

SAN DIEGO CITIZENS' BUDGET PLAN



**10 Reforms to Bring
Accountability, Transparency
and Efficiencies to
San Diego City Government**

June 21, 2004

WWW.SANDIEGOBUDGET.ORG

ABOUT THE PROJECT

In November, 2003, the Performance Institute launched the "San Diego Citizens' Budget Project"—an initiative that would study the city's budget with the objective of identifying cost savings and performance improvement reforms during the FY 2005 budget cycle. This project builds on the highly successful "*California Citizens' Budget Project*" completed by the Institute in 2003 that became the impetus behind Governor Arnold Schwarzenegger's California Performance Review.

The *San Diego Citizens' Budget Project* would provide the "local" government model for the application of performance, accountability, competition and transparency reforms. In addition to providing ideas on how the City could balance its budget in FY 2005 and beyond, the project seeks to focus the city, stakeholders, media and the general public on long-term reforms to the city's budget and management processes.

The project was divided into four phases, with the Institute organizing a nine-member expert budget research team comprised of its staff and independent contractors to perform the project's analysis at each phase.

- **Define the Problem:** The Institute would first review the financials of the City with the goal of calculating the real size of the City's operating deficit and other financial and citizen service challenges.
- **PI Options Report:** The Institute would catalogue a wide range of "options" for achieving cost savings and performance improvements in each of the City's General Fund departments. Options would come from an expert review of the City's budget data, interviews with City officials, reforms implemented by other City and county governments, and suggestions submitted by the San Diego City employees, the public and outside stakeholder groups.
- **Stimulate Dialogue:** The Institute would convene two public "Town Hall" dialogues to stimulate public dialogue on the City's budget, with one held on March 18 focusing on "Budget Problems" and one on May 18 focusing on "Budget Options." Pursuant to an agreement negotiated with the Mayor's Office, the Institute delayed its first public dialogue on "Budget Problems" until after the March Mayoral Primary Election in return for access to City data. Additionally, the Institute invited the San Diego Regional Chamber of Commerce and the San Diego County Taxpayers Association to co-sponsor both public dialogues. Both public dialogues provided the project with invaluable feedback on issues to research and what options compiled during the research phase might be most feasible politically and operationally.

Stages of the Project

Define the Problem

- Review State of City Finances
- Examine Service Needs

- Engage the Public in the Budget Process
- Examine the REAL Size of the Budget Deficit
- Push for Transparent Budgeting

PI "Options" Reports

- Department-Specific Reforms and Budget Implications of Each

- Review Individual Department Budgets
- Research Alternatives
- Provide Cost Estimates for Savings
- Suggest Service Improvements

Stimulate Dialogue

- Public Review of Options

- Surface Public Reaction to Options
- Evaluate Options Against Public Values
- Discuss Next Steps and Call to Action

Take Action

- Individuals, Organizations, & Coalitions Endorse Ideas and Act

- Engage City Manager and City Council
- Compile and Endorse "Recommendations"
- Mix Short-Term and Long-Term Reforms

- **Take Action:** During this final phase, the Performance Institute would issue a report with final recommendations reflecting the best and most feasible government reforms that the City should immediately adopt. This "*San Diego Citizens' Budget Plan*" provides those recommendations. In addition to providing a budget plan, the Institute will continue to work with elected leaders to implement these reforms. Absent action by elected leaders, the Institute anticipates bringing reforms directly to the people through the ballot initiative process.

Finally, the Institute has created a website at www.sandiegobudget.org where the general public can access a variety of information on the service performance and budget challenges faced by the City of San Diego. This resource will be maintained throughout the year, leading up to the FY 2006 budget process.



The Performance Institute

More information about the San Diego Citizens' Budget Project is available online at www.sandiegobudget.org.

The Citizens' Budget is a project of The Performance Institute. For more about the Institute, its mission and its track record of government reform, visit the Institute's web site, www.performanceweb.org.

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Summary of Reforms and Scorecard

	RECOMMENDED REFORM	BENEFIT	STATUS
#1	Enact a Balanced Budget Accountability Initiative	Budget Process Reform	
#2	Launch an Independent Audit of City Enterprise Funds	Improved Transparency	Manager's Report, Council Discussion, June 22
#3	Reorganize City Government to Streamline Overhead Costs	\$6.5 Million FY05 Cost Savings	
#4	Create a "311" Citizen Service Center	Improved Citizen Service	
#5	Create a Competitive Bid Process to Make Support Services Efficient	\$10 Million FY05 Cost Savings	
#6	Reform Employee and Optimization Incentive Funds	Incentives for Cost Efficiencies	
#7	Reduce Skyrocketing City Labor Costs and the Pension Liability	Retirement Security	
#8	Establish a Reasonable Limit on City Spending Increases	Real Budget Accountability	
#9	Reduce Corporate Welfare and Subsidies to Special Interests	\$5 Million FY05 Cost Savings	
#10	Reduce Mayor and Council Staff Size and Budgets	\$4.5 Million in FY05 Cost Savings	

226 "Options" Saving \$45 Million to \$120 Million to the General Fund

While the 10 *Citizens' Budget* Reforms outlined above mix long-term structural reforms with short-term cost saving ideas, the San Diego *Citizens' Budget Project* also has provided 226 additional "Options" for cost savings and performance improvement reforms in city government. All of the "Options" are based on the best publicly available data from the City of San Diego and other sources-along with interviews with city officials.

Not all "Options" are feasible or politically viable-but they still do represent options before the city and the general public as our community struggles to balance the city's budget while maintaining vital citizen services. The city should study the 226 "Options" to determine which could be implemented in FY 2005 and FY 2006. Regardless of action taken by the City, the San Diego Citizens' Budget Project will continue to update the "Options" Report for each city department throughout the year as new information becomes available.



See all 226 options for yourself at www.sandiegobudget.org

The Case for Real Accountability, Efficiency and Transparency Reforms in San Diego City Government

Before proposing a solution, it is imperative that the problem be clearly defined. As such, the San Diego Citizens' Budget Project had to begin its efforts to improve governance in our city government by reviewing the financial management of the city with an eye toward documenting any deficiencies and problems.

When the Project was launched in November 2003, the City of San Diego's finances were already rocky at best. The city was in the middle of a third straight year where the budget fell apart mid-year producing a multi-million dollar operating deficit. Yet, if one were to listen to the Council and City Manager at the time, the city's budget woes were not its own doing--but resulting from state raids on local finances.

In the course of the "performance audit" of the city's budget conducted by the Citizens' Budget project, the full extent of the city's financial problems emerged in stark detail. The resulting conclusion is the city suffers not only from a budget deficit, but from transparency, efficiency and accountability deficits as well.

Structural Deficit of \$65-100 Million

After examining the city's financials for the past few budget cycles, the Project concluded that the City had been incurring and carrying a "structural" deficit of \$15 million in FY 2003, \$30 million in FY 2004, and faced a \$65-100 million deficit in FY 2005. ¹ During both of the preceding two budget years, the city's budget would be written and voted on to balance on paper--only to fall apart mid-year as expenditures exceeded revenues. ²

Lack of Transparency and Honesty in the Budget

To hide the fact that the city faced ongoing deficits year-to-year, the City has used accounting gimmicks and excessive mid-year transfers between city departments to paper over the deficit. Indeed, hundreds of positions in the city were intentionally held vacant, with funds diverted to cover "deficit accounts" in various city departments--most notably Police and Fire. ³ Because the public likes to hear that popular positions such as police and firemen are being hired, the Council maintains or even increases these positions on paper during its budget deliberations--and then under-funds operating expenses. Once the fiscal year starts, however, the Manager holds the positions vacant during the budget year and transfers the monies back into operating expenses to cover the intentional deficits in each of these accounts. These transfers are made by the City Manager without prior approval from the City Council--and without formal public notice and comment.

Inability to Issue Accurate Financial Statements

In a shocking development during the project, the city failed to issue its FY 2003 Consolidated Audited Financial Report (CAFR) on time--revealing that it had "discovered errors" in its financials. ⁴ To correct for the mistakes in its financial management system, the City had to hire a second auditor to re-do the preparation of the statements--with a cost of \$800,000 and counting as of the drafting of this plan. ⁵ As the City is unable to account for its monies through a complete and timely financial statement as of this writ-

ing, the City cannot issue bonds. As a result, the City took the unprecedented step of securing a private line-of-credit for \$150 million from Bank of America to pay its bills through the summer. ⁶

Massive Increase in City Spending

Instead of holding city spending to a reasonable increase this year, the Manager proposed and the Council passed a FY 2005 budget that increased spending by a whopping 9.6 percent -- spending over \$70 million more in FY 2005 over FY 2004. ⁷ This out-of-control spending behavior--in the face of a huge budget deficit and ballooning pension fund liability--underscores the city has not yet come to terms with its financial problems.

Draconian Cuts to Key City Services

In an affront to the citizens of San Diego, the City proposed and implemented significant cuts in Park and Recreation programs, as well as reduced library hours and book purchases. By threatening these popular and key programs, the City places the burden of the budget deficit on those who rely most on city services. Of course, as noted in Reform 10, had the Mayor and Council reduced their own staff sizes to the same size as Phoenix, no cuts in these important programs would have been necessary.

Rejection of Cost Saving Ideas

Into this sad state of fiscal affairs, the Citizens' Budget project called on city elected leaders to enact reforms. Those calls went unheeded. Indeed, of the 226 separate "Options" for cost savings that were presented before the City Council not one was implemented. Not one.

An Over-Emphasis on Tax and Fee Increases

At the same time that services are reduced, the Manager proposed and the Council approved over \$10 million in new fees--including a questionable \$3.9 million "fee on a tax" under the guise of the Small Business Tax License Processing Fee. ⁸ Moreover, members of the Council focused much of their comments during the budget process on their desire to raise taxes--illustrating their belief that the problem is a lack of revenue. This, despite the fact that revenue in FY 2005 is growing by a healthy 9 percent. ⁹ The Council has now requested the Manager prepare a list of tax and fee increases for their consideration -- and is currently debating a measure for the November ballot to increase the Transient Occupancy Tax. By raising fees and taxes while cutting services, the city is pursuing an approach of charging more but offering less to its residents.

Skyrocketing Pension Liability Due to Intentional Under-Funding

Looking long-term, the city faces a staggering \$2.3 billion liability in its Pension Fund -- \$1.2 billion for pension payments and \$1.1 billion for health care expenses. ¹⁰ This is due to the decision by the Mayor and Council to increase pension benefits by 20% in FY 2002, while at the same time intentionally under-funding the pension system. ¹¹ After being forced to settle a civil lawsuit for failing to provide adequate pension funding, the City is now under federal investigation for securities fraud. ¹²

A Broken Budget Process

The poor budget decisions outlined above would draw public attention and ire if they were made in a transparent system. Unfortunately, the City has not been transparent nor open with its financial condition and budget process. First, it was virtually impossible to get meaningful data from the city—with much of our data coming from formal public records requests and city employee whistleblowers. Second, the City bureaucracy repeatedly misrepresented information—preferring to “shoot the messenger” each time the project raised concerns with the city’s finances.

Finally, and most telling, on June 21—as the budget was finalized—the Council made over \$20 million in spending decisions on the basis of two Memos circulated to the City Council by the City Manager and the Mayor.¹³ Each memo contained detailed and elaborate budget cuts and transfers—citing revenue sources and proposing increases in fees. These two memos—which formed the basis for the agreement on the budget—were not provided to the public and many of the issues voted on in those memos (such as the Small Business Tax License Processing Fee) did not receive proper public notice and docketing on the Council’s agenda.¹⁴ In a closed budget process, bad decisions can be made without public input.

There is an Alternative to the Status Quo: REAL REFORM

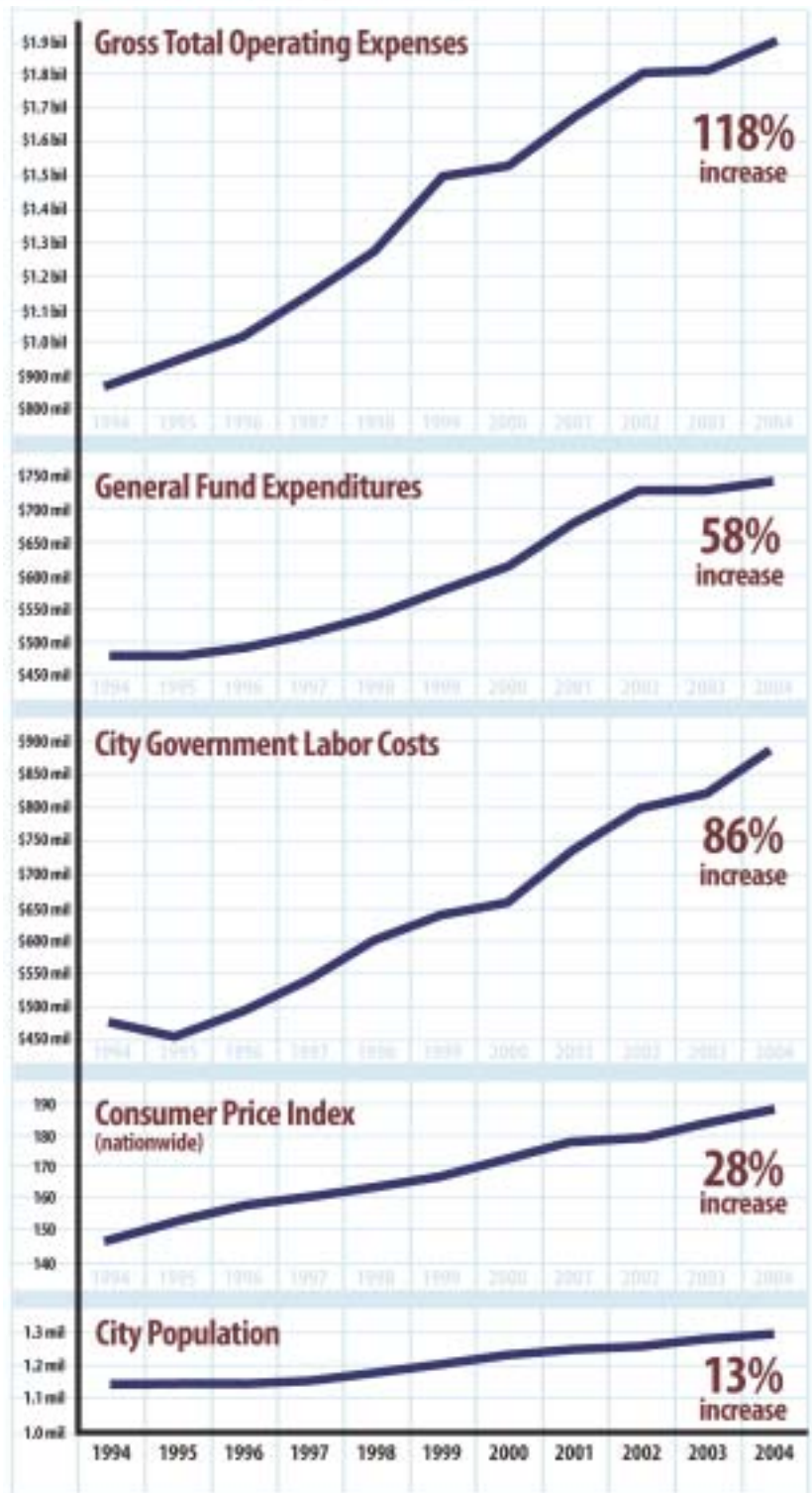
Though not all are willing to publicly admit it, virtually everyone recognizes that San Diego deserves a better budget plan than the one proposed by the City bureaucracy—one that addresses the underlying problems that created the budget crisis in the first place and will put the city back on a firm path to financial solvency. One that makes the tough decisions—and takes on the politically powerful labor unions and business trade groups alike. A budget plan that starts with full disclosure of the real size of the city’s deficit—and an open and transparent accounting of all city funds. One that emphasizes quality citizen services at the most efficient cost.

