

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
MEMORANDUM**

No. 06-12

DATE: July 7, 2006

TO: Honorable Council President and Members of the City Council

FROM: Tom Haynes, Fiscal & Policy Analyst

SUBJECT: Response to the San Diego County Grand Jury Report on Service Level Agreements

On April 25, 2006 the San Diego County Grand Jury filed a report on certain Service Level Agreements (SLAs) that were in place between the General Fund and the Water and Sewer Funds. The Grand Jury report consisted of 13 findings and 17 recommendations that required a separate response from the Mayor and the City Council by July 24, 2006. Item 200 on the July 10th Docket presents the Mayor's response to the Grand Jury report. The action recommends that the City Council review the Mayor's response and either join in the response issued by the Mayor or direct the City Attorney to prepare a separate response on behalf of the City Council. The Office of the IBA has reviewed the response issued by the Mayor and recommends that the City Council join in with that response.

As indicated in the Mayor's response, several SLAs have been terminated as a result of the Grand Jury report. As part of the Fiscal Year 2006 Year-End Budget Adjustments, approved by the City Council on June 19, 2006, approximately \$2.64 million in General Fund revenue was returned to the Water Fund as a result of the terminated SLAs. In addition, a General Fund impact of approximately \$3.0 million associated with the terminated SLAs was incorporated into the Fiscal Year 2007 Budget as part of the CFO's recommended technical corrections. These SLAs, and the General Fund impact for both Fiscal Year 2006 and 2007, are shown below.

<u>Fiscal Year 2006</u>	
Reservoir Concessions	\$ 1,700,000
Reservoir Maintenance Labor	150,000
Water Pumped into Chollas Reservoir	190,000
Chollas Reservoir Operations & Maintenance	600,000
Total	\$ 2,640,000
<u>Fiscal Year 2007</u>	
Reservoir Concessions	\$ 1,710,330
General Plan Update	539,395
EOC Minority Construction Contracts	522,476
Binational Affairs Coordinator	127,706
Chollas Lake/Park Maintenance	70,000
Total	\$ 2,969,907

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The Mayor's response and the associated actions taken, including termination of several SLAs, are primarily related to the findings and recommendations made by the Grand Jury. To ensure the appropriateness of all other SLAs that were not reviewed by the Grand Jury, as well as possible future SLAs, the IBA recommends that the Mayor's office develop and report to the City Council a comprehensive policy regarding all Service Level Agreements implemented by the City. At a minimum, this policy should establish a guiding principle by which SLAs are deemed to be appropriate, guidance as to when and how SLAs should be implemented, and by what means SLAs will be monitored and accounted for to ensure continued appropriateness into the future.

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

cc: Chief Operating Officer