THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: September 17, 2010 **IBA Report Number:** 10-72

Rules Committee Meeting Date: September 22, 2010

Item Number: 1

Response to Grand Jury Report Titled "Efficiency in Government: Managed Competition, Outsourcing, Reengineering and Reverse Auction within San Diego County"

OVERVIEW

On June 3, 2010 the San Diego County Grand Jury issued a report to the Mayor and City Council entitled "Efficiency in Government: Managed Competition, Outsourcing, Reengineering and Reverse Auction within San Diego County." The Grand Jury report provides a snapshot of the state of managed competition and Business Process Reengineering programs in the City of San Diego.

The Grand Jury report included seven findings and two recommendations directed to the Mayor and the City Council. Both the Mayor and the City Council are required to provide comments to the Presiding Judge of the San Diego Superior Court on each of the findings and recommendations within ninety days. Due to the demands of the legislative calendar, the Presiding Judge granted an extension to the date for the Mayoral and City Council response to November 1, 2010. This report presents the City Council's response as recommended by the IBA.

Prior to developing response recommendations for the City Council, the IBA reviewed the Mayor's response and discussed the Grand Jury's findings/recommendations with the Business Office. For each finding and recommendation, the City Council may 1) join the Mayor's response; 2) respond with a modification to the Mayor's response; or 3) respond independently of the Mayor.

In responding to each Grand Jury finding, the City is required to either 1) agree with the finding or 2) disagree wholly or partially with the finding. Responses to Grand Jury

Office of Independent Budget Analyst
202 C Street, MS 3A • San Diego, CA 92101
Tel (619) 236-6555 Fax (619) 236-6556

recommendations must indicate that the recommendation 1) has been implemented; 2) has not yet been implemented, but will be in the future; 3) requires further analysis; or 4) will not be implemented because it is not warranted or is not reasonable. Explanations for responses are requested when applicable.

The table below provides a summary of the IBA's recommendations.

Findings:	01, 02, 03, 05, 06, 07	***Join the Mayor's Response***
Findings:	04	***Respond with a Modification to the Mayor's Response***
Recommendations:	10-99	***Respond with a Modification to the Mayor's Response***
Recommendations:	10-100	***Join the Mayor's Response***

The full text of the Mayor's responses, and the IBA's recommended responses on behalf of the City Council, can be found in Attachment 1 to this report.

Brittany Coppage
Research Analyst

APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments:

1) Recommended City Council Responses to Findings and Recommendations in San Diego County Grand Jury Report entitled, "Efficiency in Government: Managed Competition, Outsourcing, Reengineering and Reverse Auction within San Diego County"
2) San Diego County Grand Jury Report entitled "Efficiency in Government: Managed Competition, Outsourcing, Reengineering and Reverse Auction within San Diego County"

Recommended City Council Responses to Findings and Recommendations in San Diego County Grand Jury Report entitled, "Efficiency in Government: Managed Competition, Outsourcing, Reengineering and Reverse Auction within San Diego County"

Grand Jury Facts, Findings and Recommendation 10-99:

Facts – Set One - #5

Mayor's correction: The referenced PERB decision was entered on August 22, 2008, rather than September 18, 2008.

Finding #01: *In November, 2006 the voters of the City of San Diego amended Section 117(c) of the City Charter to permit the City to employ independent contractors to perform city services and requiring that the City Council enact an ordinance implementing the amended City Charter.*

Mayor's response: Agree

IBA Recommendation: Join the Mayor's Response.

Finding #02: *The City has expended many hours in numerous sessions attempting to negotiate with City unions the terms of the implementing ordinance and managed competition guide.*

Mayor's response: Agree

IBA Recommendation: Join the Mayor's Response.

Finding #03: *The City has yet to enter a contract under the charter amendment passed by the voters on November 7, 2006.*

Mayor's response: Agree

IBA Recommendation: Join the Mayor's Response.

