

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 26, 2006

IBA Report Number: 06-34

City Council Agenda Date: July 31, 2006

Item Number: 276

Item: Establishing the Policy of the City of San Diego to Reorganize the Departments of the City (Business Process Reengineering Ordinance)

OVERVIEW

On July 17, 2006, an ordinance was presented to the City Council that aimed to establish a process by which Business Process Reengineering (BPR) reforms could be implemented. The BPR process will likely entail changes in the City's organizational structure. Charter Section 26 gives the City Council the authority to "change, abolish, combine, and rearrange" the City's departments. However, the Mayor's office has expressed concern that having to obtain Council approval for each reorganization will slow down the implementation of BPR reforms.

On June 28, 2006, the Budget and Finance Committee considered the issue, and made it clear that they wished for the Council to retain authority in instances where functions, positions and/or appropriations were transferred from one department to another. The goal of the ordinance presented on July 17 (BPR Ordinance) was to strike a balance between the Council's desire to retain authority pursuant to Charter Section 26, and the Mayor's desire to expeditiously implement BPR reforms.

Due to inadequate review time, the IBA was not able to provide an analysis of the BPR Ordinance prior to its first reading on July 17. The IBA recommended that the Ordinance be continued to allow adequate review time; however, Council unanimously voted to support the Ordinance with minor changes. This report represents the IBA's first review of the BPR Ordinance, and will be released only in time for the second reading of the Ordinance.

FISCAL/POLICY DISCUSSION

As currently written, the BPR Ordinance delegates authority to the City Auditor and Comptroller to transfer appropriations between departments pursuant to the BPR process,

but allows for the Council President or any four members of the City Council to demand a public hearing on any changes made as a result of the BPR. The Ordinance stipulates that a hearing must take place, and a determination made so as to accept or reject the proposal, within 60 days or five Council meetings (“review period”), whichever period is shorter, from the time that notice of the BPR change is received by the City Clerk. If no hearing is held or if a hearing is held but no determination is made within the review period, then the BPR changes will be deemed approved and become effective.

Essentially, this Ordinance gives the Mayor the administrative authority to reorganize City departments and transfer appropriations as a result of BPR reforms, while allowing the Council to retain its authority to affirmatively approve or reject specific reforms, should it so choose. Approval of this Ordinance should be viewed as approval of the Mayor’s BPR reforms *a priori*, meaning that without further action pursuant to the procedures described in the Ordinance, all BPR reforms will be approved by virtue of this Ordinance.

The BPR implementation process that is proposed by the current Ordinance appears to strike a balance between the Mayor’s goal of expedient implementation and the Council’s desire to retain authority. However, a few questions and concerns remain. At the July 17 Council meeting, Council member Frye issued the following questions:

- In what way does this process allow for public participation, both in terms of understanding the proposed reforms and in terms of being able to participate in the decision-making process?
- Does Charter Section 26 require an affirmative action by the City Council before any City department may be restructured or reorganized?

In addition, the IBA has identified the following questions about the current Ordinance:

- How will any four Council members “demand” a hearing? What is the specific mechanism by which this demand will be made? This issue is not addressed in the Ordinance as currently written.
- Will the Mayor need to wait for the full review period (60 days or five Council meetings, whichever period is shorter) before proceeding with implementation of proposed BPR reforms? While this issue is not addressed in Ordinance as currently written, a proposed revision to the Ordinance issued via a July 26 memo from Ed Plank clarifies that the full review period must pass before the BPR recommendations can be implemented.
- Will the Mayor’s Office be required to submit detailed information to the Council and IBA on proposed BPR reforms *before* they are implemented? The reporting

requirements outlined in Sections 2 and 4 seem to be more in the nature of a summary of BPR reforms already implemented. While this issue is not addressed in the Ordinance as currently written, the July 26 memo proposing changes to the Ordinance also clarifies that the Mayor will provide a report to the Council on proposed BPR changes prior to implementation.

The biggest concern the IBA has with the process outlined in the current BPR Ordinance is with the lengthy review period. Based on the current language in the Ordinance, reflecting the proposed changes as of July 26, the Mayor may be forced to wait 60 days or five Council meetings before knowing whether to proceed with implementation of BPR reforms. In addition, the Mayor's Office has committed to providing materials to the IBA 14 days in advance of Council notification, for a total maximum waiting period of 74 days. This requirement seems rather cumbersome. Business Process Reengineering aims to achieve City-wide savings and operational efficiencies by reorganizing functions and processes, and streamlining operations. However, as currently drafted, the BPR Ordinance requires a lengthy review period before reforms can be implemented.

