

IBA Policy Recommendations FY 2008			
Recommendation	Action	Status	
<p>1 In FY 2007, the City Council allocated \$5 million to begin to pre-fund Retiree Health obligations. The FY 2008 Proposed Budget allocates an additional \$25 million, and the IBA supports the approval of this proposal. The trust fund vehicle for this funding has not yet been established, and monies are being saved in a separate City fund that is not an irrevocable trust. An irrevocable trust fund should be established as soon as practicable and an update should be provided to the Budget & Finance Committee in the first quarter of FY 2008.</p>	<p>Budget & Finance Committee</p>	<p>FM Director presented trust development plan to Budget & Finance Committee 9/12/07; anticipate trust to be in place by end of calendar year. City councilmembers requested additional information on their role in choosing trust vehicles and the approval process to implement.</p>	
<p>2 On May 21, 2007, the City Council approved the sale of various parcels of City land, as recommended by the Real Estate Assets Department. Quarterly updates should be provided to the Rules or Land Use & Housing Committee to provide information about the disposition of parcels, final sales price and other updates.</p>	<p>Rules or Budget & Finance Committees</p>	<p>On September 17, 2007, the City Council approved the real estate broker commissions for 8 of the 17 properties. The 8 properties were commercial and the approved commissions ranged from .98% to 1.9%. Real estate commissions for 5 residential properties are scheduled to be heard by the City Council on October 15, 2007. The commissions for the residential properties range from 5% - 6%. No updates on land sales have been received to date. It is recommended that a status on land sales be provided in early 2008.</p>	
<p>3 Under current law, the City of San Diego will not receive booking fee reimbursements from the State, but will still be liable for the annual payment of \$5.2 million to the County as stipulated in the Memorandum of Understanding. The Intergovernmental Relations Department is in the process of identifying the proper mechanism by which special language can be added to State law to address the City of San Diego's specific situation. If such language cannot be added to State law, the MOU with the County will need to be renegotiated in order to hold the City harmless. Staff should report back to the Budget and Finance Committee or Rules Committee to provide a status update on the Booking Fee situation.</p>	<p>Report to Budget & Finance or Rules Committees</p>	<p>This issue remains unresolved. Additional updates will be necessary in the near future.</p>	

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<p>4 When FTEs are added for new and/or annualized facilities that do not reflect a full-year's worth of operational needs, include clarifying language in the significant budget adjustments that details the projected months of service. For example, in the Fiscal Year 2008 Budget, 7.56 FTEs are included for the anticipated opening of Fire Station 47 in the Pacific Highlands Ranch area. This reflects seven months of operations; the full-year's operational needs will be a total of 11.88 FTEs.</p>	Final Budget Document	Review of the draft Final Budget Document showed no clarifying language was added to describe the number of months of funding provided for facilities with openings during the fiscal year.	
<p>5 There is interest in a year-round Winter Shelter program to include a comprehensive Central Intake Facility. The Central Intake Facility will work in partnership with other homeless agencies, SDPD, healthcare providers, and others to provide comprehensive services on-site for quick and effective placement into long-term solutions. Given the yearly funding difficulty with the City's annual Winter Shelter, the year-round Shelter Program will need a funding strategy for consistent funding resources. The IBA recommends that options to address this issue be presented to Council during FY 2008.</p>	Report to City Council	On September 11, 2007, the City Council and Housing Authority discussed funding for the current year's operations and options for funding future year's operations of the Emergency Winter Shelter Program. Additional discussions are still needed to address a long term funding solution. The Land Use and Housing Committee has also discussed the year round shelter program at the October 17, 2007 meeting. The LU&H Committee will create a Permanent Homeless Shelter Task Force with the primary objective of identifying a site for the year-round shelter.	
<p>6 Present plans for compliance with the FY 2006 labor contract requirements to infuse \$600 million into the pension system, and include those plans in the budget, when approved by the City Council. Also, conduct an analysis of the ramifications of non-compliance and present to the City Council at the earliest opportunity.</p>	Report to City Council	A financing team has been assembled to review and consider options to leverage the remaining Employee Offset Savings for deposit into the Retirement Trust. The mission of the financing team is to infuse approximately \$493 million by June 30, 2008, in accordance with the labor contracts. The City Attorney's Office has not analyzed the potential impact of non-compliance with those contracts to-date. The IBA suggests this matter be docketed for a meeting of the Budget & Finance Committee in order to ensure it is adequately addressed prior to the expiration of the contracts.	
<p>7 Initiate a policy discussion regarding potential options for securing a dedicated funding source for Storm Water requirements due to significant infusion of general funds to this program.</p>	Report to Natural Resources & Culture Committee	GSD staff has met with Mayor's Office staff to discuss consideration of a dedicated funding source for Storm Water Requirements, including the proper methodology for such a funding source, benchmarking with other local agencies, and anticipated costs to meet the needs of the new Storm Water Permit.	

