



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 205

Review of the Assistant Chief Operating Officer's Proposal for Improvements to the City's Governmental Operations

OVERVIEW

Assistant Chief Operating Officer Scott Chadwick (ACOO) is requesting City Council approval of proposed improvements to the City's management operations, the chief components of which are as follows:

Phase 1 - Implementation November 2013 (Proposed Cost: FY2014 - \$992,000 / FY2015 - \$1,053,000)

- Reinstitute Deputy Chief Operating Officers (DCOO) to increase management oversight of 19 vital and complex City operations;
- Revive the City's Management/Leadership Academies to foster succession planning and facilitate upward mobility of City employees;
- Acquire consulting services to vet and assist in the implementation of a focused group of operational improvements as identified through working with City employees, City department management, City Council and the IBA; and
- Create the positions of Planning Director and Assistant Planning Director to reestablish a Department of Planning, Neighborhoods and Economic Development. The planning function was consolidated within the Development Services Department in 2011, and the proposal would reestablish an independent Planning Department so that each department can more effectively carry out its distinct goals and responsibilities.

Phase 2 - Implementation July 2014 (Proposed Cost: TBD)

- Full year costs of the components listed in Phase 1;
- Create a centralized department of communications to serve as the public information arm of the City and to oversee internal employee communications, City TV and other media services; and
- Create a special projects department to undertake research, efficiency studies and special projects as requested by management and City Council, and oversee managed competition and the City's performance management program. This department would also be responsible for succession planning.

FISCAL/POLICY DISCUSSION

City Council Authority in this Matter

To implement this plan, the ACOO is requesting Council approval of the proposed management improvements and the accompanying budget amendment resolution which directs anticipated excess FY 2014 revenue in an amount of \$992,000 to fund new expenditures as described in Phase 1 above. **The Council has authority to approve the budget changes needed to implement this proposal in full, to approve a lesser amount, or to reject it.**

Council does not have authority to make changes relative to proposed staffing, duties, assignments or other administrative matters, but may state their desire for the ACOO to consider suggested changes. Council revisions to the requested budget changes, however, would likely impact the COO's ability to carry out the proposal as presented.

To implement a key component of this plan, the Council must reestablish the Planning Department as a department of the City in the Municipal Code. Since the Planning Department was transferred to the Development Services Department in 2011, it is listed in the Municipal Code but its duties are no longer provided. To reestablish the department, an ordinance providing for its powers and duties must be adopted by the City Council as required by Charter Section 26. The budget resolution directs the COO to work with the City Attorney to prepare such an ordinance.

FY 2014 Budget Status as it Relates to Proposal Implementation

It is stated in the report that Phase 1 costs will be covered through revenue collected in excess of the FY 2014 Budget. This revenue comes largely from the dissolution of the San Diego Data Processing Center and additional property tax revenue from the Due Diligence Review (DDR) of non-housing assets associated with redevelopment dissolution, which are one-time funding sources. Phase 2 costs of the proposal will be considered in the FY 2015 budget process. Based on preliminary budget information, it is reasonable to assume at this time that there will be sufficient resources to cover the \$992,000 in new expenditures. We will begin to get a better sense of the budget status when the new Five-Year Outlook (FY 2015-FY 2019) and the FY 2014 First Quarter Monitoring Report are released next month. We will have greater certainty of this when the FY 2014 Mid-Year Monitoring Report is presented in March 2014.

It should be noted that while excess revenues are anticipated, excess costs are also expected, most notably for the mayoral special election and higher office lease costs for relocation to 525 B Street. Actual citywide departmental expenditures and major revenue categories, as compared to budget, are not yet known. While there was recently good news related to the special election cost estimates for the November 19, 2013 election (reduced from \$6.0 million to \$4.7 million), these figures do not reflect costs for a special run-off election should one be necessary.

For these reasons, this report makes suggestions for potentially reducing the costs of the proposal should Council have concerns about approving full funding this early in the fiscal year. These suggestions are also offered in recognition of the City's numerous service needs, such as increasing funding for police academies, library hours and maintenance and repair, which also compete for limited General Fund resources. Finally, the upcoming change in mayoral administration may also raise concerns about the timing of this proposal.