In order to address this concern, and the questions and concerns highlighted on the previous page, the IBA has developed two alternatives to the current proposal. These alternatives could be adopted at the present time, or considered after a trial period of the Ordinance as currently proposed.

Alternative 1: Utilize Existing Consent Agenda Process

The first alternative is to docket BPR proposals for Council consideration on the consent agenda. By doing this, Council would have the discretion to pull a BPR item from the consent agenda if further discussion is desired, or simply approve it on consent. If an item is pulled, then we recommend that it be docketed for discussion within 30 days*.

The entire process could work like this:

1. The Mayor's office releases a report detailing the proposed BPR;
2. The BPR item is placed on the consent agenda of the City Council docket within two weeks from when the report is received by Council and the IBA;
3. Council either pulls the item or passes it on consent;
4. If the item is passed, the Mayor may proceed with implementation;
5. If the item is pulled, it will be docketed within 30 days for a public hearing and Council action.

There are potential benefits to this approach. First and foremost, it allows the Mayor to know within two weeks whether or not to proceed with implementation. It would reduce the maximum waiting period to 44 days from a possible 74 days under the current

* An exception will have to be made during legislative recess.

proposal, and could allow proposed BPR reforms to be approved in as little as 14 days. In addition, it allows the Council to retain full authority granted by Charter Section 26 by taking an affirmative vote on the proposed changes, without placing an undue burden on the discussion agenda.

If this alternative is adopted, Section 14 of the Appropriation Ordinance could be eliminated, as the process would fall within the parameters established by City Charter. This alternative would also provide for greater public participation, as each item would be fully noticed and docketed, and members of the public would have an opportunity to comment on all items. Finally, it uses an existing process that everyone is familiar with.

Alternative 2: Modification to Existing BPR Proposal

The second alternative builds off of the existing proposal, but with the inclusion of two additional provisions. First, it should be clearly stated that prior to implementation of a BPR reform, the Mayor will release to the public, the Council and the IBA a report that details the proposed BPR. Secondly, a provision should be included that states if the Council President or any four members of the City Council desires a public hearing, they shall notify the Mayor via memorandum within two weeks of receiving the BPR report their intention to hold a hearing. Subsequently, a public hearing shall be held within a specified time period, such as 30 days. If no memorandum of intent is transmitted within two weeks, the BPR shall be deemed approved. Again, this process would shorten the maximum waiting time from 74 days to 44 days, and could allow the Mayor to proceed with implementation in as little as 14 days.

This amended process will again allow the Mayor to know more expeditiously whether or not to proceed with implementation of the proposed BPR reforms. While this alternative would not provide for enhanced public participation, and would not require the Council to take an affirmative vote on each proposal, we feel it would be an improvement over the existing proposal.

Impact on Timing of BPR Ordinance Implementation

It should be noted that if either of these alternative are selected, or if any other major changes are made to the Ordinance, a subsequent first and second reading would be required, delaying the approval process. With Legislative Recess beginning on August 14, the second reading could not be held, nor the Ordinance approved, until sometime in September. In addition, the BPR Ordinance is referred to in the Appropriation Ordinance, which must be adopted no later than July 31.

If the decision is made to adopt the existing Ordinance as currently written, including the changes proposed in the July 26 memo, we recommend that the process be reviewed after one year to examine its effectiveness and determine whether modifications are needed.

While this option would not change the required review period or address some of the other concerns, it is the shortest path to approval of the BPR Ordinance.

CONCLUSION

The BPR Ordinance, introduced on July 17 and scheduled for a second reading on July 31, lays out a process for implementing BPR reforms. The process that is currently proposed aims to strike a balance between the Mayor's desire to expeditiously implement BPR reforms, and the Council's desire to retain its authority pursuant to Charter Section 26. While the current proposal does strike such a balance, a few ambiguities remain. Moreover, the IBA feels that the entire process can be improved to the benefit of all parties involved. We have offered two alternative proposals that could address these issues, but would push the implementation of the BPR Ordinance into September. If the Ordinance is adopted as currently proposed, we recommend that the process be reviewed after one year. Council should carefully consider each of these options. In addition, we stress the importance of providing the IBA adequate review time before such items are heard by Council, so that we may contribute to the process at an earlier stage.

[SIGNED]

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

APPROVED: Andrea Tevlin
Independent Budget Analyst