To provide San Diego with an alternative solution to the city’s budget problems, our project advances this “San Diego Citizens’ Budget Plan”—which contains ten key reforms that mix short term cost saving measures with long term structural reforms. By enacting the short term reforms, San Diego’s budget can be brought into balance this year and next year. More importantly, the longer-term structural reforms will provide protections against a crisis as severe as this from ever happening again.

If San Diego misses this opportunity to ask the right questions of its leaders and candidates and allows a continuation of the same pattern of deferral and denial, the problem will only worsen and next year’s budget crisis will make this one look like a picnic. At that point it will matter little who sits in the Mayor’s office, who occupies Council seats, and who is named City Manager. The debate over a Strong Mayor or Strong Manager will also be irrelevant.

Though simple on paper, the set of reforms that the City of San Diego must pursue is a significant departure from status quo operations and will be a great challenge of political will and leadership. Nevertheless, these reforms must be adopted if San Diego is to address its fiscal challenges today and in the future.

Runaway City Spending



“For months, Murphy attributed the deficit largely to investment losses and said the situation is similar to that in other large California cities. Moody’s disagreed, saying San Diego faces greater challenges than other California cities because of the pension underfunding and the system’s relatively low reserves.”

- San Diego Union Tribune, February 4, 2004

Enact a Balanced Budget Accountability Initiative

Improve Transparency through the Passage of an Honest and Realistic Budget that Stays Balanced for the Entire Year

Findings of the Review

During the budget review conducted by the project, a number of problems with budget accountability and transparency were uncovered:

Intentional Under-Funding of Departments: For the past several years, the budget of the City of San Diego has “fallen apart” almost immediately after it is passed by Council—leaving a huge operating deficit throughout the fiscal year. This is due to the fact that in some cases, the City’s budget intentionally under-funds key appropriations accounts.

This practice was brought to light in 2004 by the Fire Chief and the Police Chief when they revealed that the budget accounts for overtime, court appearances, basic office supplies, special pay and even the telephone bill had been under-funded for years. By intentionally under-funding some appropriations accounts, the City has been able to balance the budget on paper—but not in reality.

Budget Decisions Made Without Prior Council Authorization: Linked to the practice of intentional under-funding is the practice of shifting immense budget powers from the City Council to the City Manager. Language currently in the City’s appropriations ordinance allows the City Manager to make substantial changes in the City’s budget after it is adopted without prior authorization from the City Council. In doing so, the Council is in essence shifting the tough budget decisions onto the City Manager—and out of public view.

Many have argued this budget practice is a violation of the City’s Charter which vests appropriations powers solely in the City Council. In most cases, the City Manager shifts monies between appropriations accounts and between City departments without even informing the City Council until the end of the year when the Council is presented an omnibus reconciliation bill that approves the Manager’s shifts of monies after-the-fact.

Lack of Transparency: The current budget format relies on an “adjustment to base” approach to disclosing changes in individual appropriations accounts, rather than revealing the entire base budget expenditures for key elements of the budget for each City department such as overtime, office supplies, technology support, etc.

Moreover, while the budget is passed promising a certain number of police officers or fire-fighters be deployed, the City has in many years left some of these vital public safety positions intentionally vacant to save monies to offset budget shortfalls in other areas. Even the Mayor in his budget this year is holding three positions vacant.¹⁵ A final transparency challenge involves revenues and reimbursements collected for each City department—monies that in many cases are not reflected in individual City department budgets and merely go into the General Fund, absent full and transparent accounting.

Reforms to be Enacted Through Ordinance

The following reforms would impact the preparation and submission of individual City department budget requests and supporting documentation to the City Council—as well as establish a more accountable process for ensuring a balanced budget is kept for the entire year:

- **Transparency in the Budget—as Proposed and as Enacted**

In the municipal code governing the preparation and presentation of the City’s budget, the Council should require City Manager to list for each City department all base amounts for each appropriations account as well as any revenues and reimbursements to be collected as a result of department activities.

The most detailed and informative view of each City department budget comes from the “Period” Reports used by the City auditor and each agency to track expenditures on a

Highlights of the Citizens' Budget Review

\$15.7 Million

Total amount of budget over-spending by City agencies in FY 2004 (not inclusive of state cuts and not counting Cedar Fire expenses!)¹⁶

\$4 Million to \$6 Million

Total amount of intentional under-funding in FY 2005 budget proposal for police overtime, court appearances, sick time, etc. according to the Police Chief¹⁷

\$1 Million

Total amount of intentional under-funding in the police dept.’s phone bill in FY 05¹⁸

89 "Phantom" Cops

Total number of positions intentionally held vacant in FY 04 to cover intentional under-funding in other budget accounts¹⁹

\$3.4 Million and \$3.1 Million

Total funds that the City Manager instructed be "not spent" by the Library and Parks and Recreation Departments respectively to cover deficits in other City departments-without prior approval from the Council²⁰

budget account basis in 13 separate accounting periods during the year. As a result, the Council should instruct that the Period reports for each department shall be posted on the City's website within 5 business days of the closing of the period. This would provide maximum transparency on which budget accounts departments are under-funded—and provide early warning on whether the City's budget is falling apart mid-year.

A final requirement for budget transparency would be to require the City's independent accounting firm issue a statement certifying that the City's budget as proposed provides sufficient funding for each appropriations account in accordance with its contracted labor obligations (including payment for pension and other fringe benefits) and is consistent with historic budget "burn rate" for each appropriation account.

• **Transparency on Personnel Vacancies**

To prevent the practice of increasing the number of positions in a budget and then holding them vacant during the year the Council should require each City department to disclose current vacancies in the budget submission as well as vacancies expected at the end of the fiscal year. This would allow the public to determine with greater confidence whether the City will be increasing or decreasing personnel for a specific department.

• **Quarterly Budget Reconciliation**

In the annual appropriations ordinance the Council should significantly modify the blanket authorization allowing the City Manager the powers to shift monies within and across the City government. The municipal code should be modified to require approval each quarter through a Budget Reconciliation Ordinance to address funding for any budget account that over or projected to be over the amount appropriated for the year. In addition, the Manager should disclose during each Period any funds that have been transferred within or between City departments—and provide a running total of "reconciliation" needed to bring the budget back into balance that quarter.

• **"Pay-As-You-Go" Budget Rule**

Pursuant to the new requirement to reconcile the budget each quarter, the Council should also adopt as a policy a "pay-as-you-go" approach to making adjustments each quarter to maintain balanced budget throughout the year. This would force the Council to state what cuts or revenue enhancements specifically would offset any budget overages for that quarter. Should Council not meet its deadline for a quarterly reconciliation, the Manager's transfers during that quarter would be funded by proportional reductions in appropriations accounts within any that department that has spent in excess of its budget.

• **Reverse Sales Tax Accrual Accounting for FY 2006**

In order to balance the FY 2004 budget on paper (and meet on paper the requirement of a balanced budget under the Charter), the City Manager changed the City's accounting rules to result in a phantom increase of \$10 million in revenue in FY 2004.²¹ Under what is now known as the "Sales Tax Accrual Policy" the City Manager is counting FY 2005 revenue in FY 2004. Moody's Investment Service cited this accounting policy as a gimmick in an April advisory—noting the City was using it and other accounting shifts to cover up a structural deficit.²²

While the City Manager has insisted that this accounting gimmick remain in effect or else the FY 2004 budget cannot appear balanced on paper, it must be changed. The *Citizens' Budget Plan* proposes the Manager to use the gimmick in FY 2004, the Citizens Budget proposes the Council adopt a resolution instructing the Manager to discontinue use of this gimmick for the FY 2006 budget—allowing one year to identify real revenues to offset the "phantom" revenue.

• **Require Annual Performance and Cost Audit**

The City Council should adopt an ordinance instructing the City Auditor to review 20 percent of all programs' performance and cost measurements for the year to ensure accuracy and integrity on service results claimed by City departments.

Reforms to be Enacted Through Charter Change

• **Strong Mayor Form of Government**

A huge debate has erupted over the proposal to shift San Diego to a Strong Mayor form of government from the Council-Manager form of government currently. In the end, the *Citizens' Budget Plan* includes this recommendation to adopt the Charter Change to Strong Mayor to finally put to rest the big debate over who is in charge at City Hall. The *Citizens' Budget Plan* rejects the notion that the Mayor is unaware or disengaged from the budget process. On the contrary, there was every indication found during the Citizens Budget review that the Manager (and his predecessors) coordinated heavily with the Mayor's office on the content and presentation of the City's budget. Indeed, no major budget policy (good or bad) seemed to be without extensive input from the Mayor's office. It seems that the City has a Strong Mayor when good news is unveiled and a Strong Manager when bad news is disclosed or painful budget cuts are made. Settling this debate once and for all provides for the maximum level of transparency and accountability at City Hall over who is in charge of formulating, presenting and enforcing the City's budget.

• **Independent Council Budget Analyst Office**

The City Council is beholden to the City Manager and the bureaucracy for virtually all of its budget information. This presents significant risks to the quality of information available for Council decision-making. Indeed, just this year provides numerous examples where the Council has claimed that the previous City Manager kept vital information concerning individual department budget needs from reaching the Council. In the wake of the historic Cedar Fire, both the Police Chief and Fire Chief spoke out courageously over the objections of the Manager—revealing intentional under-funding of a variety of appropriations accounts. Just as the state of California has the fiercely independent and objective "Legislative Analysts' Office" the San Diego City Council should create its own budget analyst office to perform thorough examination of the City's budget. In the past the concept of an office of Council Budget Analyst has been shot down over confusion on whether the City Charter would allow for this resource. Regardless of interpretation of the current Charter, the Strong Mayor proposal would allow for the creation of this important office.

Impact of Recommended Reforms: Budget Process Reform

Launch an Independent Audit of City Enterprise Funds

Improve the Integrity of Water, Sewer and Other Fee-Supported Funds by Ensuring All Expenditures from These Funds are Appropriate

Findings of the Review

In the budget review, the project came across numerous questionable transfers of funds and personnel that were occurring between the City's General Fund and the City's Enterprise and Special Funds. By transferring monies out of the Enterprise and Special Funds, the City can "balance" the General Fund's budget. More importantly, fees supporting these various funds can be imposed and raised by a simple majority vote on the City Council—whereas tax increases to support the General Fund must be submitted to the voter for a 2/3rds vote approval.

Each of these Enterprise and Special Funds have clearly defined purposes and are protected under Proposition 218's amendments to the State Constitution. Pursuant to Proposition 218, fees collected by the City for the support of these funds (such as the water and sewer fees paid by San Diego homeowners each month) are to be used solely for expenses related to the specific services for which the fee was assessed. Proposition 218 is designed to protect California taxpayers from "hidden taxes" in the form of fees assessed in excess of the cost of service being provided. In other words, if the City were transferring monies out of the water and sewer funds for other uses, it would inflate the "cost of service" in water and sewer—with the excess charges constituting a hidden tax on San Diego homeowners.

Besides constituting a hidden tax, transfers out of the water and sewer funds also undermine the City's ability to make investments in city infrastructure, fund environmental protection programs, and ensure safe drinking water. Most importantly, such transfers would violate the trust San Diego citizens should have in their government to respect the purposes of these Enterprise and Special funds.

Three transfers of monies from the City's Enterprise and Special Funds raised the greatest concerns during our budget review:

Internal Services Transfers: More than \$75 million is transferred annually from the City's Enterprise and Special Funds to cover internal support and administrative services under inter-agency agreements called "Service Level Agreements" or "Memoranda of Understanding."²³ These agreements between City departments specify various charges that will be made against the Enterprise and Special Funds in exchange for information technology support, human resources management, facility maintenance, legal counsel, and even the operation of tourist stations at the City's reservoirs. No doubt, many of the services and associated charges are legitimate.

What poses the greatest concern are the excessive amounts of money transferred for support services—sometimes with little or no substantiation. In some cases, the SLA or MOU charges the Enterprise fund for staff, but the support agency did not have documentation or timesheets to support the assignment of personnel under the agreement. One employee whistleblower submitted a claim that their Enterprise Fund was being charged 2.5 personnel staff (salary plus overhead) but only were assigned one staff member to perform the work.²⁴ In another case, the City Attorney charged 16 staff positions to an Enterprise Fund, but could only provide the names of two staff working for that fund when questioned by a local media outlet.²⁵ In essence, the Enterprise Fund was being charged for personnel time that could not be substantiated.

Finally, analysis of the San Diego Data Processing Corp. revealed that a "profit" was reverted to the General Fund each year (usually several \$1 million to \$2 million dollars worth of profit) even though more than two-thirds of charges for services were from accounts outside of the General Fund.²⁶

Reassignment of City Employees: In the past five years, dozens of positions have been transferred from the General Fund to Special or Enterprise Funds each year. However, in many cases, no reassignment or redefinition of responsibilities occurred for the staff in question. In essence, the City shifted funding for activities conducted by these personnel from the General Fund to Enterprise Funds. Even in the FY 2005 budget proposal, a number of staff positions

Highlights of the Citizens' Budget Review

\$2.3 Million

Total amount transferred out of water and sewer funds for "Right of Way Fees"²⁷

46 Positions

Total number of positions transferred from General Fund to the Enterprise Funds in the FY 2005 budget²⁸

\$50 Million

Total amount transferred out of sewer funds through "Service Level Agreements"²⁹

\$17 Million

Total amount of money transferred out of water funds through "Service Level Agreements"³⁰

6 Percent and 7.5 Percent

Total increase in City water and sewer bills respectively in each year for four years—justified presumably by a need for investments in water and sewer infrastructure³¹

are reassigned from the General Fund to “non-General Fund Sources.”