Issues for Discussion - Phase 1

Create Three Deputy Chief Operating Officers (Proposed Cost: FY2014 - \$901,000 / FY2015 - \$811,000)

Our office concurs with the need to increase management oversight by strengthening the Mayor's Executive Team and reinstating DCOOs as a sustainable component in the Strong Mayor/Strong Council form of government. A high level of knowledge and competency, as well as strong interrelationship skills and a cooperative and collaborative approach by Executive Team members, can significantly impact the City's ability to effectively carry out Council policy direction, provide the highest quality of services to our residents, and respond timely and appropriately to challenges. San Diego is the eighth largest City in the country, with more than 10,000 City employees, hundreds of volunteer Citizen Boards and Commissions, and 19 extremely complex operational areas. The experience, expertise and size of the Executive Team should be more in line with other cities of our size and complexity as exemplified in the COO's report.

We strongly support the positions of DCOO/Chief Financial Officer (CFO); DCOO for Infrastructure and Public Works; DCOO for Neighborhood Services; and DCOO for Internal Operations. We discuss the importance of the DCOO for Infrastructure and Public Works in more detail below, and make a suggestion for an additional support position for this DCOO to focus on Asset Management, a key component of our infrastructure program.

If cost is a concern, we suggest that the creation of the DCOO for Internal Operations could be deferred to FY 2015, realigning the functions assigned to this DCOO amongst the remaining three DCOOs, the ACOO and the COO. That being said, we recognize that the creation of the Executive Team and DCOO structure as proposed is core to the ACOO's management improvements proposal and believe that this investment in our organization is a wise one.

Deputy Chief Operating Officer - Infrastructure and Public Works

We strongly concur with the addition of this position. Addressing infrastructure issues is the highest priority for the City and includes many complex components such as deferred capital, asset management, the Capital Improvement Program (CIP), and needed new infrastructure.

Numerous City departments - including Public Works/Engineering & Capital Projects, Planning, Financial Management, Debt Management, Comptrollers, and Equal Opportunity Contracting - as well as the Mayor and Council are involved in infrastructure issues.

Both our office and the City Auditor have reported that the City does not have a designated leader with authority to oversee and coordinate all of these critical activities, and we believe that such a leader is vital to identifying a more comprehensive solution for addressing the City's Infrastructure Program. In particular, leadership and advocacy will be needed to develop a citywide Multi-Year Capital Improvements Program to identify priority unfunded needs and identify a financing strategy.

A related and vital component we believe is missing from the proposal is creation of an Asset Management Coordinator for General Fund departments as discussed below. Council may want to raise this issue with the ACOO.

IBA Proposed Asset Management Coordinator to Report to DCOO - Infrastructure and Public Works

The Infrastructure Committee and the City's Enterprise Asset Management (EAM) Steering Committee are working to implement Asset Management business practices citywide because it will provide key data and information on assets, such as target levels of service and the condition of assets, so that decision makers can identify the most effective maintenance and repair and CIP investment strategies. The EAM Steering Committee has developed a draft Council Policy for citywide Asset Management which is anticipated to go to Council on November 5, 2013, but currently lacks a position to assist General Fund Departments to implement this policy, including managing and leading these efforts, as well as coordinating with the future roll out of the optimizing software system—SAP EAM.

The proposed reorganization may provide an opportunity to create an Asset Management Coordinator position for General Fund departments which would strengthen the City's ability to implement citywide Asset Management. Further, since it is important to link Asset Management efforts with capital planning and programming, the position should optimally report to the DCOO for Infrastructure and Public Works. Estimated costs for this position would be \$100,000 for FY 2014 and \$150,000 for FY 2015 and future years. Note that Public Utilities is currently recruiting for an Asset Management Coordinator for the Department's Asset Management Program. If the Asset Management Coordinator for General Fund departments' position is not included in the reorganization, Council may want to consider including it in the FY 2015 budget.

