the Committee with detailed reports on the implementation of budgeting with an Equity lens as well as provide a plan on how this effort will be leveraged in future fiscal year Adopted Budgets.

Annual Budget and Structural Budget Deficit

The Committee will provide ongoing legislative oversight of the annual budget to ensure that any new programs, services, and added positions are implemented as budgeted. This includes the use of overtime for all City departments. With the ongoing uncertainty regarding economic conditions, the City must ensure it balances both current needs and its financial position in the near future. The Committee will monitor the current five-year outlook as well as hold City Staff accountable to proactively work toward reducing the anticipated structural budget deficit.

Potential Revenue Sources

In 2022, Council President Elo Rivera issued a memo to the IBA requesting an analysis of revenue opportunities. In response to this request, the IBA Report 22-31, "[Response to Request for Analysis of Revenue Opportunities](#)" was released in November of 2022. This Committee should be briefed on this report and additional topics on revenue.

Additional reports for the Committee:

- Update on the City's strategy to compete for Inflation Reduction Act and Infrastructure Investment and Jobs Act Funding
- Update on the Corporate Partnership and Development Program
- Update on the usage of remaining state and federal COVID-19 Relief Funding

Maximizing State and Federal Funding

With a variety of significant funding needs across the City, it is critical that the City remains equipped to competitively seek and then maximize state and federal funding. This funding should allow the City to address homelessness and the need for affordable housing in addition to the significant infrastructure and transportation deficits, while also simultaneously addressing climate change. With the exhaustion of remaining ARPA funding as well as excess equity funds impacting our five-year outlook, this Committee will exercise its authority to increase the City's capacity to compete for state and federal funds that have both one-time as well as multi-year or even permanent opportunities.

Water Cost of Service Study and Proposed Rate Adjustment

To ensure the Public Utilities Department is able to provide San Diegans with clean, safe, and reliable water, the City must finalize the cost of service study reviewed by the B&GE Committee on December 8, 2022, to determine the revenue and rate structure required to provide customers with water and build needed water infrastructure in the coming years. The Committee should review the final cost of service study and associated rate adjustment proposal, including a projected timeline for when it will be considered by the City Council.

Proposition B

The City is currently in the process of unwinding Proposition B, a pension reform initiative approved by San Diego voters in 2012 but invalidated by the California Superior Court in early 2021. According to the [FY2023 First Quarter Budget Monitoring](#) report the estimated one-time cost to the City for unwinding Proposition B for current employees is \$142.0 million citywide, of which the General Fund is responsible for \$80.1 million. As a result, the Committee should monitor and review impacts to the General Fund with the unwinding of Proposition B.

Municipal Code to allow for Quarterly Budget Modifications

The City should adopt an ordinance to allow for potential quarterly amendments to the adopted General Fund Budget by the Mayor and the City Council. This proposed ordinance should be leveraged to effectively allocate or reallocate funds based on updated revenue and expenditure projections.

GOVERNMENT EFFICIENCY

Key Performance Indicators (KPIs)

KPIs are expected to assist the community and Council members in evaluating City services and enable the City to accurately quantify service levels for all departments. Additionally, as part of the implementation of the Budget Equity Framework, City departments are also tasked to identify “equity centered” KPIs for the FY24 Budget. The Committee should be briefed in advance by the Department of Race and Equity and PANDA on how KPIs have been re-imagined for the FY24 Budget. Additionally, the Office of the IBA should complete a comprehensive analysis of the usefulness and effectiveness of departmental KPIs as well as provide the Committee recommendations on how all City departments can better leverage KPIs to ensure optimal service delivery.

Strategic Human Capital Audit Implementation

In 2020 and 2021, the City Auditor released the following performance audits:

- Strategic Human Capital Management (20-011)
- Strategic Human Capital Management II: Employee Performance Management (21-006)

These audits evaluated how the City is monitoring and responding to important metrics related to its workforce and made recommendations regarding how the City could better manage its workforce. Some recommendations have been successfully implemented, however, per the City Auditor’s June 30, 2022 Audit Recommendation Follow-Up Report, multiple recommendations were listed as unfinished with target implementation dates set for August-December 2022. City staff should provide the Committee an update on progress made in implementing these audit recommendations and request that actionable items be brought forward to the Committee in 2023 for discussion.