Direct Transfers of Funds: The City’s budget once again imposes an arbitrary “Right of Way” fee of \$2.3 million on water and sewer lines for running under City property.³¹ Granted, this raid on water and sewer funds was invented in the late 1990s during a simi-

lar budget crunch—and at one point these Right of Way fees were as much as \$18 million annually.³² Taxpayer groups for years have fought these fees, and secured a commitment from the previous Mayor and Council to phase these fees out in the late 1990s. Unfortunately, that agreement to phase out these fees was stopped when Mayor Dick Murphy’s assumed office.

Reforms to be Enacted Through Ordinance

The following initiatives would put transparency and integrity back into the City’s use of Enterprise and Special Funds:

• Independent Audit of Enterprise and Special Funds

With its Pension Fund, the City strongly denied under-funding the retirement system until forced to by federal investigations into its securities disclosures and a class action civil lawsuit.³³ For the sewer rates, the City had to be threatened with the possible repayment of over \$266 million in state grant monies before it would admit in June 2004 to overcharging residential rate payers on their sewer bills.²⁹ Hopefully, the same developments will not be needed in this case to restore confidence in the Enterprise and Special Funds.

Even if the City believes that all of its transfers from these funds to the General Fund are appropriate, a full, independent and objective audit of the City’s transfers from Enterprise and Special Funds is warranted—if only to put to rest for once and for all questions being raised. This audit would be instructed to investigate and report publicly on two key issues:

• **Internal Services Charges:** Review every charge under SLA, MOU or other transfer for any support or direct service to: 1) identify the full amount of funds transferred into the General Fund for each kind of support service and 2) verify that the charges incurred by the Enterprise or Special fund are consistent with the full cost of service to the General Fund 3) compare the charges incurred by the Enterprise or Special Fund with prevailing market rates charged for similar services.

Finally—and perhaps most revealingly—the audit should identify whether the City’s General Fund charged

the Enterprise or Special Fund for this kind of support service prior to 1979—and if so at what rate relative to services provided. Proposition 13 was passed by voters in 1978 to limit property taxes assessed by local governments – a reform many argue led to the use of fees to substitute for taxes in California.

• **Personnel Assignments:** The audit should identify every City employee that is subsidized in whole or in part by an Enterprise or Special Fund—as well as the date the position was transferred from the General Fund. In addition, the audit should identify the job responsibilities performed by the employee to ensure they are fully in accordance with the purposes of the Enterprise or Special Fund to which their expense is charged.

The audit should make recommendations to the Council on adjustment in internal service charges on a go forward basis, as well as identify a process by which the Enterprise and Special Funds could purchase support services outside of the City’s General Service support functions if cost efficiencies can be documented.

• Elimination of the Right-of-Way Fees in FY 2006

Last month, the state and City struck a deal whereby raids on local government finances would be phased out after two years. Borrowing a page from that approach, the Citizens’ Budget Plan would suggest the Council pass an ordinance that would prohibit the imposition of “Right of Way” fees past FY 2005. This would complete the “phase out” promised during the previous Mayor’s tenure and give the City Manager time to accommodate this loss of revenue from the water and sewer funds.

Impact of Recommended Reforms: Improved Transparency

“ In an effort to balance the budget, the City has decided to implement the highly questionable practice of charging the ratepayers rent for the use of taxpayer assets through imposition of a Right of Way (ROW) fee. This fee has the effect of siphoning monies raised through the recent water and sewer increases away from those projects and into the General Fund. The previous Council had agreed that 2002 was to be the last year of this transfer, but the current budget does not live up to that commitment. ”

- San Diego County Taxpayers Association, June 24, 2002

Reorganize City Government to Streamline Overhead Costs

Consolidate Similar City Functions and Reduce Administrative Support Costs through Creation of an "Office of Management and Budget"

Findings of the Review

Fragmentation and Duplication in City Organization Structure: The existing City organization chart is a bureaucratic maze (see graphic on page 10). This poses two challenges: first, the costs of providing services is increased when overhead or administrative functions are duplicated in the City. Second, fragmentation and overlap of responsibilities for basic services across City departments results in finger pointing and a general lack of accountability. All of this does not even factor in citizen frustration with trying to navigate their City's bureaucracy for help with basic services.

Just some of the examples of the fragmentation or duplication uncovered during the review:

- **Street Maintenance:** Four Departments with responsibilities for maintaining street medians, sidewalks, or surfaces in some form or another
- **Purchasing:** Two Contracting/Procurement Departments, with 11 contracting or procurement functions operating across the City (this does not count personnel assigned in virtually each department to coordinate basic to complex purchases)
- **Asset Management:** Eight facility or real estate management functions
- **Fleet Management:** Three fleet management divisions
- **Information Technology:** Two City IT functions—with duplication in virtually each City department with the Police Department being the worst with over 40 staff assigned to an internal IT unit (including 10 sworn officers)
- **Personnel Management:** One HR Department and One Personnel Department with a Civil Service Commission—plus over 80 duplicative HR positions created in General Fund agencies outside of the City's two central HR functions
- **Municipal Code Compliance:** Depending on the location and nature of a building project, an individual might have to coordinate with more than 16 separate City departments to do the proper research, obtain proper zoning and permits, ensure appropriate utility coverage, and undergo inspections to ensure full compliance with the City's municipal code.
- **ADA Compliance:** Americans with Disabilities Act positions scattered throughout the City Attorney's office, Engineering and Capital Projects, Human Resources, Parks and Recreation, and Transportation Departments.

Poor Management of City Support Services: In addition to fragmentation and overlap in basic City services and associated support functions, the budget review revealed a poor management approach to City support services. First, the City lacks an integrated "Management Agenda" to articulate policies for cost efficient management. A review of internal management policies reveals many policies have not been updated since the 1960s! In fact, the City's workplace injuries policy dates back to the late 1960s—despite numerous changes to "best management practices" in this area over the decades. ³⁴

In addition to a lack of a strategic approach to management, there were a number of excessive expenditures for overhead functions uncovered. At the beginning of the Citizens' Budget review, the number-one complaint received from City employees was against the excessive charges and poor customer service provided by the City's centralized information technology support service: the SD Data Processing Corp. A review of charges demonstrated a 100-300 percent mark-up of IT support products and services from comparable market rates. ³⁵ Other support functions exhibited similar egregious high costs—such as the Police Department's auto maintenance division costing \$8,841 per vehicle per year! ³⁶

Highlights of the Citizens' Budget Review

15 Percent

Average percentage in cost savings on overhead function that consolidation reforms have produced in other governments ³⁷

80

The number of duplicative HR positions created in General Fund agencies outside of the City's centralized HR and Personnel Departments ³⁸

100

The number of duplicative IT positions created in General Fund agencies outside of the City's centralized IT Dept. ³⁸

10

The number of sworn police officers assigned to IT duties at the Police Department ³⁹

35.5 vs. 28

The number of lifeguards employed in FY04 versus the number of City managers responsible for the lifeguards – complete with four layers of management for this function alone! ⁴⁰

69,095 Sq. Ft.

The amount of office space covered under leases that will expire in FY05 -- providing the City an opportunity for consolidation and \$626,179 in cost savings ⁴¹

Fortunately, a separate review of this function by City auditors has uncovered excessive and unconscionable expenditures that have been well covered in the local media.⁴² In response, the City Manager has wisely moved to reform this support function—proposing a gradual dissolution plan and contracting out of major functions of DPC.

One lesson is offered by the DPC experience: where evidence of inefficiency and waste is so clear, a burning platform for change can be built. Moreover, once political leadership is under the gun, big changes—and even bigger cost savings can be achieved. Nearly \$10 million in IT cost savings will be achieved in FY 2005—as DPC rushes to cut its rates under increased scrutiny and political pressure.⁴³ If DPC can save \$10 million after six weeks of pressure, how much more can be saved in other support functions?

Bloated Staff Ratios: Managerial and Administrative Staff: While many City departments are running lean, there are numerous examples of bloated staffs in both managerial and administrative support positions throughout the City. For example, at the City Attorney’s Office, the budget review demonstrated a support-

staff-to-attorney ratio that was excessive in comparison to other city attorney offices across the nation, as well as in comparison to large law firms in San Diego. The ratio of support staff to attorneys in San Diego is 1.4, compared to .8 for the comparison cities and 1 for the ten private law firms surveyed.⁴⁴ The City Attorney Office in San Diego could reduce support staff by 50 to meet the average ratios mentioned above.

During the debate over the Parks and Recreation budget, a number of members of the public complained about the bloated managerial staff at the Department. A review of the Park and Recreation FY 04 budget revealed in the swimming pool operation alone there were 4 layers of management between the lifeguards on duty at City pools and the Director of Parks and Recreation. For the 35.5 lifeguards employed by the City, there were 28 positions in management staff directly impacting these staff.⁴⁵

(See Reform #10 for more information on bloated staffs in the Mayor and Council Budgets.)

Reforms to be Enacted Through Ordinance

• Reorganize City Government to Streamline and Consolidate Functions

The Council should instruct the City Manager to study then propose a reorganization of City government consistent with the model suggested by the *Citizens’ Budget Plan* (see page 13 for a new organizational chart). The plan would be phased in by January 1, 2005. By way of example of the reorganization plan being proposed, the following services would be consolidated to improve efficiency and accountability:

- Neighborhood Code Compliance Department and the Department of Transportation’s Parking Management Division into the Neighborhood Code Enforcement Department for between \$450,000 and \$825,000 in cost savings. This consolidation would also improve performance of code enforcement as all code issues would be enforced through one set of staff.⁴⁶
- Department of Transportation and the Engineering and Capital Projects Department into the Department of Public Infrastructure for between \$1.8 million and \$5.7 million in cost savings and provide a unified management of the City’s infrastructure.⁴⁶
- Components of the General Services Department, the Real Estate Assets Department, Petco Park, and Qualcomm Stadium, into the Department of Property and Asset Management for between \$1.7 million and \$4.6 million in cost savings.⁴⁶
- Risk Management would be transferred under the City Attorney. This reflects City employee frustration that the current Risk Management operation merely cuts checks and processes claims—rather than analyzing and mitigating the City’s risk and liabilities. Under the reorganization, the successful model used by the County of San Diego and several other localities would be implemented to unify those who respond to legal liabilities (City attorneys) with those who are supposed to be preventing those liabilities (risk management.)

• Create an Office of Management and Budget

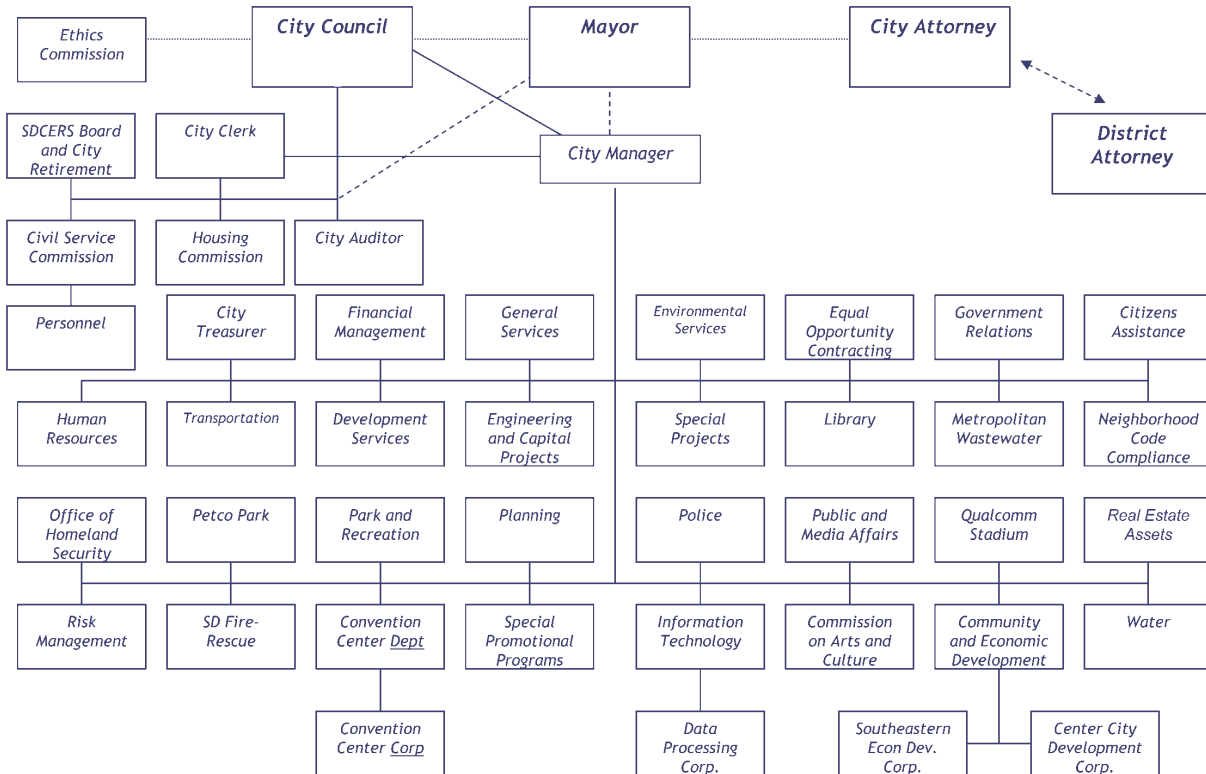
Concurrent with the reorganization study above, the Council should instruct the Manager to prepare a consolidation of all support services under an Office of Management and Budget—providing all performance management, financial management, information technology, human resources management, and pro-

Responsibilities of an Office of Management and Budget



Across the country, governments are finding that it takes five components working in a fully integrated fashion to reach full performance. Excellence in any one pillar is good, but a balanced approach that generates measurable success in all five areas is necessary to fulfill a government organization’s mission in the most efficient manner possible.⁴⁷

Current City Organization



curement activities into a central “shared services” operation. The “shared services” model is a cost efficient structure used by virtually every large corporation in America and increasingly used by most levels of government. All departmental staff assigned to these functions would be immediately transferred out of their respective departments into the central OMB—with a completion date no later than November 1, 2004.

