



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: July 12, 2006 REPORT NO: 06-094
ATTENTION: Council President and City Council
Docket of July 17, 2006
SUBJECT: Business Process Reengineering Report
REFERENCE:

REQUESTED ACTION:

The Mayor, as the Chief Executive Officer of the Executive Branch under the Strong Mayor form of government, oversees day-to-day operations of the City. He was elected to ensure that the City operates its programs and provides services in a cost effective and efficient manner. There will be the need to reengineer operations in order to meet this goal. The City Council is being asked to approve a process whereby the Mayor may implement BPR, subject to City Council approval.

STAFF RECOMMENDATION:

1. Approve Administrative Reorganization Appropriation Ordinance with the inclusion of a provision authorizing the Mayor to make budget adjustments throughout the year in order to implement BPR efforts, subject to City Council review.
2. The Business Office and City Management will provide BPR informational report to the Budget & Finance Committee.
3. Authorize the Mayor to implement BPR efforts as noted above and consistent with the Administrative Reorganization Appropriation Ordinance.

SUMMARY:

The City of San Diego faces very significant managerial and fiscal challenges. A long list of issues, each with intricate legal, financial and political histories, also hampers the productivity of municipal government. In many cases, the ways in which City government departments are organized, and the processes they employ, are inefficient and unnecessarily costly. In order to avoid significant cuts in municipal services, tax increases or both, the Mayor has commenced Business Processing Reengineering (BPR) efforts to improve efficiencies, reduce the cost of City government and to maximize the services offered to our residents.

BPR focuses on streamlining work processes (activities, services or functions) for substantial improvement, finding more efficient ways of working (including eliminating unnecessary work) and getting rid of non-value added activities.

BPR does not merely involve the reorganization of departments or functions; i.e., modifies how an organization is structured and redesigning an organization's business processes are two different things. An organizational structure should be designed so that it suits business processes. There is a misconception that reengineering is analogous to downsizing. Downsizing focuses on the reduction of workforce to achieve short-term cost savings. Downsizing and reorganization do not address the systemic issues behind inefficient business processes.

In order to achieve the most efficient organization a reengineering effort could include downsizing or upsizing, merging, and/or renaming departments, divisions or sections, transferring full time equivalents (FTEs), or employees from one department, division or section to another, and realigning the associated budgets and funding.

Appropriate advance notice will be given to employee unions as to the proposed changes related to matters within the scope of representation. Consistent with contract language contained in the Memorandums of Understanding (MOU) between the City and the affected labor union or unions, the City will meet and confer or consult with the unions on these matters.

City Departments are following a systematic set of steps that enables staff to analyze and redesign processes and functions using objective and quantitative methods and tools. The first BPR effort – Purchasing and Contracting - has been completed and is in the implementation stage. There are 20 additional BPR efforts either currently underway and/or scheduled to begin this year. Since the primary goals of the BPR efforts are to become more efficient, to save resources, and to improve services, the Mayor is eager to implement each BPR process as soon as it is complete.

Pursuant to the San Diego City Charter, Section 26 (Administrative Code), the City Council has the authority to change, abolish, combine, and rearrange departments and divisions. The City Council also has budgetary authority for the City organization and is required to adopt the Annual Appropriation Ordinance that governs the budget for the ensuing fiscal year.

While the City Council has budgetary authority and some administrative authority regarding the powers and duties of departments, the Mayor is responsible for the day-to-day operations of the City which include administering and expediting work of any department, transferring employees or directing the performance of work, subject to Civil Service regulations and as prescribed in Charter Section 28.

In order to expeditiously enact the efficiencies of the BPR efforts, the Mayor is proposing a course of action that will comply with the requirements outlined in the Charter, provide the City Council an opportunity to receive BPR Reports and enable the Mayor to implement the necessary changes. This course of action would be predicated on a set of criteria to ensure

optimal success. In order to implement any proposed BPR effort, staff must demonstrate that the BPR effort results in:

- Greater efficiencies;
- Cost savings; and/or
- Improved Services

The BPR will not result in an overall increase to any Fund within the City's budget, nor will the Mayor or any representative of the Mayor have the authority to increase the City's budget without formal City Council approval. In addition, any savings that result from BPR will be placed into an Appropriated Reserve Account within the respective Fund and can only be appropriated by the City Council at the recommendation of the Mayor.

The Business Office is overseeing the coordination of all BPR efforts. In recognition of the partnership between the Council and the Mayor to implement BPR and to be consistent with Charter provisions, the Mayor will provide notice to the Council of BPR changes with the right of the Council to hold a public hearing on any changes made as the result of BPR. If no public hearing is held within 30 days of notification, the BPR changes will be implemented. Any changes which result in the reallocation of appropriations will be clearly identified in the BPR report and will appear in the semi-annual proposed amendments to the Appropriation Ordinance.

In addition, on a quarterly basis, the Business Office will make an informal presentation to the Budget and Finance Committee of the City Council relating to all BPRs completed during the quarter as well as the status, as appropriate, of any BPRs in process.

FISCAL CONSIDERATIONS:

Business Process Reengineering focuses on streamlining work processes to achieve greater efficiencies, cost savings and service improvements. The fiscal results will vary by business process and will be described in the BPR report.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

City Employees
City Residents and Taxpayers

Originating Department

Deputy Chief/Chief Operating Officer