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8	Planning for the upswing in ADA project activity should begin now by clearly identifying staff resources to implement projects, oversee Transition Plan progress and to continue the monitoring of new development projects for compliance. Additionally, projects to be funded in Fiscal Year 2008 should be identified as soon as possible for project planning and public information purposes.		An update from the Mayor on ADA Compliance is planned for the Budget & Finance Committee meeting of 10/17/07.
9	In BPR Reports, provide a detailed tracking of position and cost information, as well as information about and timeline for Meet and Confer, if applicable.		No update at this time. No new BPR reports have been issued since July 2007.
10	Conduct annual audits of BPRs that are implemented to account for actual savings and impact to service levels.	Audit Committee	No update at this time. It is recommended that this be included in the Internal Auditor's work plan.
11	Conduct an overview or presentation of the Managed Competition Process and schedule at either the Rules or Budget Committee.	Report to Rules or Budget Committee	Update provided by Mayor's staff to Budget and Finance Committee 9/12/07, with additional follow-up on numerous issues scheduled for 10/31/07. Staff committed to provide quarterly updates on status as process moves forward.
12	Complete the development and adoption of the financial policies recommended in IBA Report 07-46 during FY 2008.	Budget & Finance Committee and City Council	The following 6 financial policies were recommended: reserves policy, debt policy, investment policy, budget policy, cost recovery policy, retirement plan design policy.
			On July 25 and September 26, 2007, the CFO presented a draft <u>Reserves Policy</u> to the Budget and Finance Committee for consideration. In response to comments received from Committee members and the IBA, the CFO amended the draft Reserves Policy. At the conclusion of second meeting, a motion was made requesting that the CFO make additional modifications and the policy should be forwarded to the City Council for approval, subject to an opinion from the City Attorney on the applicability of Charter Section 91. The IBA anticipates that the proposed Reserves Policy will be presented to the City Council for review and possible adoption in November 2007.

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12 Complete the development and adoption of the financial policies recommended in IBA Report 07-46 during FY 2008. (continued)			On July 25, 2007, the CFO and Debt Management Director presented a draft <u>Debt Policy</u> to the Budget and Finance Committee for consideration. In response to comments received from Committee members and the IBA, the CFO amended the draft Debt Policy and returned it to the Budget and Finance Committee for further discussion on September 26, 2007. At the conclusion of that meeting, a motion was made requesting that the CFO make additional modifications to the proposed Policy, as recommended by Committee members and the IBA, before forwarding the Debt Policy to the City Council. The IBA anticipates that the proposed Debt Policy will be presented to the City Council for review and possible adoption before the end of calendar year 2007.
			The City Treasurer continues to maintain an <u>Investment Policy</u> . This policy is reviewed throughout the year by the City Treasurer and by the City Treasurer's Investment Advisory Committee (comprised of private sector investment experts). In accordance with the California Government Code (section 53646), the City Treasurer annually presents the Investment Policy, and any proposed changes to the Policy, to the City Council. In FY 08, the City Treasurer anticipates presenting the Investment Policy to the City Council in October 2007.
			The IBA is performing research on <u>retirement policies</u> to be presented to the Rules Committee or the City Council in the future, and a proposed <u>cost recovery policy</u> and <u>budget policy</u> is planned to be brought to the Budget Committee during 2008.
13 Identify, monitor and publish service levels in the budget document so that the City Council and the public can be apprised of any potential impacts of position reductions.			No update at this time. The Mayor has committed to provide service levels or performance measures in the upcoming Fiscal Year 2009 Proposed Budget.
14 Develop a communication plan to ensure timely and accurate information is shared between the City Attorney and Risk Management departments, and the City Council, on a regular basis regarding litigation issues and related costs.			The City Comptroller is working with City Attorney and Risk Management staff on improving communications among the respective departments, to assist with identifying potential liabilities for financial statement purposes.
15 Review the CDBG Process.	Report to Budget & Finance Committee		An update from the Mayor on the CDBG process is planned for an upcoming Budget & Finance Committee meeting.