In addition to the consolidation of these functions into OMB, the Council should instruct the City Manager to undertake the following management reform initiatives:

- **Complete DPC Reform in One Year; Devise City-Wide IT Architecture Investment Plan**

DPC should not be allowed to regenerate—reforms should be immediately and aggressively implemented. The Citizens’ Budget Plan calls for the complete dissolution of the SD Data Processing Corporation through sale of this asset to a firm that would buy the operation from the City—contracts, personnel, assets, etc. Failing that, the City Manager should be instructed to bid out all remaining work by June 30, 2005 ensuring that DPC is fully dissolved in the next fiscal year.

In addition to reforming DPC, the City must develop a comprehensive IT architecture and investment plan. The City has duplicative software and hardware systems—presenting challenges for information and service integration as well as creating cost inefficiencies. By developing a strategic approach to managing IT in an integrated way, the City can more effectively determine what IT services to buy from the structures that ultimately replace DPC. The delays already occurring with the City’s planned dissolution of the DPC must be overcome.

- **City Lease and Asset Inventory**

The financial management division should work with the new Office of Property and Asset management to catalogue all properties owned by the City—as well as estimated market value of each. Consistent with this accounting, the Council should instruct that the value of City-owned properties be carried as an asset in the City’s budget. By January 15, 2005, OMB should provide a report on all properties that do not serve an environmental or open space function, complete with assessment on the potential lease and/or sale to interested parties.

This plan should also include an examination of City-leased properties for possible consolidation opportunities. During FY05, the leases for 69,095 square feet of office space will expire, creating an opportunity for consolidation that could recoup some \$626,179 in annual rent payments each year.⁴⁸

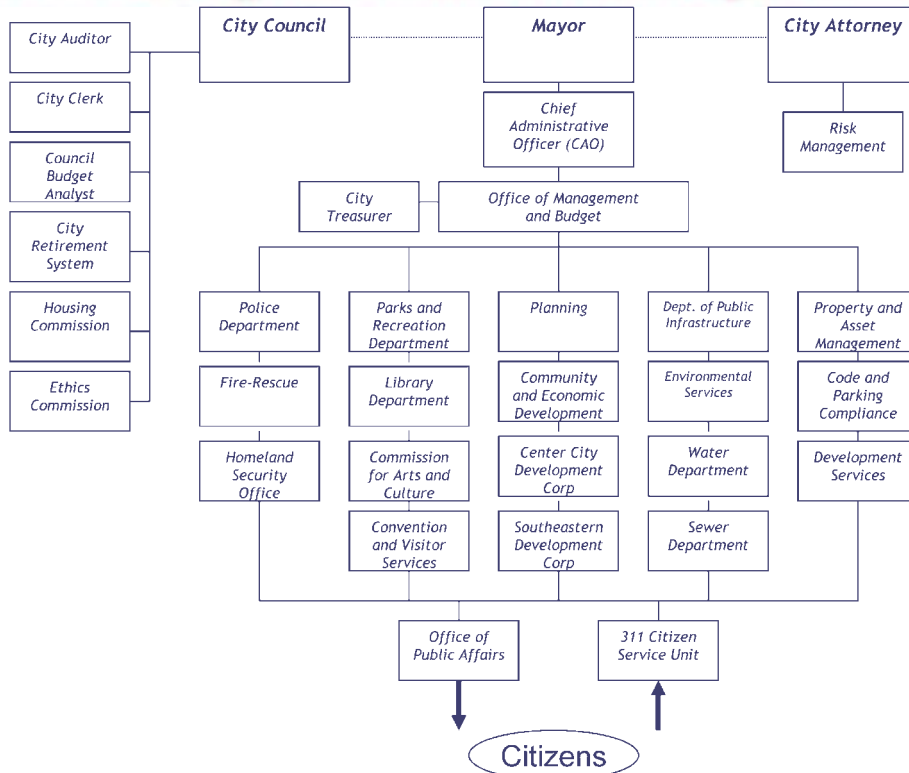
- **Management De-Layering Reform Plan**

The OMB HR Division should be instructed to devise a City-wide “Strategic Human Capital Plan” reflecting a “de-layering” of the City’s bureaucracy to reduce excessive layers of management. In developing this plan, the City should ensure that there are no more than three levels of personnel between the citizen seeking service and the Director of each City department.

- **Competitive Sourcing and Performance Contracting Initiative**

See Citizens’ Budget Reform #5.

Citizens' Budget Recommended Reorganization



“ Last year, not many lawmakers were interested in listening when he presented the group's Citizens' Budget, a Libertarian-leaning blueprint for saving money in Sacramento. Then the recall happened. And the Citizens' Budget became a must-read item in many circles. ”

- Los Angeles Times
March 23, 2004

Reforms to be Enacted Through Charter Change

• Reform City Civil Service Rules to Enhance City Manager Authority Over City Personnel

The City's civil service regulations are outdated and fail to provide the City Manager with appropriate authority over City personnel. For example, days after assuming his position, the new City Manager recently announced layoffs of several senior managers. Unfortunately, his decision to terminate one senior manager was overridden by civil service rules currently in place—leaving a marked senior manager in place over the objection of the City Manager.

To enhance the City Manager's authority in hiring and firing City personnel, as well as consolidate the Personnel Department and the HR Department, the Council should put a Charter amendment before voters to reform the City's civil service system. City employees have ample protections under the labor contracts negotiated every 2-3 years by their unions—with these contracts having grown to extraordinary lengths with detailed rights, compensation rules, and management protections included.

Impact of Recommended Reforms: \$6.5 Million in FY05 Cost Savings

“ Through reorganization of the state government, use of information technology to deliver services, and consolidation of administrative services into a centralized department, the state can recreate cost efficiencies, reduce duplication and overhead, and improve cross-program coordination. Currently, each agency has to have public affairs, legal counsel, human resource management, information technology, office space, administrative support, etc. By consolidating similar programs into one agency, significant overhead cost savings can be achieved. Finally, the Citizens' Budget suggests that 'advisory' Commissions and Boards be eliminated and that 'policy-making' boards be placed under one of the seven departments created in the reorganization plan. ”

- California Citizens' Budget Project, April 2003

“ We cannot afford waste and fraud in any department or agency. Every governor proposes moving boxes around to reorganize government. I don't want to move boxes around; I want to blow them up. The Executive Branch of this government is a mastodon frozen in time and about as responsive. This is not the fault of our public servants but of the system. We have multiple departments with overlapping responsibilities. I say consolidate them. We have boards and commissions that serve no pressing public need. I say abolish them. We have a state purchasing program that is archaic and expensive. I say modernize it. I plan a total review of government - its performance, its practices, its cost. ”

- Governor Arnold Schwarzenegger, January 6, 2004

Create a "311" Citizen Service Center

Provide Citizens a One-Stop Center to Request City Services and Track the Progress of their Requests

Findings of the Review

The City should place citizen service at its highest priority. Unfortunately, San Diego City government is not designed from a "citizen-centered" perspective. Based on a review of General Fund agencies, the project identified more than 20 City "call centers"—formal citizen support centers complete with customer support systems. This figure does not count general receptionist lines in virtually every City office. The result is a confusing system that is not citizen-friendly—and is inefficient. Fortunately, other local governments (notably Indianapolis, New York City, and Chicago) offer San Diego an alternative model called a "311 Service Center."

In addition, the City spends millions each year on a variety of public awareness campaigns—sometimes with duplicative and overlapping mailings to City residents. Improved coordination of outreach activities would improve the effectiveness of these awareness and information campaigns, as well as save City resources.

Reforms to be Enacted Through Ordinance

The following initiatives would improve citizen services.

- **Create a "311" Service Center**

San Diego's 311 Center would provide one single phone number for non-emergency service requests for San Diegans. The center would consolidate all City service request functions into one centralized service center—using a consolidated "case management" system to create, track and refer all service requests made by citizens for resolution by the appropriate City departments.

The City Council should instruct the manager to solicit bids using a "Share-in-Savings" contract model for the creation of the "311" center. Under share-in-savings, the vendor would pay all up-front costs and then receive a portion of the savings resulting from consolidating all the City's call centers. One vendor—Siebel Systems—has already expressed interest in this approach for San Diego.

- **Integrate Public Affairs Outreach and Campaigns**

Consistent with centralizing the City's customer service functions, the Citizens' Budget Plan proposes consolidating all citizen outreach functions. Under this reorganization, public affairs would be managed using integrated outreach campaigns—with information provided to the public on a variety of City programs. This reform would allow the City to reduce the 186 public affairs positions by 15 percent.

Highlights of the Citizens' Budget Review

20

Total number of separate "Call Centers" staffed and financed in the General Fund alone—each with separate phone number and customer support system ³⁸

186

Total number of Public Affairs and Community Outreach positions in General Fund budgets outside of Office of Public Affairs and Citizen Assistance budgets ³⁸

33 Percent

Average increase in customer satisfaction as measured by Siebel Systems in "311" Service Center Operations ⁴⁹

26 Percent

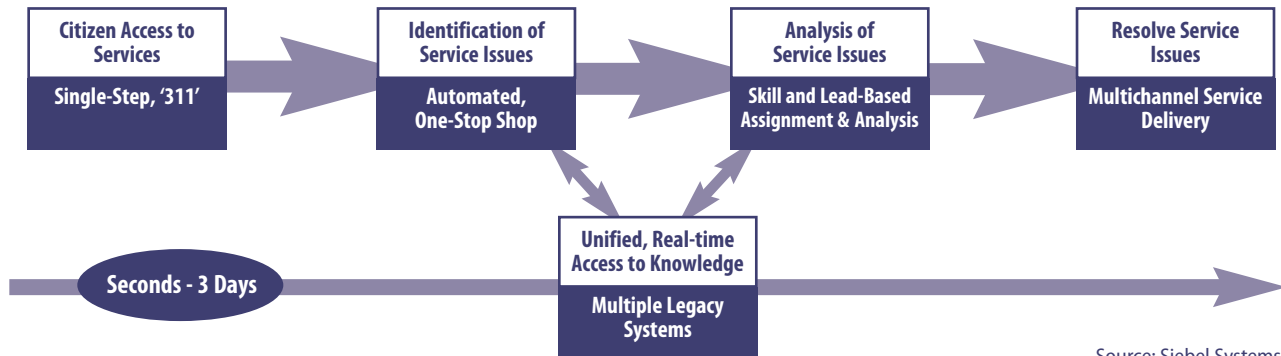
Average increase in City employee productivity measured by Siebel Systems in "311" Service Center Operations ⁴⁹

\$0

Amount of money required be spent by the City of San Diego in a "Share-in-Savings" contract approach to funding and implementing a "311" Service Center ⁵⁰

Streamlining a 311 Service Center for City Government

- Multiple channels of communication (Call Center, e-mail, Internet)
- Citizen receives 'one-stop shop' service
- Simplified access to services and information
- Consistent, reliable and accurate answers across all channels
- Faster service resolution



Source: Siebel Systems 49

Impact of Recommended Reforms: Improved Citizen Service

The San Diego Citizens' Budget Project sent an e-mail to all city employees asking them for feedback on how the City is managed, as well as for ideas for cost savings. The submissions were provocative...

“ Put accountability on supervisors from the top down to enforce existing city rules and regulations. At the present time, I suspect the majority of supervisors in the City have never looked at the Administrative Regulations or Personnel Manual unless they were looking for something very specific. While specific needs are important, there is much to be learned by reading these manuals. ”

“ Provide a city-wide training for customer service and telephone procedures. At one time, this was a priority in the city but seems to have been left behind along with general feeling of true belonging and feeling that the City cares for its employees. ”

“ Drastically cut the amount of discretionary leave given to employees - often people get up to three days off just for doing their jobs adequately, which is why they get a pay check. ”

“ There are too many Departments and especially Divisions, way too many Assistant Directors, Deputy Directors and Assistant Deputy Directors and Management Assistants and Supervising Management Analysts and Senior Management Analysts who supervise almost nothing and manage almost nothing. For example, why is there a Special Projects Department? Was this a reward for the new incumbent for making it easy for the Padres to build the new ballpark? ”

“ Why does a department office that mostly prints basic text documents and has functioned quite well with a black & white printer need to purchase the very most expensive color laser printer made by Hewlett-Packard? I'm sure that each of the four ink cartridges for this thing individually cost more than my own personal printer, which would do just fine for what they use it for. My printer cost about \$80.00. Their printer cost about \$3,500.00 - And they bought two (yes, two) of them. The amount of waste in the City is truly staggering. ”

“ Postpone the monetary raises and any other additional benefit increases that employees are to receive this fiscal year to next year. This is a hardship on employees, but to save jobs maybe it's worth it. ”

“ Facility maintenance at 20th and B has too many Building Maintenance Supervisors. When I came to the city, in 1984 we had a work force the size of what we have today, with one Senior and only two Building Maintenance Supervisors. We have Seven BMS's today, and two Seniors. ”

“ We must be the last agency that uses manual time cards. I have to fill out a card every day, sometimes for projects I work on only a few minutes a day, for a series of days, so it is frustrating for a goal-oriented person such as myself to spend so much time looking up accounting information numbers over and over again. ”

For a complete record of e-mails submitted by City employees, visit www.sandiegobudget.org

Create a Competitive Bid Process to Make Support Services Efficient

Design and Use a Fair Process for Comparing Outside Bids with Internal City Costs for Providing Services

Findings of the Review

Competitive sourcing is a proven approach to achieving substantial cost savings and performance improvements in government. Indeed citizens of San Diego use competition every time that we go to the grocery store, pick up the phone, or visit the car dealer. Where there is no competition, monopolies provide poor performance at higher rates. The same is true in government.

Competitive sourcing in a government setting is NOT the same thing as privatization. Moreover, competitive sourcing does not always lead to outsourcing a function—although contracting a function out is one possible result of a competition. Competitive sourcing basically asks government to become a “smart shopper” by examining whether it should make or buy certain support functions. In making that determination in a city government, a competitive sourcing process is used to compare the costs of having city workers perform a certain function (like mowing park lawns) versus the cost vendors would charge for the same service. Competitive sourcing works best when two ingredients are in play: clear quality standards for services and giving existing city workers a fair chance to reform their own function to beat the outside competitive bid.

Regardless of who wins a competitive sourcing initiative (public, private or non-profit provider) the taxpayer wins every time — with cost efficiencies and improved performance.