Efficiency Consultant (Proposed Cost: FY2014 - \$125,000 / FY2015 - \$125,000)

The ACOO proposes to hire a consultant with a track record of identifying and implementing organizational efficiencies—\$125,000 is proposed to be expended in FY 2014 and \$125,000 in FY 2015. While we support this proposal, we would note that significant time, effort and money have been dedicated to similar efforts over the past seven years through Business Process Reengineering and Managed Competition processes. The report states that the consultant will conduct a full citywide assessment; however, we would encourage the ACOO and the consultant to look to the numerous ideas that have been put forward in the past by City employees as well as the City Council.

Each year City Council Budget Priority memos have included numerous efficiency suggestions, such as:

- Look for opportunities to convert more work hours from a 5/8 schedule to 4/10 or 9/80 (during labor negotiations this year AFSCME 127 employees requested a 4/10 work week for Facilities; a pilot program is underway and its experience and results may be applicable to other field crews);
- Increase online services for businesses and individuals;
- Expand functionality of our SAP system (e.g. Purchasing & Contracting contract monitoring);
- Explore alternative staffing models for the branch libraries to possibly increase service hours;
- Identify more opportunities to accelerate infrastructure streamlining and delivery; and
- Pilot the Citygate recommendation to implement Fast Response Squads (FRS), consisting of two firefighters, to assist in high incident areas.

Regarding the cost of this item, we would note that the FY 2014 budget for the ACOO included \$160,000 for a managed competition consultant. With this process on hold for the interim, these funds could potentially be used to offset the new costs associated with an efficiency consultant.

Department of Planning, Neighborhoods and Economic Development (Proposed Cost: FY2014 - \$302,000 / FY2015 - \$452,000)

We support the reestablishment of a new Planning, Neighborhoods and Economic Development Department. The City's planning and permitting functions have been merged in the Development Services Department since 2011. However, planning and permitting functions differ, and the larger permitting function has, to some extent, overshadowed the planning function. For example, many of the City's 46 Community Plans and 42 Public Facilities Financing Plans (PFFP) were not updated during the previous administration and are considered to be significantly out of date. Updating Community Plans and PFFPs is important since, among other things, they identify needed public infrastructure and community priorities.

Establishing a separate planning department will provide more resources and focus on planning, sustainability, economic development, and needed infrastructure in communities. Further, separation of the Planning and Development Services Functions will refocus the City's commitment to the public goals of visionary, long-range land use planning (plan "making") from the goals of land development (plan "implementation") which are often in conflict.

The Planning Department is also expected to oversee the Civic Innovation Lab, which is a downsized version of the former Mayor's Civic and Urban Initiatives Program, as well as Civic San Diego. We have raised two issues below related to these areas.

Civic Innovation Lab

The FY 2014 Adopted Budget included 6.0 FTEs and \$946,000 for a Civic and Urban Initiatives Program, including \$609,000 in personnel expenditures and \$337,000 in associated non-personnel expenditures. The proposed reorganization reduces this program from 6.0 to 4.0 FTEs and reduces personnel expenditures by \$232,000 to \$377,000; non-personnel costs have not been reduced. The \$232,000 reduction is included in the proposed reorganization as savings.

The goal of the Civic Innovation Lab is to serve as an incubator and space for people to talk about innovative ideas for urban design and civic engagement, among other activities, and to creatively identify strategies for implementing initiatives through the City's bureaucracy. We agree that implementing creative, innovative initiatives in San Diego communities could be a valuable addition to the City's services. However, given financial constraints and competing priorities, Council may want to consider starting the Lab with 2.0 FTEs in FY 2014 (resulting in a FY 2014 savings of \$145,000), then increasing to 4.0 FTEs in FY 2015. In addition, if NPE costs are reduced by 50%, the resulting savings would be \$168,000, for a total FY 2014 savings of about \$313,000.

Civic San Diego

The proposed reorganization discusses that the Planning Department's Economic Development Division will provide oversight of the redevelopment dissolution and wind down activities conducted by Civic San Diego, but Civic San Diego is not included on the new organization chart. Additionally, Civic San Diego conducts economic development and neighborhood revitalization activities, per its budget and Council direction. Moving forward, it will be important to determine how Civic San Diego will fit into the new Department's structure and a comprehensive citywide economic development and neighborhood revitalization strategy so that the assets of this non-profit organization can be best utilized.