Vacancies

Each year the City’s budget anticipates a certain amount of budgeted positions to remain vacant. As each fiscal year progresses, additional positions often remain unfilled. As the vacancy factor fluctuates throughout the year, the Committee should remain updated and begin discussing how best to utilize vacancy savings in advance of the FY23 mid-year and end-of-year budget updates. Additionally, over the last few years, the City has experienced an alarming number of persistently vacant positions in critical departments. This has resulted in the City relying on expensive outside contractors to perform the jobs that would otherwise be performed by City employees, overtime for public safety departments, and in delays to important projects. The Committee should request a holistic overview of vacant positions from staff that identifies vacant positions of most urgent need and strategies to fill those vacancies.

Additional reports for the Committee:

- Personnel Department Action Plan Update and the Working Group on the hiring strategy to cultivate a diverse workforce, timelines, and status regarding the existing vacancies and filling the new positions added from the FY 23 budget cycle
- Report from the Department of Finance on vacancies, ongoing cost on savings in the FY 24 budget, and impacts to service delivery due to the fluctuating staffing levels
- Report on how the Employ + Empower Internship Program is being used to fill vacancies

Equal Opportunity Contracting (EOC) Improvements/City of San Diego Disparity Study

The 2020 City of San Diego disparity study concluded that various groups of minority and woman-owned businesses showed substantial disparities in key sets of contracts and procurements awarded by the City. As a result, City Council supported the recommendations from City staff. The Committee should receive periodic updates on the implementation and impacts of the recommendations. In addition, the Committee should continue to work with City Staff and the City Attorney's Office to develop a race and gender-conscious program that meets the strict scrutiny standard of constitutional review to assist in mitigating disparities in City contracting.

Equal Employment Opportunity & Pay Equity

Each year, the City reaffirms its commitment to the principles of Equal Employment Opportunity and to working in an environment free of discrimination, harassment, and retaliation. The Committee should ensure that the principles of fair and equal treatment are understood, respected, and practiced throughout the organization. The City of San Diego has committed to paying employees equal wage rates for equal or substantially similar work, regardless of an employee's gender, race or ethnicity. The Committee should receive updates from City Staff and monitor any issues regarding Equal Employment Opportunity and Pay Equity, and review policies and procedures related to the selection and promotions of all classified employees.

Contracts and Outside Consultants

Each year the City utilizes contracts for various reasons, ranging from legal consultants to engineering services. In recent budgets, the City Council has approved a reduction in some outside contracts. The current 5-year outlook projects annual spending on outside contracts and services to grow from \$303.5M in FY2024 to \$351.4M by FY2028. In many cases, City departments must resort to using outside contracts due to having a large number of vacant positions, making it easier to hire outside contractors rather than hire new City employees. The Committee should receive a report regarding the status of spending on outside contracts, including categorization of the types of existing contracts, and review strategies to reduce reliance on outside contracts in areas where services can be provided by hiring additional City employees.

Equitable Deployment of Resources

Equity should rely on more than a geographical designation and this Committee must work to ensure that various communities who may not always have their voices represented (including students and seniors) — are heard. Additionally, the City should work to deliver the needed infrastructure, transportation, and facility investments desperately needed in aging communities that will anticipate growth and density soon. The Committee should be provided updates on how this would be implemented.

Public Safety Overtime

Public Safety overtime has consistently exceeded budget levels due to considerable recruitment and retention issues. The Committee will monitor public safety overtime as well as have the City explore all approaches for reducing overtime and maintaining appropriate staffing levels to enable better response times and improve overall service delivery.

Review City Insurance Requirements

The City should establish a working group that addresses contracting insurance requirements to encourage a more open contracting process that eases the undue burden and increases the opportunity for small businesses. Additionally, the Committee should also explore tools such as an Owner Controlled Insurance Program to provide opportunities for risk management and increased cost savings.

Performance Measures & Analytics

The utilization of data science and analytics is a core function of the Performance & Analytics department to create efficiencies and transition from reactive to predictive solutions. However, the IBA review of the FY 2023-FY2027 outlook, indicates that the approach in the City's "Get It Done" application data does not determine or address the root causes of deficiencies. City staff should report to the Committee on the data-driven methods that inform its decision-making as it relates to service level targets.

I look forward to addressing these priorities and issues in the upcoming year. If you have any questions or need further assistance, please contact Tiffany Harrison, at (619) 236-6644.

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