The City of San Diego used to have a “competition” program, but abandoned it in the 1990s under immense pressure from the City’s powerful employee unions. Indeed, not ONE position has been competitively sourced in the past five years in San Diego City government. The reality is a lot of work has been “in-sourced” in San Diego in recent years—with the Mission Bay Golf Course operations function being just one such example in the FY 2005 budget proposal alone. Quite the opposite! As a result of the City canceling the contract for this service, an additional 16 City workers must be transferred into the golf management function provided primarily by commercial vendors for most golf courses. ⁵¹

A very compelling illustration of the potential of competitive sourcing comes from a report released in May 2004 by the White House Office of Management and Budget which demonstrated that in the 662 competitive sourcing initiatives conducted by the federal government in FY 2003, taxpayers saved a net of \$1.1 billion—representing 15 percent cost savings on every function that underwent competitive sourcing! ⁵² Indeed, the Office of Management and Budget itself used competitive sourcing to use private bids to compete with the Government Printing Office's deal for printing the FY 2004 federal budget. GPO federal employees responded to these bids by reducing its price 23 percent and saving more than \$100,000 on the printing of the budget alone! ⁵³

A huge potential exists in San Diego City government for substantial cost savings. Take auto maintenance at the Police Department for example. This function costs the City a whopping \$12,700,000 per year—at a cost of \$8848 per vehicle serviced per year. ⁵⁴ No one in their right mind would pay this exorbitant cost for vehicle maintenance. With no competition, City employees in this function have never had to reconsider how they have organized their work to achieve cost efficiencies. While the City claims it needs to do all of this auto maintenance work itself because of around-the-clock maintenance needs, a survey of police substations by the Citizens' Budget project revealed that many areas no longer had weekend service staff. Moreover, round-the-clock support could be a provision of the competition and any resulting vendor contract.

Highlights of the Citizens' Budget Review

\$8,848

Cost-per-vehicle maintained at the Police Department's auto maintenance function in FY 2004 (Note: The Police Department spends over \$12.7 million annually on its internal repair shop) ⁵⁴

10 Percent to 30 Percent

Average percentage in cost savings on overhead function that competitive sourcing initiatives have produced in other governments ⁵⁵

\$1.1 Billion

Amount of money saved in FY 2003 through 662 competitive sourcing studies—representing an average of 15 percent on each government function that underwent a competitive bid ⁵²

85 Percent

Win rate that government employees have had under the competitive sourcing initiatives in FY 2003 ⁵⁶

16

Total number of City workers hired to "in-source" the management function at Mission Bay Golf Course ⁵⁷

Reforms to be Enacted Through Ordinance

• Create a Competitive Sourcing Initiative to Compete at Least Seven City Support Functions in FY 2005

Based on the *Citizens' Budget* review of City operations, a number of functions have been identified that would be ripe for competitive sourcing initiatives. These are functions that are routinely provided by commercial vendors and do not have a public safety component to them. As such, the City Council should instruct the Manager to review these and other functions with instructions to prepare competitions on at least seven major

City support functions. The functions could not involve public safety (e.g. police patrols and emergency response) but could involve support services within any City department.

In conducting competitions, the Manager would be instructed to use "activity-based costing" and performance measures to ensure that competitions focus on the best value for the taxpayer on cost and quality standards. Finally, the winner of the competition would be subject to a performance-based service contract to lock in cost and quality accountability.

CITY SUPPORT FUNCTION	FY05 BUDGETED	COST SAVINGS
Park Maintenance and Clean Up (P&R)	\$23,000,000	\$3,400,000
Auto Maintenance (Police)	\$12,700,000	\$1,905,000
Golf Facility Management (P&R)	\$9,500,000	\$1,400,000
Mowing and Turf Maintenance (P&R)	\$6,000,000	\$900,000
Swimming Pool Maintenance (P&R)	\$5,500,000	\$825,000
Mt. Hope Cemetery (P&R)	82% cost recovery	100% cost recovery \$270,000
Book Binding/Technical Services (Library)	\$5,900,000	\$900,000
Traffic Operations Support (E&CP)	\$2,900,000	\$435,000
Parking Meter Maintenance (Public Works)	\$965,000	\$96,000
Equipment Division (General Services)	\$24,000,000	\$3,600,000
Refuse Collection (ESD)	\$34,000,000	\$5,100,000
Total Potential Savings:		\$18,831,000

58

Impact of Recommended Reforms: \$10 Million in FY05 Cost Savings

The San Diego Citizens' Budget Project sent an e-mail to all city employees asking them for feedback on how the City is managed, as well as for ideas for cost savings. The submissions were provocative...

“Verify that purchases made by city employees in the store rooms are better monitored. Employees asked for ID's when making a purchase, accepting only signed (by supervisor) and filled purchase requisitions, and verifying larger than normal purchases with department contact person. This would reduce waste by field crews and save a lot of money.”

“I have seen people come in to our work force who are getting paid the same wage, and are less qualified. I came to the city with my knowledge and experience behind me. I believe our department is manager top heavy.”

“We are terribly concerned about Bond issue expenditures that will end up costing us triple by the time they are paid off. The La Jolla Shores Lifeguard Tower/Garage in the middle of the parking lot, with a cost of \$1.7 million (\$838 per sq. ft.) is irresponsible at a time when our City is on the brink of bankruptcy. Lifeguards are in desperate need of improved facilities...but there is such a thing as common sense.”

“We are replacing buildings that are only 20 years old...touted as “state of the art” when they were built. For example, without consulting the community...someone, somewhere decided that 3,900 sf was the appropriate size for a lifeguard tower at the shores. I can only describe the reaction as panic when the architects took the current lifeguard tower building which is 50' long and told us they intended to add 50' on either end and go up a second story in order to provide the lifeguards with what they needed. Those who use the beach daily, along with those who live directly across from the proposed project were never notified of the impending plans and newspaper articles never accurately described or showed pictures of a garage in the middle of the parking lot.”

For a complete record of e-mails submitted by City employees, visit www.sandiegobudget.org

Reform Employee and Optimization Incentive Funds

Provide Incentives for City Employees and Each Department to Identify and Achieve Cost Savings

Findings of the Review

Excellent Cost-Saving Ideas from City Employees: In a move that greatly angered the Office of Mayor and City Manager, the *Citizens' Budget Project* sent an email to all City employees asking them to submit their own ideas for saving City funds. The responses are now posted for the public to review and judge for themselves at www.sandiegobudget.org. In the flood of ideas from City workers are many thoughtful and provocative reforms. The City should be doing more to encourage this kind of creative thinking in its own workforce—harnessing and acting on these suggestions for reform.

Employee Morale Challenges: Despite what the project found above, a simple review of the comments submitted by City employees reveals significant morale problems in the City workforce. Many employees felt that supervisors discouraged cost-saving suggestions—instructing their employees to—in the words of one employee—“keep quiet!” Indeed, many employees feel that information at their level is distorted by the time it reaches the Council and General Public.

Related to the employee frustrations uncovered during the project, one employee whistleblower revealed that several years ago an employee morale survey was paid for by City funds and contracted to the Zero-Based Management Review team. The survey results demonstrated such a low level of employee morale that the survey was never shared with the Council nor the public. Repeated requests by this project for those survey results have gone unanswered. ⁵⁹

Poor Employee Incentives and Faulty Tracking of Cost Savings: While many City departments offer certain recognition programs and the City has a small fund for employee performance bonuses, there is no standardized nor accountable employee incentive program that emphasizes measurable cost savings and provides a share of those cost savings to employees responsible for generating them. The best way to achieve cost savings in San Diego City government is to provide ample incentive to City workers to generate and act on cost saving ideas.

In addition the City has done a poor job of tracking and verifying actual cost savings achieved by the Zero-Based Management Review Process. According to the Select Committee on Government Efficiency, over \$200 million in cost saving ideas has been generated by the ZBMR process, but only \$40 million has been reportedly achieved. A review of the purported cost savings demonstrates much of it came from “cost avoidance”—the City in essence noting it wanted to spend more, but thanks to ZBMR it did not increase spending on a function by as much as originally planned. Cost savings should be just that: a real, tangible and verifiable reduction in cost-per-service level provided and/or a baseline reduction in a budget.

Departments that Save Money are Penalized: The budget review also uncovered that many city Departments have been penalized for trying to save money. There is a “spend it or lose it” mentality in the city, where departments spend to the very maximum in each budget account to prevent funds from being transferred. This reality is not unique to the City of San Diego government. It is a behavior that has been documented nation-wide in several state and local governments.

In the most twisted of incentives, monies left in a budget account at year's end are transferred to offset over-spending in another Department or division. Moreover, if a budget account is not spent to the max, sometimes that account will be reduced during the next fiscal year—the thought being that if not all the money was needed in the previous fiscal year, why budget for the same amount for the next fiscal year? Recognizing the desire to spend to the limit in each budget account, the City Manager has instituted a policy of “encumbering” some of the funds in most of the city's budget accounts at the beginning of the fiscal year. In essence, the Manager instructs the Departments to keep some monies in each budget account as a reserve. However, this policy has proven ineffective in giving Departments incentives to go out and find cost savings.

Highlights of the Citizens' Budget Review

\$200 Million

The amount of potential City cost savings identified over the past six years by the ZBMR Review Process ⁶⁰

\$40 Million

The amount of potential City cost savings realized over the past six years by the ZBMR Review Process ⁶¹

\$103,568

Total General Fund cut planned for the City's Optimization Program under the FY 2005 Budget ⁶²

\$1.5 Million

Total amount of projected savings in the Water Operations function after undergoing an optimization study ²⁹

A better system would be to allow each Department to keep any cost savings achieved in a particular budget account—with savings transferred to other budget accounts within their Department rather

than being used to offset the city-wide budget deficit and subsidize other Departments that have not lived within the budget.

Reforms to be Enacted Through Ordinance

• Provide Incentive System for Employees and City Departments to Achieve Cost Efficiencies

The City Council should revise the Municipal Code governing the City's employee incentive programs and the associated City-wide "Optimization Program." To provide greater accuracy and verification on cost savings, the revised process should require "activity-based costing" on all cost saving projects implemented by City departments. In addition, the revised Municipal Code governing the budget would provide City Department managers maximum flexibility in pursuing cost efficient reforms as long as the reforms.

Any fully documented cost savings would be distributed in the following manner:

- 25 percent in performance pay bonuses to City employees responsible for generating and implementing the cost saving idea
- 25 percent to City-wide Optimization Fund to provide resources for future management improvement projects
- 50 percent to programs within the department that achieved the cost savings for a period of one year. The department head could allocate these funds to any one-time expenses unless Council approves baseline budget increase during the quarterly reconciliations

• Conduct Employee Morale & Feedback Surveys

The City Council should instruct the City Manager to conduct a comprehensive Employee Morale survey in FY 2005—soliciting input from outside groups, experts and union representatives. The results of this survey should be made available in full to the Council and public no later than October 15, 2004.

• Docket and Formally Vote on ZBMR Recommendations

Many City departments have treated the ZBMR process as something to be dismissed. Many of the suggested ZBMR reforms are politely—but clearly—dismissed in official department responses. To prevent this waste of City expenses on the ZBMR process as well as waste of good ideas, the City Council should adopt a policy that all ZBMR Reports be presented at full Council, complete with a response from the City department in question. The Council should conclude its review of ZBMR recommendations with the passage of a formal resolution instructing the City Manager to implement certain recommendations or to report back to Council with further information on feasibility on the reforms.

Impact of Recommended Reforms: Incentives for Cost Efficiencies

The San Diego Citizens' Budget Project sent an e-mail to all city employees asking them for feedback on how the City is managed, as well as for ideas for cost savings. The submissions were provocative...

“ One of the programs begun by the City a number of years ago as a way to reward employees for outstanding service is the discretionary leave program. It was set up to give an employee recognition by awarding days off for extraordinary service since monetary rewards in the form of extra salary increase or cash awards were not available. Each department was to set up criteria within their department based on the guidelines of this program. Discretionary Leave was to be awarded by the supervisor for a period of one day to three days, depending on the merit of the work, and was to be used in full day increments by the employee. Some departments now have it set up where one employee can award another employee discretionary leave rather than it going through the immediate supervisor as well as awarding to cover time for those employees who are out and do not have time on the books for one reason or the other. ”

“ Our department uses both org and operation accounts for each activity in addition to the number for the project, so three numbers must be looked up, then recorded for every phone call, piece of correspondence, e-mail or meeting I address. The list of numbers to choose from just for org and object accounts is two pages covered in small print. If that is not bad enough, I must get the work order number from the project tracking system (PTS), with several key strokes, and wait series, and then before turning in my time card, for each account enter the City Main Frame to check that the account is funded. After I do all this work, the payroll staff must data entry all this into the computer, and then check the accounts again to see if there is funding. If staff make a mistake, they have to hunt down staff trying to get all the information so our customers get billed for the work we do. This is all ridiculous. ”

For a complete record of e-mails submitted by City employees, visit www.sandiegobudget.org

Reduce Skyrocketing City Labor Costs and Pension Liability

Reform City Employee Compensation and Benefits Packages to Levels Appropriate in the Labor Market While Requiring that City Employees Be Part of the Solution to the City's Pension Fund Crisis

Findings of the Review

As documented in the previous section, City employees are generally hard working and care about the services they provide and the communities they serve. They should be treated with value and respect—and provided fair compensation for their work in the City.

However, given the immense financial challenges facing the City, City employees must be part of the solution. While the employees did not directly create the financial problems, the unions that represent them have had an immense role in proposing and securing wage and benefit increases that the City simply cannot afford. How? The influence of the City's public employees unions is considerable—with elected leaders in the City reluctant to take on these powerful interests.

In the pension area, the labor unions pressed and won substantial concessions in contract negotiations with the City – resulting in a 20 percent spike in total pension benefits, lowering the retirement age, increasing the percentage of salary used to calculate retirement benefits, and even creating the Deferred Retirement Option Program (DROP) that allowed City employees to "double dip" in salary for continuing to work in the City after retirement eligibility. ⁶³

These expanded benefits are on top of policies that allow City employees to purchase years of service to count towards early retirement – at bargain rates when pension benefits are factored in. In addition, the City provides health insurance for its retirees even though a dedicated revenue source is not available for this expenditure. Finally, the City provides a "13th Check" to retirees out of excess earnings in the retirement system, rather than retaining these earnings for market downturns.