Management/Leadership Academies (Proposed Cost: FY2014 - \$130,000 / FY2015 - \$130,000)

By reinstating the Management/Leadership Academies of the past, the ACOO's proposal recognizes the organizational benefits of growing our existing City employees to become the future managers and leaders of our City. This is critical for retention and for ensuring that employees receive the training needed to succeed in a large and complex organization. The Academies will help foster succession planning, an important management component which has been largely missing as a priority in the current organization.

An issue we would raise is whether it is possible to have a full year's worth of Management/Leadership Academies given eight months remaining in the fiscal year. The Leadership Academy is a three-day program only offered once a year for 20 participants which should be very doable. However, the Management Academy is an eight-day program held twice a year for 25-35 participants. It may be difficult for up to 70 employees to attend eight days of training in the remaining months of the fiscal year. Starting with one Management Academy in this fiscal year may be more realistic. We estimate that this could result in an additional \$53,000 of savings in FY 2014.

Issues for Discussion - Phase 2

Communications Department (FY 2015 Proposed Cost: TBD)

We concur with consolidating the majority of the communications positions throughout the City into a centralized organization for the reasons described in the report. We would also emphasize, as discussed in the report, that certain Public Information Officers (PIO) such as the Police and Fire PIOs, will most likely need to remain with their departments to be most effective. It will be important to identify in a timely manner where this is the case. The report indicates that the PIOs who remain in the departments will report to the City's Communications Director, not their department head. If it is determined a particular PIO's work is sensitive enough that it should remain embedded in a department, the proposal for these PIOs to report to the citywide Communications Department Director may be problematic.

While costs are yet to be determined and will be considered as part of the FY 2015 budget process, a new Communications Department Director, which is a department head position, is estimated to be \$250,000 annually.

Department of Analytics and Performance Management (FY 2015 Proposed Cost: TBD)

We question whether a new department is needed for consolidation of the functions as identified in the report, which include succession planning, research, special projects, managed competition, efficiency studies and performance management. We suggest the proposed activities could be integrated with other functions to create symmetry and increase their effectiveness. In the case of succession planning, this would be an appropriate responsibility for Human Resources; and research, special projects and managed competition could become a function within Financial Management. The citywide Performance Management function proposed for this Department could report to either the ACOO or COO to give it a higher profile in the organization.

Costs for a Special Projects Department Director will also be considered in the FY 2015 budget and are estimated to be \$250,000 annually.

CONCLUSION/RECOMMENDATION

This proposal for management improvements is an important message to the organization and the community that Council President/Interim Mayor Todd Gloria, COO Walt Ekard and ACOO Scott Chadwick (recently appointed by the Interim Mayor/Council President to succeed Walt Ekard as COO effective October 31, 2013), recognize the value of a strong, effective, communicative and collaborative Executive Team. The proposal further acknowledges that it is vital for the Executive Team to be responsive to the City Council, the media, our residents, the Independent Budget Analyst and the City Attorney. Finally, this proposal focuses on growing and training our existing employees and a commitment to succession planning which have taken a back seat during the City's recent years of budget reductions.

We support the vast majority of the management improvements as proposed. We recognize, however, that it is early in the fiscal year, and the current budget status and FY 2015 outlook are unknown at this time. We have suggested ways to consider reducing costs of implementation in

FY 2014 by deferring some elements to FY 2015, as shown in Attachment 1. Alternatively, these suggestions could be considered as part of the FY 2014 Mid-Year Adjustments in March 2014.

We also propose consideration of an additional new position, Asset Management Coordinator for General Fund departments, reporting to the new DCOO for Infrastructure and Public Works, to carry out a key aspect of our infrastructure program. If not funded through this proposal, we suggest it be addressed at mid-year or during the FY 2015 budget process.

Recognizing that authority over all administrative and management matters resides with the Mayor, we emphasize that our proposals for staged implementation and staffing configurations are only suggestions for the ACOO's consideration. However, when considering the requested action, the Council can fund, partially fund or reject the proposed budget amendment. The table in Attachment 1 shows the estimated FY 2014 fiscal impact of the IBA's suggestions.



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Attachment 1: Improvement of Governmental Operations Costs, Potential Changes for Consideration