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<p>16 The Mayor's FY 2008 Proposed Budget includes \$250,000 in SLA revenue from the Development Services Department to the City Attorney's Office. However, the Development Services Department (DSD) eliminated the reimbursement from their FY 2008 budget. If DSD does not provide the revenue to the Attorney's office as budgeted, the General Fund will be negatively affected. Furthermore, this issues needs to be addressed from a broader Citywide policy and budgetary perspective relative to consistency among City department and the use of external versus internal legal support.</p>		<p>The SLA has been eliminated because services provided by general fund departments to the Development Services Department are paid for by the Development Services Department as part of its payment for General Government Services. This is likely to negatively impact General Fund revenues and should be addressed during upcoming quarterly budget monitoring reports.</p>	
<p>17 The City Attorney should develop a position control policy that will ensure staffing is managed within the authorized number of budgeted positions and prevent the creation of supplemental positions in the future. The IBA suggests that the City Attorney present and discuss his position control policy at a Budget and Finance Committee meeting in early FY 2008.</p>	<p>Budget & Finance Committee</p>	<p>No update available.</p>	
<p>18 As part of the Budget Clean-up corrective action outlined in the Mayor's Five-Year Financial Outlook, many open encumbrances will be targeted for closure. In order to achieve a 6% General Fund Reserve level in FY 2008, the Mayor's Proposed Budget assumed \$3.0 million in additional resources from closing unneeded encumbrances that would be allocated directly into the General Fund reserve. Per Council request, a detailed list of encumbrances identified for closure should be provided. As previously recommended, a procedure should be established to systematically review citywide encumbrances on an annual basis.</p>	<p>Informational report to City Council; development of procedures</p>	<p>Based on information from the Comptroller, the General Fund balance at year-end includes almost \$7.0 million in released encumbrances of prior year funds. The IBA recommends that additional information be provided in quarterly and year-end reports related to prior year funds and the release of encumbrances.</p>	

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19	Identify and assign the remaining two employees to the internal audit function prior to the beginning of FY 2008.	Audit Committee	The FY 2008 Budget stated that the Internal Audit section includes the Internal Auditor and four staff. During budget deliberations, the CFO stated two had already been assigned and two remained to be assigned to the re-established Internal Audit work unit. On September 20, 2007, the mayor announced the appointment of Eduardo Luna as the City's new Internal Auditor beginning October 22, 2007. The IBA has been informed that the Internal Audit work unit is currently comprised of Kyle Elser (Division Manager), 1.00 Accountant IV, and 2.00 Accountant III. The Audit Committee will continue to monitor the need for internal audit activities and make further staffing recommendations working with the new Internal Auditor.
20	Report to the Audit Committee regarding the plan for providing sufficient Auditor and Comptroller staff support to ERP, given current staffing constraints.	Audit Committee	To date, the City Comptroller's Office has assigned four Accountant IVs, one Accountant III, one Accountant II, and one Payroll Audit Supervisor to focus full-time on the implementation of the ERP project. The ERP Fund covers the costs of these staff assignments. The City Comptroller plans to make several additional part-time staff assignments once the system implementor finalizes his work plan. In an effort to address the workload that is not being performed by these assigned staff, the City Comptroller is initiating a process to recruit a number of limited appointments to backfill the resulting vacancies. Following up on the \$750,000 appropriation for temporary staffing in FY 08 and given the recent assignment of several staff to audit / ERP related activities, the IBA reiterates its recommendation that the Audit Committee receive a staffing report from the CFO for auditor and comptroller related activities (comptroller, audit and ERP).
21	Develop a fiscal recovery plan for the Development Services Fund to avoid General Fund impacts.	Report to Budget & Finance Committee	The Development Services Department is currently working with a consultant to review and revise the department's current fee structure. Proposed fee increases will account for all department operating costs in order to avoid General Fund impacts.
22	Finalize a contingency plan for handling unanticipated increases in activity in the Development Services Department.	Report to Land Use & Housing Committee	Unanticipated activity increases will be addressed by using several strategies including consultants for contract plan checking services on an as-needed basis, utilizing voluntary overtime, limiting optional enhanced services, and limited hiring using current budgeted vacancies.