At the same time that benefits were being increased, City leaders intentionally under-funded the pension system to the tune of tens of millions each year. All told, the pension system has a liability of 1.2 billion for regular pension benefits—and an additional \$1.1 billion for health insurance coverage. ⁶⁴ What's more, by FY 2011 the pension payments will balloon to \$306 million annually – or 21 percent – of the City's General Fund. ⁶⁵

Exacerbating the City's pension woes are salaries that are inflated for some City employee positions. It is clear that not all City employees have inflated salaries—and police officers are earning slightly less than their counterparts in other law enforcement agencies in our area. However, some positions in the City's salary schedule could be adjusted downward.

POSITION	CITY PAY SCALE	SAN DIEGO LABOR MARKET
Painter	\$43,960	\$32,000
Locksmith	\$46,240	\$32,500
Machinist	\$47,393	\$33,480
Plumber	\$49,253	\$43,120
Administrative Aide 1	\$40,043	\$29,870

(Note: Labor Market rates come from the Bureau of Labor Statistics latest compensation figures for San Diego County.)

A final troubling set of sweeteners that labor unions have negotiated for City workers come in the form of elaborate "special pay" and compensation rules articulated in the lengthy labor contracts. Just a sample of the outrageous payments negotiated in the Police and Fire union contracts include:

Highlights of the Citizens' Budget Review

\$73.2 Million

Total increase in personnel costs (salaries and benefits) in the FY05 Budget Proposal for the General Fund ⁶⁶

6%, 6%, 7%

Total percent salary increase being given in FY 2005 budget to City employees for MEA, Police and Fire respectively ⁶⁷

1176 at \$178 Million

Total Number of City Employees in the DROP Program, along with total amount "on deposit" in DROP Accounts as of June 2004 ⁶⁸

\$1.2 Million

Total lump-sum payment an Assistant City Manager will receive upon his retirement from the city, as calculated by the Union-Tribune ⁶⁹

\$1.2 Billion

Total project liability for the City's pension fund projected in FY 2009 if current benefits and funding policies are continued ⁷⁰

- **Motorcycle Washing Bonus:** Motor cops are paid 6 hours per pay period to wash their cycles. If they are into overtime, they are paid a total of 9 hours! ⁷¹

- **Uniform Allowance:** The City pays nearly \$1000 to each police officer for them to purchase uniforms during the year. ⁷² Other jurisdictions operate a supply store where new uniforms are exchanged for older ones-providing accountability.

- **Take-Home Car Privileges:** A recent ZBMR report documented that 25 percent of the police cars are taken home by officers and permitted for personal use. ⁷³

- **Overtime:** In addition to standard overtime rules, the contract calls for overtime automatically whenever Fire personnel have court appearances and when attending mandatory training programs-regardless of whether the employee worked more than 40 hours that week. ⁷⁴

Reforms to be Enacted Through Ordinance

The City's Pension Reform Committee has been meeting and deliberating over a series of reforms to the Pension System. Based on the minutes and votes from the meetings of the Committee, the San Diego Citizens' Budget Plan offers a blanket endorsement of their reforms-likely to be presented before the City Council on June 29, 2004. Nevertheless, there are several reforms that the Citizens' Budget Plan offers to improve upon the recommendations of the Pension Reform Committee.

- **Divert Half of FY 2005 Salary Increases to Contribute to a Comprehensive Pension Solution**

The Pension Reform Committee will likely propose that the City use Pension Obligation Bonds (POBs) to address the current liability in the Pension Fund. The current proposal is to issue a \$200 million POB this year, and instruct the City Manager to find an additional \$200 million in FY 2006 and \$200 million in FY 2007.

However, it is not reasonable to expect the taxpayer to bear the full impact of the Pension Liability without substantial assistance from the City employees themselves. After all, their unions negotiated and pushed for increased pension benefits-which, under the law, the City must honor now for ALL current members of the system. Since the unions are unlikely to concede the overly generous pay increases in FY 2005, only the last two options in the reform above are reliable tools for achieving the \$40 million cost savings target. Nevertheless, while politically unpopular with a union-influenced Council, the \$40 million target can be achieved even without concessions from the labor bargaining units

As a result, the City Manager should be instructed by the Council to prepare a plan to divert \$40 million in General Fund and Non-General Fund employee costs to contribute to the payment of the Pension Liability. The manager could craft a solution using one or more of the following to achieve this level of employee compensation cost savings:

- **Defer Half of the FY 2005 Salary Increases:** The Manager could negotiate and convince the unions to defer half of their salary increases in FY 05. The likelihood of this occurring is slim, but the request should be made. Unions may be amenable to revising the existing contract in concert with decisions on labor contracts for the next 2-3 years. If unions demand that that City fulfill its existing contract, the City should impose a salary freeze for FY 2006 and FY 2007-until the entire pension liability is addressed.

- **Require City Employees to Make the Employee Portion of their Pension Contribution:** Based on its last labor negotiations, the City agreed to cover not only its own contribution to the pension fund, but also agreed to cover the 5.8 percent employee contribution to the pension fund. In

essence, the City gave an immediate 5.8 percent raise to its workforce – on top of the other raises outlined in the chart below. According to the San Diego City Retirement System, this “employee contribution offset” costs the taxpayer over \$34 million a year. ⁷⁵ The City Manager has already reversed this “double pension payment benefit” for “unclassified” management positions. This revised policy should be extended to all City employees through renegotiation with the unions.

- **Personnel Reductions:** Using more of the 226 Options provided by the Citizens Budget Project could result in additional staff reductions throughout the City. Cost savings from these personnel reductions would go directly into the pension fund. In addition, during this first year, the Citizens' Budget Project did not examine non-General Fund agencies-another potential source of staff reductions and cost efficiencies. At least in those funds a full pension payment for those City employees could be made in FY 2005.

- **Furlough Program:** The Manager could require City employees to participate in a furlough program whereby City workers take one day of unpaid leave every two weeks-resulting in an approximate 10 percent reduction in compensation costs for the year.

Is a \$40 million diversion of compensation costs City-wide to the pension fund a draconian step? Not really. This proposal merely calls for reducing by under half the planned salary increases for FY 2005. Not a cut-just half of the massive increase in employee costs. While nothing can be done to substantially revise the sweet pension benefits packages for worker's already in the system, an added benefit of this \$40 million reduction in the FY 2005 salary increase would be to decrease base salary in FY 2005 from which some of those benefits are to be calculated.

When it is a choice between taxpayers being left holding the bag for an out-of-control pension package or employees contributing in a small way to the solution, the Council should insist on the latter.

	FY04	FY05	INCREASE
City Personnel Expenses	\$878,804,892	\$968,736,806	\$89,931,914

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- **Negotiate Reasonable Labor Contracts for FY 2006-2008**

The current labor contracts with employee unions are not reasonable and should be significantly revised when they are up for renegotiation this year. Negotiations over the new labor contracts begin July 1 and must conclude by June 30, 2005. During the next year, negotiations should focus on making the following reforms to the contracts:

• **Restrain Salary Increases:** Until the unfunded pension liability is eliminated, city employee salary increases should be kept to a bare minimum. As a result, the *Citizens' Budget* proposes a FY 2006 salary freeze, followed by a 1.5 percent "cost of living" increase in FY 2007 and a combined 1.5 percent "cost of living" increase with a 1.5 percent "performance pay increment" in FY 2008. With expected increases in city revenues in these fiscal years, the City should be able to finance the additional \$200 million contributions in FY 2006 and FY 2007 under the Pension Reform Committee's plan without tax or fee increases.

• **Reform of Special Pay and Allowances:** The "sweeteners" that have been added to each union contract over the years should be significantly curtailed in the new contracts. Top of the list for elimination: uniform allowances, FIT Program, motorcycle washing bonus, and guaranteed "overtime" provisions for duties that are within an employee's job description. In addition, the rules governing workers compensation and Family and Medical Leave Act management should be reformed—providing greater authority for management to reduce abuses of these provisions. Finally, special pay allowances should be limited to one allowance per employee to "spread the wealth" around to all employees.

• **Eliminate the Retirement "Offset":** For the past several years, the City has picked up the employee's contribution to the retirement system—in essence giving a 5.8% pay increase each year to employees on top of the negotiated base salary increase. At a time when the city is struggling to make its own contributions to the Pension Fund, employees should pay their fair share and make their own contribution to the Pension Fund. This reform alone would save \$36 million annually starting with FY 2006—growing to a savings of \$41 million in FY 2009.

• **Performance Reviews and Performance Pay:** Most importantly, the contracts should significantly enhance the ability of city managers to evaluate, correct, and reward employee performance—as well as base some portion of employee compensation on performance. Too many times, employees in government talk about "THE" pay increase rather than "MY" pay increase. This reflects a system that relies on the "cost of living" and "across the board" base increases negotiated in the union contracts, rather than a system that recognizes and rewards individual performance and value. Under this approach to "employee performance management," any salary increases should be split into two categories: a modest cost-of-living increase, with any excess going into a city-wide "Pay-for-Performance" fund that would be given out by management pursuant to employee performance evaluations. The net salary increase would be the same budget-wise, but the increase would be more strategically distributed to those employees that deliver solid performance.

Each employee would be evaluated under an annual "Employee Performance Plan" that articulates clear goals and measures for judging the work product of the employee—as well as identifies ways that management should support the employee through training and development. This approach reflects the "best management practice" in government—and it is strongly suggested that the City of San Diego adopt the same regulations as the federal government's Office of Personnel Management in developing and implementing its employee performance management system. This reform would be delayed until FY 2008 so appropriate employee performance goals and measures could be devised over the next two years.

Before negotiations on the labor contracts begin, the Council should adopt a resolution expressing the "Sense of the Council" that the Manager should seek these reforms. Such a resolution would bolster the Manager's negotiating position and result in an agreement more favorable to the taxpayer.

• **Adopt the Pension Reform Committee Recommendations in Whole**

The taxpayer should be watching the City Council very closely when the Pension Reform Committee's recommendations are voted on. Without substantial reform of the pension system itself, the taxpayer will not be protected by the issuance of a Pension Obligation Bond. As a result, the provision of funds to address the unfunded pension liability must be directly linked to reform of the pension benefits.

In addition to the likely pension benefit changes outlined below, the City Council should implement the following:

• **Elimination of City Council's Conflict-of-Interest:** Just as the Retirement Board must be reformed to eliminate a conflict-of-interest, the Council should adopt a rule prohibiting Council Members and legislative staff from receiving pension benefit improvements if enacted during their tenure of service. This reform would eliminate any appearance of impropriety.

• **Elimination of Option to Purchase Years of Service:** The City should discontinue the practice of allowing employees to "buy" years of service to spike their retirement benefits. It is a bad deal for taxpayers and defeats the "employee retention" purpose that a pension fund is supposed to have. At present, more than 3,000 City workers have requests pending to buy these additional years of service. ⁷⁶

• **Reform Contingent Benefits:** The City should require a larger co-payment for health insurance for dependents of retirees and revise the policy governing the "13th Check" to retain these earnings to offset possible investment losses in other years.

NOTE: Depending on the ultimate set of recommendations issued by the Pension Reform Committee, additional reforms might be suggested by the *Citizens' Budget Plan*. As such, this section will be updated on June 29, 2004 to reflect the final report of recommendations from the Pension Reform Committee to the Council.

Likely Recommendations from Pension Reform Committee

BENEFIT STRUCTURE	POLICY FOR CURRENT MEMBERS	POLICY FOR NEW MEMBERS
Retirement Age: General	55 w/ 20yrs Service 62 w/ 10yrs Service	Same
Retirement Age: Safety	50 w/ 20 yrs Service 55 w/ 10 yrs Service	52 w/ 20 yrs Service 57 w/ 10 yrs Service
Retirement Age: Legislative	55 w/ 8 yrs Service 62 w/ 4 yrs Service	Same
Percent of Salary: General	2.5% for Age 55 retirement 2.65% for Age 62 retirement	2% for Age 55 retirement 2.12% for Age 62 retirement
Percent of Salary: Safety	3% for Age 50 retirement 3% for Age 55 retirement	2.4% for Age 52 retirement 2.4% for Age 67 retirement
Percent of Salary: Legislative	3.5% for Age 55 retirement 3.5% for Age 62 retirement	2.8% for Age 55 retirement 2.8% for Age 62 retirement
Basis for Benefits: General	Highest one-year salary	Highest three-year average of base pay
Basis for Benefits: Safety	Highest one-year salary	Highest three-year average of base pay
Basis for Benefits: Legislative	Highest one-year salary	Highest three-year average of base pay

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• DROP

The Pension Reform Committee will likely recommend that the City eliminate the Deferred Retirement Option Plan (DROP)

• Governance

The Pension Reform Committee will likely recommend to change the composition and governance of the SDCERS' Board. The approved motion determined that the Board should consist of seven members appointed by the City Council with staggered

terms of four years each, with two consecutive term maximum. To avoid any conflict of interest, the Board will not consist of any City employees, SDCERS participants, or union representatives.

• Disability

The Pension Reform Committee will likely recommend changing the disability requirement definition to the Social Security system definition of total disability for General and Legislative members only.

DROPPing the Ball on Retention

When the unions sold the idea of the DROP program to city leaders, they claimed the program was needed to keep senior-level and hard-to-replace managers with the city past retirement. Unions argued that this would save the city money by keeping institutional talent in place and reducing replacement costs. However, a review of the 762 participants in the DROP program who are still working in their positions reveals that a huge number of easily replaceable positions have been allowed into the costly program. Of the 762, only 176 were deemed senior management positions or hard-to-replace skill levels. In fact, 453 were easily replaceable or entry level positions, 55 were machinists, gardeners or plumbers, and 78 were clerical/secretarial.

	NUMBER OF STAFF
Active DROP Beneficiaries in Management/Hard-to-Replace Positions	176
Active DROP Beneficiaries in General Positions (Firefighter, Police, Librarian, etc.)	453
Active DROP Beneficiaries in Commercial Positions (Refuse Collection, Gardening, Machinist, etc.)	55
Active DROP Beneficiaries in Clerical Positions	78
Total	762

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Employee Pay Increases Provided in the City Labor Contracts

ALL CLASSES IN THE UNIT REPRESENTED BY LOCAL 127 SHALL RECEIVE THE FOLLOWING INCREASES:

EFFECTIVE DATE	APPROX. INCREASE
Dec 21, 2002	1%
Dec 20, 2003	2%
June 19, 2004	2%
Dec 18, 2004	3%
June 30, 2005	3%

ALL CLASSES IN THE UNIT REPRESENTED BY LOCAL 145 SHALL RECEIVE THE FOLLOWING INCREASES:

EFFECTIVE DATE	APPROX. INCREASE
July 1, 2002	1%
July 1, 2003	2%
Dec. 20, 2003	2%
July 1, 2004	4%
Dec. 18, 2004	2%

ALL CLASSES IN THE UNIT REPRESENTED BY POA SHALL RECEIVE THE FOLLOWING INCREASES:

EFFECTIVE DATE	APPROX. INCREASE
July 1, 2003	2%
December 20, 2003	2%
July 1, 2004	4%
December 18, 2004	3%

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Exorbitant Salaries

Number of City Staff with Net Compensation Above \$100,000	483
Number of City Staff with Net Compensation Above \$120,000:	144

Note: Figures only based on base salary plus overtime. Figures do NOT include additional compensation for Special Pay and and 5.8 percent employee pension contribution that the City covers through the "offset" policy.

