




COUNCILMEMBER VIVIAN MORENO
City of San Diego
Council District Eight
MEMORANDUM

DATE: January 7, 2022

TO: Councilmember Chris Cate, Chair, Budget and Government Efficiency Committee

FROM: Councilmember Vivian Moreno 

SUBJECT: 2022 Budget and Government Efficiency Committee Priorities

In response to your memorandum soliciting priorities for the Budget and Government Efficiency Committee, I urge your careful consideration of the following:

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 5-year outlook projects annual spending on outside contracts to grow from \$269.9M in FY2022 to \$284.2M by FY2027. 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 city 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.

Review City's Vacant Positions

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 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 having to rely on expensive outside contractors to perform the jobs that would otherwise be performed by city employees and has also resulted 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.

Analyze Potential Cost Savings of Insourcing Street Slurry Sealing

The city slurry seals streets in almost every community each year, however, slurry seal work is largely contracted out. Since slurry sealing is ongoing work that must be done each year, the city could potentially realize long term savings by performing this work with city employees. Staff should provide the Committee with an analysis of whether city employees could perform this work more efficiently and at a reduced overall cost over the long term.

Citywide Contract Oversight

In 2015 the City Auditor released a Performance Audit of Citywide Contract Oversight. Recommendation #2 in the audit is as follows:

“The Chief Operating Officer should establish procedures detailing requirements for contract administrators, defining the responsibilities they have to complete prior to approving invoices for payment and submitting them to Comptrollers for processing. Specifically, the procedures should include:

- a) Develop analytical procedures to ensure that payments are made in compliance with contractual costs and fees.
- b) Attach the pertinent documentation supporting the payment approval in the SAP Invoice as defined in the contract’s Quality Assurance Surveillance Plan to ensure the payment can be verified as appropriate.
- c) Establish responsibility for training contract administrators on procedures that must be accomplished prior to recommending or approving invoices for payment.
- d) Establish responsibility for monitoring the contract administrators’ responsibilities prior to recommending or approving invoices for payment.
- e) An annual review of the City’s contract administration invoice approval process to ensure it is working as intended and effective; additionally, the policies and procedures should be updated as necessary resulting from this review.”

The Department of Finance successfully implemented recommendation 2(b), however the rest of the recommendation remains unfinished. According to the City Auditor, “This recommendation is in process as Purchasing and Contracting is still updating a contract compliance manual with

procedures and responsibilities for contract administrators that will address the recommendations in 2(a), 2(c), 2(d), and 2(e).” The recommendation was originally set to be implemented in November 2015, but that target date was missed and has been revised multiple times since then. The current target date is now ‘unknown’ for a recommendation over six years old. In addition, the Purchasing and Contracting Department is similarly behind in implementing multiple recommendations in other audits concerning the lack of contract administration and monitoring on citywide goods and services contracts, and an audit of selected contracts.

The Committee should receive an update from the department regarding implementation of these contract oversight safeguards including actionable items the committee can recommend to the City Council for adoption.

COVID-19 Relief Funding

The committee should receive an update regarding the use of all COVID-19 related relief funding received from Federal and State sources. This update should include specific uses of the funding, a projection for when the funding will be depleted, any documented misuse of the funding and steps taken to address any such instances.

Strategic Human Capital Audit Implementation

In 2020, the City Auditor released a performance audit of Strategic Human Capital Management, which evaluated how the City is monitoring and responding to important metrics related to its workforce. The audit made recommendations regarding how the city could better manage its workforce. Many recommendations remain unimplemented and some are past the original target implementation date various departments committed to meeting. This committee should receive an update on progress made by the city in implementing these audit recommendations and request that actionable items be brought forward to the committee this year for discussion.

Increased State and Federal Grant Funding Efforts

The committee should discuss increasing the number of grant writers directly working in city departments familiar with the subject areas of specific grants to ensure the city is receiving the maximum amount of grant funding for projects and services each year. The committee should make a recommendation on including additional grant writing positions within the FY23 Budget.

Water Cost of Service Study

To ensure the Public Utilities Department is able to provide San Diegans with clean, safe and reliable water, the city must complete a cost of service study to determine the revenue required to provide customers with water and build needed water infrastructure in the coming years. The committee should receive an update on the cost of service study, including a projected timeline for when it will be considered by the City Council.

Thank you for the opportunity to submit priorities for the 2022 Budget and Government Efficiency Committee. For additional details concerning my FY23 budget priorities, please reference my FY23 Budget Priority memorandum.