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23 Provide an update to the Public Safety & Neighborhood Services Committee on the status of the Red Light Photo Safety Program.	Report to Public Safety & Neighborhood Services Committee	The Committee intends to schedule this discussion in an upcoming meeting.	
24 The IBA learned through discussions with the Deputy Chief Operating Officer of Public Safety that there has never been a uniformed police officer providing security services for the Family Justice Center. Currently, during the transitional period until a new director is hired, a Police Sergeant is providing management and operational support for FJC. Once the new director has been hired and a management plan developed, the Family Justice Center should return to the Public Safety & Neighborhood Services Committee to discuss security issues.	Report to Public Safety & Neighborhood Services Committee	At the Public Safety & Neighborhood Services Committee meeting on July 25, 2007 the new director, Mark Foreman, was introduced and a presentation on the Center's revised vision was discussed.	
25 It is currently anticipated that the Publishing Services Internal Service Fund will have a negative fund balance at the end of FY 2008. Since Publishing Services has been unable to raise service rates in order to attain full cost recovery, the Internal Service Fund has maintained a deficit for the past several years. It is recommended that a financial plan addressing the ongoing deficit be developed and presented to the City Council so that the Publishing Services Internal Service Fund does not continue to end the fiscal year with a negative fund balance.	Report to Budget & Finance Committee	General Services is continuing to work with Financial Management and Auditors to 1) update rates to cost recoverable levels, 2) evaluate and assess the competitiveness of the organization and 3) remedy the existing fund deficit situation. At this time a financial plan is being developed, including several long-term strategies to improve the financial health of Publishing Services, including through the on-going BPR process and through other discussions between GSD, FM and Auditors.	
26 Consider establishing a fuel reserve in the Equipment Division for the FY 2009 Budget set at 20% of the total budget for fuel.	Report to Budget & Finance Committee	Fleet Services (previously Equipment Division) fully supports establishing a 20% Fuel Reserve as part of the FY09 Budget process. Currently the Division is researching previous efforts in this area so an effective proposal can be put forth during the budget process. GSD plans to initiate discussions with FM and Auditors to discuss possible implementation options for this proposal.	
27 Given that the cost of replacing automated refuse containers will continue to become an increasing burden on the General Fund, it is recommended that a proposal to implement an automated refuse container replacement fee be developed and presented to the Natural Resources and Culture Committee in FY 2008.	Report to Natural Resources & Culture Committee	This proposal will be presented to the Natural Resources & Culture Committee on 10/24/07.	

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28 As part of the BPR for Facilities Division, consider the use of an Internal Service Fund to provide appropriate and adequate funding.	Report to Budget & Finance Committee	Facilities Division is currently undergoing BPR and is evaluating a variety of opportunities to increase efficiency and its funding situation. It is anticipated that the Facilities BPR will be completed in Fiscal Year 2008.	
29 Consider alternatives to the Library Ordinance.	Report to Budget & Finance Committee	This issue is planned for discussion at a future Budget & Finance Committee meeting.	
30 Develop a long-term strategic plan for the Environmental Growth Fund.	Report to Budget & Finance Committee	This issue is planned for discussion at a future Budget & Finance Committee meeting.	
31 The Redevelopment Agency should develop a plan and/or schedule to repay outstanding debt for each redevelopment project area and obtain a legal opinion on determination of findings for the transfer of debt from the City to the Agency. If possible, this discussion should occur at the Budget and Finance Committee.	Report to Budget & Finance Committee	The IBA is researching this and other Redevelopment related issues, which will be presented to a Land Use & Housing meeting in November.	
32 Explore the issue of Workers Compensation reform further, including a presentation on current and future programs to address this significant liability.	Report to Budget & Finance Committee	This issue is planned for discussion at a future Budget & Finance Committee meeting.	
33 Present a report on costs and savings associated with San Diego Fire-Rescue's constant staffing policy to the PS&NS committee.	Report to Public Safety & Neighborhood Services Committee	The IBA has previously been informed that this topic will be discussed as part of the department's Business Process Reengineering efforts, which is currently being finalized.	