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City Workforce Growth

While the number of City employees has increased by 19 percent since 1994, the City's total labor cost has risen by 86 percent.

FISCAL YEAR	# OF EMPLOYEES
1994	9,484
1995	9,521
1996	9,855
1997	9,781
1998	9,921
1999	10,083
2000	10,189
2001	10,578
2002	11,000
2003	11,238
2004	11,289

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Impact of Recommended Reforms: Improved Retirement Security

Establish a Reasonable Limit on City Spending Increases

Require that San Diego City Government Live Within Its Means through Adoption of an Annual Spending Cap based on Increases in Population and Inflation

Findings of the Review

Contrary to assertions that San Diego's budget crisis is the result of a collapse in revenues as some have argued, the real culprit has been uncontrolled spending. This is the same scenario that was uncovered during the California Citizens' Budget Project, where we documented a 36 percent increase in state spending over four years despite population and inflation growth of just 21 percent and state revenue increases of 28 percent during the same period of time. ⁷⁹

Since FY 1995, the City's General Fund spending has grown by 68.26 percent. This year alone – during what the City describes as a tough and painful budget year – the City is increasing General Fund spending by a whopping 9.6 percent. ⁸⁰

Is there any way to control unsustainable spending by the City? Ironically, two initiatives already exist that reflects the people's support for limitations on spending. Passed by voters in 1979, Proposition 4 (known as the Gann Limit) stipulated that the City must compute an annual appropriations limit which places a ceiling on the total amount of tax revenues the City can appropriate each fiscal year.

Unfortunately, the Gann Limit has since been gutted and weakened by various legislative and electoral initiatives. As the table below indicates, the City's budget is completely unconstrained at the moment by a Tax Appropriation Limit:

YEAR	TAX APPROPRIATION LIMIT	GENERAL FUND EXPENDITURES CLAIMED	ROOM FOR MORE SPENDING
FY05	\$924,630,272	\$582,976,271	\$341,654,001
FY04	\$807,446,834	\$564,402,529	\$243,044,305
FY03	\$684,004,095	\$556,211,776	\$127,792,319
FY02	\$603,258,862	\$557,349,054	\$45,909,808
FY01	\$548,766,362	\$528,498,258	\$20,268,104

(Note: Figures do not reflect full General Fund spending as the Gann Limit exempts some expenditures from the Tax Appropriation Limit.) ⁸¹

The City of San Diego has its own Appropriations Limit set in Article VII, Section 71 of the City Charter—as adopted in the 1970s. Unfortunately, the City has not referenced this limitation in its budget nor has disclosed what spending level the limitation is currently valued at. Nevertheless, unless the City is operating in gross violation of the Charter at its current spending level, the Charter's own Appropriations Limit provides no restraint on spending.

The current financial crisis is a perfect justification for a re-imposition of a reasonable spending limit. During the hot economy of the late 1990s, the City (as was the case with the state) saw huge spikes in tax revenues. Everyone was spending freely during the dot-com craze. The state and the City increased their spending right up to the unsustainable level of the huge influx of new revenues. The state and the City both made deals with labor unions—sweetening employee compensation and pension packages. Yet when the bubble burst on the dot-com economy, revenues fell—and the state's budget crisis led to raids on local revenue streams. What is left is a higher "baseline" spending level that cannot be supported by the more reasonable levels of revenue being supported by a more rational economy. Moreover, the City faces billions in liabilities to the City pension fund and labor contracts it can ill afford.

Had a realistic appropriations limit been in place these unsustainable spending increases and deals with labor unions would have been in excess of the limit—preventing much of our current crisis.

Highlights of the Citizens' Budget Review

\$342 Million

Difference between the City's current spending and the so-called Tax Appropriations Limit set by the Gann spending cap in the California Constitution (\$925 million is the so-called spending limit that the City has currently set for itself) ⁸²

9.6 Percent

Total percent increase in spending under the FY 2005 General Fund budget ⁸⁰

3.7 Percent

Annual increase in consumer price index for 2003 ⁸³

68 Percent

Total increase in City spending since 1995 ⁸⁴

\$98 Million

Total amount in surplus the City of San Diego would have today had it limited its spending increases to population and inflation rates (4 percent) since 1995 ⁸⁵

Reforms to be Enacted Through Charter Change

• Re-Impose a Proper Spending Limit by Amending Article VII, Section 71

Just as efforts are now underway to restore the state of California's "spending limit" the City of San Diego should restore its own spending limit. As such, the City Council should place before the voters in November 2004 a comprehensive and reasonable City appropriations limit based on the following principles:

- **Baseline:** The limit should take all FY 2005 General Fund expenditures as a baseline.
- **Reasonable Increase:** The limit would increase by the percentage increase in population and inflation in the City annually.
- **Ratchet-Back:** Should City revenues not meet the Appropriations Limit for a given year, the Appropriations Limit for the following year would be calculated using the actual level of expenditures.
- **Reconciliation:** The City would be required to reconcile all expenditures to conform to the Appropriations limit.

• **Emergency Provisions:** Any one-time expenditures resulting from a City emergency (defined as relating to natural disasters not economic downturns) would not be subject to the limit.

• **Reserve Fund:** Half of revenues collected in excess of the Appropriations Limit would be deposited into a special "Budget Rainy Day Fund" to offset revenue shortfalls during poor economic times and emergencies (as defined above).

• **Debt Reduction:** Half of revenues collected in excess of the Appropriations Limit would be allocated to the retirement of City debt early (none of these funds could be used to pay interest or service payments, just principal).

• **Integrity of Limit:** The Appropriations Limit would be adjusted when any expenditures are transferred from the General Fund to an Enterprise or Special Fund of the City.

• **Trial Period:** The Appropriations Limit would be in effect for only five years, after which period the voters could make this taxpayer protection permanent.

Impact of Recommended Reforms: Real Budget Accountability

Bringing Spending Discipline to California State Government

CITIZENS' Budget

April 30, 2003



“Based on where the various parties are in their positions today, a ten-year **\$15 billion bond** would be required at the least to bridge the gap. Debt servicing on the bond would begin immediately and would burden future budget cycles. The loan would be enough to transition past the present crisis **along with long-term constitutional changes necessary to impose discipline** on Sacramento.”

The New York Times

November 19, 2003

“Schwarzenegger Outlines Plan to Handle California Deficit

On Tuesday, his first full day as governor, Mr. Schwarzenegger offered a glimpse of his strategy. He intends to have the state borrow up to **\$15 billion** to cover most of the existing deficit and **impose a constitutional spending cap to avoid future overspending.**”

The San Diego City Charter: A Spending Limit with No Teeth

Article VII, Section 71
Preparation and Passage of
Annual Appropriation
Ordinance



“The appropriation for the general operations of the City excluding all special funds in existence prior to the effective date of this section and expenditures to pay judgments or extraordinary claims or to defray the cost of emergency measures as defined in Section 17 of this Charter shall not exceed the prior year's appropriation for general operations of the City, with the stated exclusions, adjusted by no more than three quarters (3/4) of the percentage change in the price index added to any percentage increase in population growth.”



Reduce Corporate Welfare and Subsidies to Special Interests

Conduct a Complete Review of City Expenditures Benefiting Corporate or Special Interests to Improve Cost Recovery to the Taxpayer While Improving Full Disclosure and Transparency of Public Support for Special Interests

Findings of the Review

During the budget process, the City proposed a number of significant cuts to library hours, park and recreation programs, and even child care. Unfortunately, there has been little mention of reductions in programs benefiting a variety of special interests throughout the City. Granted, everyone is part of a special interest-and corporate special interests are the lifeblood of a City's economy. No one group should become the whipping boy to balance the budget. Nevertheless, everyone must contribute to the solution.

From the Chargers' ticket guarantee and the building of new stadiums for the sports industry to the \$4.5 million Convention Center subsidy for the tourist and hotel industry, millions in taxpayer dollars are diverted from general benefit programs to promote the success of a narrow band of interests.⁸⁶ One of the biggest sources of special interest subsidies can be read in the City's "Special Promotional Programs" budget-which is enjoying a 10 percent increase in spending this year to a whopping \$97,025,977.⁸⁶ In addition to providing the bulk of funding for projects such as the ballpark and stadium, these funds provided subsidies and grants to a myriad of groups in the City during FY 2004 including:

- ConVis (\$12,500,000)
- San Diego Bowl Game Association (\$435,597)
- San Diego World Trade Center (\$126,968)
- Asian Business Association (\$40,771)
- Food and Beverage Association (\$34,800)
- Jazz Festival (\$56,625)
- California Ballet Association (\$114,092)
- Icarus Puppet Company (\$15,234)

...and the list goes on and on covering nearly 250 separate subsidies ranging from a few thousand dollars to tens of millions!

The giveaways do not just go to corporations. A number of sweetheart deals have been worked out with so-called non-profit organizations and business trade associations that have millions in annual revenue. Despite the fact that these groups receive millions in subsidies, very few are required to disclose their organization's financial statements or the compensation of their top officers. While these groups no doubt do good work, many can afford to pay for their own promotional programs, bear a greater share of rent in the City properties they occupy, and reimburse taxpayers for expenses relating to their special events (including police and fire overtime resulting from events.)

While any special interest giveaways should pose concern to taxpayers, the Citizens' Budget Project is most concerned when diversion of funds to special interests occurs in the General Fund of the City's budget. The General Fund is supposed to pay for general City services of benefit to the entire community-not a narrow band of interests. As a result, the reforms articulated for FY 2005 in this plan primarily focus on General Fund savings, while setting the stage for reforms in the Special Funds through greater transparency and public oversight.

Highlights of the Citizens' Budget Review

\$31.7 Million

Total expenditures from the "Special Funds" for Petco Park and QUALCOMM Stadium ⁸⁶

\$97 Million

Total subsidies contained in the "Special Promotional Programs" fund that provides grants and support to a myriad of for-profit and non-profit interests ⁸⁶

8 Percent

Total increase spending on subsidies contained in the "Special Promotional Programs" planned for FY 2005 ⁸⁶

\$344,568

Total General Fund subsidy planned under the FY 2004 "Special Projects" Budget for corporate, for-profit events ⁸⁷

\$1

The typical annual rent currently charged under the majority of contracts to non-profit groups in exchange for use of City facilities ⁸⁸

25 to 50

Typical lease term given to subsidized groups-removing any chance to cut some of these subsidies in the near-term! ⁸⁸

Reforms to be Enacted Through Ordinance

• Achieve Full Cost Recovery on Special Events

Perhaps the most pressing area to reduce City subsidies to corporations and other special interests that has an impact on the General Fund comes from special events. Special events require processing of event permits—which the City currently subsidizes to the tune of \$344,568 in FY 2003.⁸⁷ Another cost is incurred by the Police Department and Fire-EMS Department to provide support to these events — usually incurring huge overtime costs. Sometimes these costs are recovered through fees, but not in all cases.

To implement this reform, the Council should pass a resolution instructing the City Manager to bring a plan before Council by September 1, 2004 to ensure full cost recovery of all General Fund expenses associated with special events—whether sponsored by a for-profit or non-profit entity. The Manager should define a process by which the City Council would have the ability to provide a “grant-back” of special event fees for non-profits who legitimately need a subsidy to hold their public event. In cases where a non-profit is requesting a subsidy, their financials for their organization and event in question—complete with compensation levels for their top five officers—should be made public and kept on record in the Clerk’s office. This would provide the Council and the public with the transparency and confidence necessary that City subsidies are indeed needed.

In addition, the proposal should contain a feasibility study on one option presented by the *Citizens’ Budget Project* during the “Options” phase to create the “San Diego Chartered Police Agency.” This entity would recreate how the City of San Jose manages special events and provides for increased compensation for police officers through off-duty assignments. This would help reduce overtime costs associated with City event management.

If all of these reforms are implemented along with the Chartered Police concept, the City would achieve \$1.5 million in cost savings in FY 2005—with additional cost savings in future years.

• Assess Fair Market Value Rent for City Properties

Just as many corporations and non-profits receive subsidies for special events, many groups receive leases for the use of City properties for free or at rates far below fair market value. In addition to over 500 leases for commercial groups ranging from concession vendors and hotels to Sea World, the City maintains 103 leases with non-profit groups that are heavily subsidized.⁸⁸ These numbers reflect only leases managed by the Office of Real Estate—with the Parks and Recreation Department managing other short-term leases and authorizations for use of City properties.

One timely example of these giveaways to non-profit groups is found on the Council Docket—the very same day that this San Diego Citizens’ Budget was presented to the City. The Council approved the following two leases:

• **Ocean Beach Child Care Project:** The City provides a 14,600 square foot parcel and 2800 in building space for \$1 per year, plus an administrative fee of \$2621. According to the City, the fair market value of this deal would be \$99,600 per year—a loss of approximately \$95,000 in potential revenue from this one lease.⁸⁹

• **San Diego Family Care, Inc.:** This organization oper-

ates the Mid-City Community Clinic. Fortunately, the lease will require the occupant to make maintenance investments in the property. Nevertheless, the City discloses that the fair market value of this deal would be \$198,000 annually. Despite this, the City intends to provide 15,000 square feet in building space for \$1 per year, plus an administrative fee of \$2621.⁸⁹

The *San Diego Citizens’ Budget Project* is not trying to pick on these two groups in particular. We reference them only because their leases happen to be approved the same day as the budget plan was presented to the Council. To be sure, both groups provide important community services. However, it is not entirely clear that their finances are so poor that they cannot afford the fair market value of rent—or at least a larger portion of the value. At the moment, the public is kept in the dark on their financial ability to pay.

Consistent to the reforms on corporate and non-profit special events, the Council should pass a resolution instructing the City Manager to bring an inventory of all City leases with current rent charges versus fair market value of the properties—for both commercial and non-profit groups. Council Policy should be modified to ensure fair market value is charged on all properties—whether occupied by a for-profit or non-profit entity.

In addition, the Manager should define a process by which the City Council would have the ability to provide a “grant-back” of rent for non-profits who legitimately need a subsidy—through a public vote of the Council. The “grant-back” would have to be included in each succeeding budget. Should Council decide not to approve the “grant-back” in future years, the lessee would be allowed to break the lease. This would provide protections from the absurdly long terms of 25 and 50 years in some of these leases.⁹⁰

In cases where a non-profit is requesting a subsidy, their financials for their organization—complete with compensation levels for their top five officers—should be made public and kept on record in the Clerk’s office. This would provide the Council and the public with the transparency and confidence necessary that City subsidies are indeed needed.

A mere 5 percent escalation in rents on City-owned properties managed by the Office of Real Estate Assets would net \$2.5 million in FY 2005.⁹¹ Additional cost savings could be achieved in agreements managed by the Parks and Recreation Department.

• Expand Corporate Sponsorship Opportunities to Provide Vehicle for “Giving Back” to the San Diego Community

This reform is less about taking public funding away from special interests as it is asking special interests to support community investments. In fact, even ZBMR has recommended to the City that greater efforts and opportunities should be made to ask for corporate sponsorship in support of City programs. There has been some progress. For example, General Motors donated two dozen vehicles to the City—and would have donated more in exchange for modest promotional space on lifeguard stations. The Fire Department has also done this well—collecting \$2 million in FY 2005 alone.⁹² Certainly the City must be tasteful in offering corporate promotional space, but the City should also be aggressive in asking for corporate support. Expanding support in Park and Recreation area could easily net \$1,000,000 in FY 2005—with much more in future years.

• **Replace General Fund Support for the Business Resources & Technology Link**

This program provides business development research and support services through the City's Library budget for private entities. While a program like this is certainly helpful to encourage business growth, it is duplicative of other research and support services available from entities such as the Small Business Administration and local business associations. The program was launched with grant funding three years ago—but when grant funding ended, the program found a permanent home in the General Fund. Suspending the program or finding proper funding sources for it would save the General Fund \$180,000 in FY 2005. ⁹³

• **Reform the Subsidy of the SD Convention Center**

The SD Convention Center runs an operating loss each year of \$4.5 million—not counting the \$14 million in debt payments made by the City annually. ⁹⁴ The Convention Center—which generally has a solid management team—insists that the \$4.5

million subsidy would be impossible to do without. To provide full confidence that this indeed is the case, the Council should request the Manager issue a Request for Proposals to two outside convention center management firms whereby the \$4.5 operations subsidy would be phased out over four years to bring the convention center into break-even. The RFP should include clear performance standards for room bookings and revenue generation to the City to ensure that quality can be accounted for. Should the open-bid competition work, the City would save \$1 million annually.

In addition, the City should transfer of the funding source for the subsidy from the Convention Center budget to the "Special Promotional Programs" budget, using offsets within that funding source to accommodate the \$4.5 million expense. The resources left over could go into capital projects at the Convention Center to continue to expand infrastructure rather than subsidize operating expenses.

Impact of Recommended Reforms: \$5 Million in FY05 Cost Savings

The San Diego Citizens' Budget Project sent an e-mail to all city employees asking them for feedback on how the City is managed, as well as for ideas for cost savings. The submissions were provocative...

“ From the perspective of a 30-plus year City employee, who is over 55 and a DROP participant, I would suggest the City consider some form a DROP employee pay-off or buy-out to reduce current payroll costs. I haven't formulated an exact plan, but given the 500 employees currently in DROP there might be an opportunity to “buy” a portion (or all....?) of a DROP employees remaining contract (for lack of a better term) thus encouraging them to retire earlier & thereby reduce the city payroll. ”

“ There are several departments that are housed downtown and do not require public contact. Part of the Dept. of Transportation is at Chollas and part in the EXE complex (which is rented). The part downtown has most of its employees on CP mileage with paid parking. I suggest that since we don't need to be in the downtown for the public that we be moved to Chollas (new building). You can pay for the building out of saved rent and all the money that is spent on parking. (\$55.00 per month times 30 or 40 employees). ”

“ A study to determine how many positions are being filled with individuals who are not fulfilling the responsibilities of that position. Most city employees know of at least one person in their department/division/section who is what I call “deadwood.” Someone who is taking up a position, getting a check, and not doing the job they are asked to do. Not for the intention of cutting the position, but for the purposes of determining if the job can be done in a more efficient and accurate manner. ”

“ I've worked for the City for 15 years. The "worker bees" of this City are good people...we work hard, we put in overtime for free, we often go out of our way to be extra helpful to citizens, and we take pride in the quality of our work. The mismanagement of our City is a reflection on us all and I, for one, am angry. It is heartbreaking and disappointing to me that our City leaders have shown themselves as (1) criminals in some cases, (2) irresponsible with our retirement funds, (3) poor businesspeople, (4) more concerned with their own re-election than the well being of this City. ”

“ Eliminate the Management Benefits Package. “Management employees and employees in classifications specifically designated by the City Council are offered an additional allotment which is added to the negotiated dollar amount. This is called the Management Benefits Package. (Currently an additional approximately \$2500.00/yr)” Let all employees of the City receive the same benefits package. It hardly seems fair to say that because the City is in poor fiscal condition, we are going to need to sacrifice, then allowing this inequitable situation where the higher salaried, management employees (who are responsible for the budgets, and the sorry shape the budgets are currently in) are also given an additional annual \$2500.00 for benefits, to continue. ”

For a complete record of e-mails submitted by City employees, visit www.sandiegobudget.org

Reduce Mayor and Council Staff Size and Budgets

Require that the Mayor and City Council Share in the Pain of Balancing Our Budget and Set an Example to All Departments that Cost Savings are Expected of Everyone

Findings of the Review

Excessive Staff Size and Expenditures for Mayor and Council: The Mayor and Council budgets have skyrocketed in the past 10 years—despite the worsening condition of the City's finances. Moreover, when comparing the budget for the Mayor and Council with other cities, it is clear that the Mayor and Council budgets are bloated.

In the budget review, Phoenix was selected as the best comparison to San Diego for several reasons. First, Phoenix is one size larger than San Diego population-wise. Second, Phoenix has the same governance structure as San Diego: a Council-Manager system of government with 8 Council Members and a Mayor. Despite Phoenix being larger, San Diego's Mayor and Council budgets are still \$4.9 million more!

COMBINED BUDGETS OF MAYOR AND COUNCIL	
FY95	\$4,757,095
FY05	\$10,822,851
Difference	\$6,065,756 (127.5%)

Lack of Transparency in Mayor and Council Budgets: The excessive spending by the Mayor and Council on their personal staff is worse than the public budgets for the Office of the Mayor and City Council depict. The budget review uncovered more than \$1.1 million in expenditures for the Mayor and City Council buried in the budget for "City-Wide Expenditures."⁹⁵ Moreover, an undisclosed sum is spent to provide security services for the Mayor—presumably a reduction in the Police Department budget.

Unequal Funding for Council Members: A curious inequality exists among individual offices for City Council Members. As citizens deserve equal representation, the budgets for each Council Member should be equalized.

Reforms to be Enacted Through Ordinance

The following initiatives would bring the budgets of the Mayor's Office and City Council to reasonable levels.

- Reduce Mayor-Council Budgets by \$4.5 Million**

By benchmarking the San Diego legislative budgets against those in Phoenix, it is clear that a \$4.5 million reduction could be made. This benchmarking does not even factor in the additional \$1.1 million spent to subsidize Mayor and Council operations out of the City-Wide Expenditures Budget.⁹⁶ Indeed, factoring those expenditures would mean the San Diego Mayor and Council will still out-spend their counterparts in Phoenix for legislative staff.

Making the \$4.5 million reduction would send an important signal to citizens and even City employees that the Mayor and Council are willing to share in the pain to balance the budget and are leading by example.

- Equalize Funding for City Council**

Even without the reductions outlined above, the City Council should equalize the funding for each Council Office—providing equal representation and service across each Council District for City residents.

Highlights of the Citizens' Budget Review

\$4.9 Million

Total spending of San Diego Mayor and Council above that of the City of Phoenix Mayor and Council—a City one size larger!⁹⁸

127.5 Percent

Increase in budgets of Mayor and Council since FY95⁹⁵

3 "Phantom" Staffers

Total positions included in the Mayor's FY 2005 budget that are intentionally held vacant but not eliminated so future Mayoral staff size maintained⁹⁹

3

Total number of floors in the City Administration Building for Mayor and Council staffs-up one this year alone!¹⁰⁰

33

Number of Mayoral and Council staff who earn a base salary in excess of the \$75,386 paid to councilmembers¹⁰¹

\$191,592

Base salary of the Mayor's chief of staff, John Kern – higher than the President's chief of staff, Andrew Card, and National Security Advisor Condoleezza Rice¹⁰²

Benchmarking San Diego

DEPARTMENT	PHOENIX HEADCOUNT	SAN DIEGO HEADCOUNT	PERCENTAGE HIGHER	PHOENIX BUDGET	SAN DIEGO BUDGET	PERCENTAGE HIGHER
City Council	47	85	55.29 percent	\$3,422,658	\$7,413,974	46.16 percent
Mayor	15	29	51.72 percent	\$1,719,352	\$2,690,199	63.91 percent

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Breaking Down the Mayoral and Council Budgets

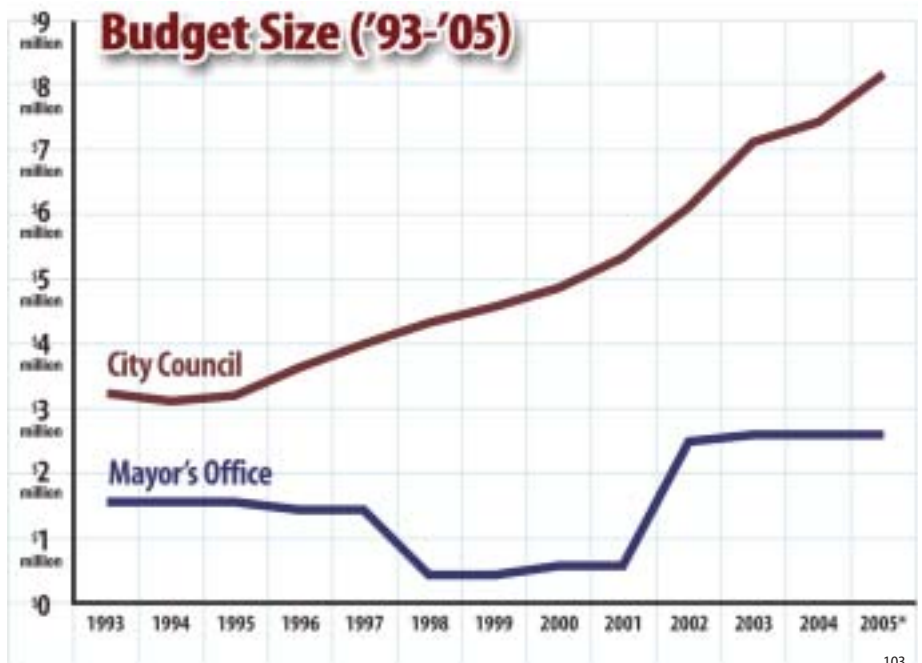
	EXPENDITURE	STAFF
Mayor	\$2,690,199	29
Council Admin.	\$860,017	7
District 1	\$885,445	9
District 2	\$927,951	11
District 3	\$892,703	10
District 4	\$958,945	10
District 5	\$862,595	9
District 6	\$867,938	9
District 7	\$935,323	10
District 8	\$941,735	10

Mayor-Council Spending Buried in "City-Wide Expenditures" Section of the Budget

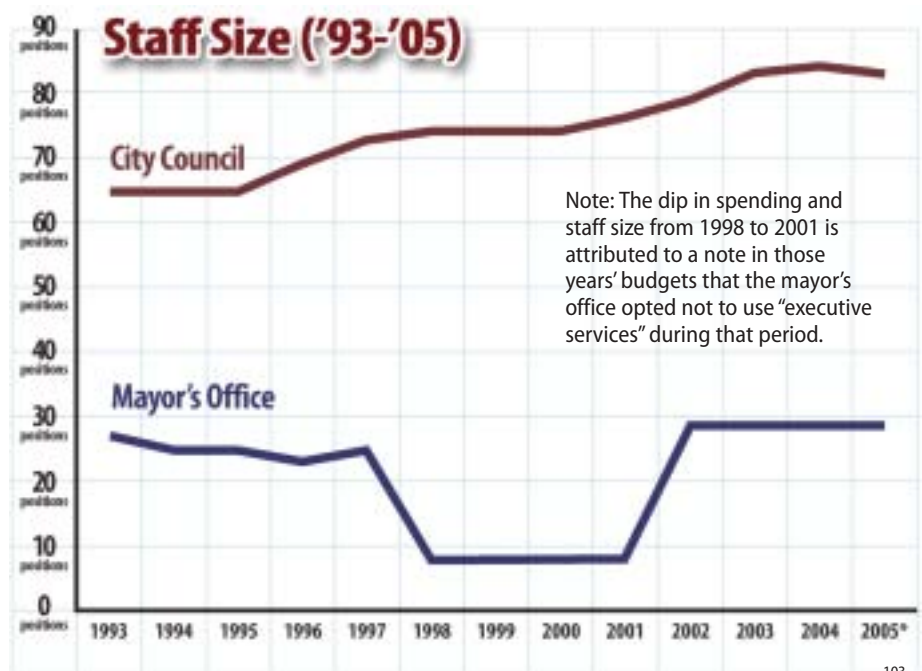
	EXPENDITURE	STAFF
Council-Budget Liason	\$2,690,199	29
Management Compensation	\$860,017	7
Data Proc. Legislative Service	\$885,445	9

Total	EXPENDITURE	STAFF
	\$11,960,321	115

101



103



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Impact of Recommended Reforms: \$4.5 Million in FY05 Cost Savings

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SAN DIEGO CITIZENS' BUDGET PLAN

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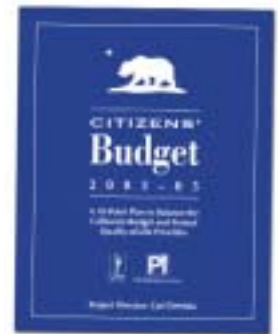
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