Finding #04*: Managed Competition is stalled in a political and ideological battle that may ultimately have to be resolved: by enactment in November 2010 of the alternative Competition and Transparency in City Contracting Initiative 2010, an election result that alters the partisan split, or by some other means.*

Mayor's response: Partially disagree. At the October 27, 2009 impasse hearing, the City Council voted against implementing the Mayor's last best final offer and to continue vetting concerns by the City Council and labor organizations at the negotiating table. Since that time, the City Council has been providing direction to the Mayor's negotiating team and progress is being

made with impacted labor organizations as the City continues to meet and confer, as required by law. The parties are working to resolve the impasse and adopt an appropriate Managed Competition Guide via an ordinance.

IBA Recommendation: Respond with a modification to the Mayor's response, replacing it with the following *(IBA addition in **bold italics**)*:

Partially disagree. At the October 27, 2009 impasse hearing, the City Council voted against implementing the Mayor's last best final offer and to continue vetting concerns by the City Council and labor organizations at the negotiating table. Since that time, the City Council has been providing direction to the Mayor's negotiating team and progress is being made with impacted labor organizations as the City continues to meet and confer, as required by law. The parties are working to resolve the impasse and adopt an appropriate Managed Competition Guide via an ordinance. ***The City Council and the Mayor are committed to implementing Managed Competition following adoption of the Ordinance.***

Finding #05: *The Grand Jury is empowered to make recommendations to the Mayor and City Council; but lacks the jurisdiction to make recommendations to the American Federation of State, County and Municipal Employees, AFL-CIO, Local 127, and the Municipal Employees Association. If the Grand Jury had such jurisdiction it would include these employee organizations in its recommendations.*

Mayor's response: The Mayor declines to opine on the Grand Jury's jurisdiction to make recommendations to labor organizations, or what the Grand Jury's actions would be if they believed they had such jurisdiction.

IBA Recommendation: Join the Mayor's Response.

The 2009/2010 San Diego County Grand Jury recommends that the Mayor and the City Council of the City of San Diego:

10-99: *Proceed with the impasse process or other appropriate process to approve and enact the implementing ordinance, approve the Managed Competition Guide, and proceed to full implementation of amended Section 117(c) of the City Charter.*

Mayor's response: The recommendation has not yet been implemented but will be implemented upon completion of the required meet and confer process and City Council approval. After reaching impasse with the affected labor unions on September 23, 2009, the City Council conducted an impasse hearing on October 27, 2009, at which time it rejected the Mayor's last best final offer. Since that time, the City Council has been providing direction to the City's negotiating team, in fulfilling their duty under Council Policy 300-06 to resolve the impasse. The Mayor is hopeful the City Council will expeditiously resolve the impasse and adopt an appropriate Managed Competition Guide via an ordinance. At that point, the Mayor is

committed to implementing a managed competition program to determine if city services can be provided more economically and efficiently by an independent contractor than by persons employed in the Classified Service while maintaining service quality and protecting the public interest.

IBA Recommendation: Respond with a modification to the Mayor's response, replacing it with the following *(IBA addition in **bold italics**)*:

The recommendation has not yet been implemented but will be implemented upon completion of the required meet and confer process and City Council approval. After reaching impasse with the affected labor unions on September 23, 2009, the City Council conducted an impasse hearing on October 27, 2009, at which time it rejected the Mayor's last best final offer. Since that time, the City Council has been providing direction to the City's negotiating team, in fulfilling their duty under Council Policy 300-06 to resolve the impasse. The Mayor is hopeful the City Council will expeditiously resolve the impasse and adopt an appropriate Managed Competition Guide via an ordinance. At that point, the Mayor ***and City Council are*** committed to implementing a managed competition program to determine if city services can be provided more economically and efficiently by an independent contractor than by persons employed in the Classified Service while maintaining service quality and protecting the public interest.

Grand Jury Findings and Recommendation 10-100:

Finding #06: *The City Facilities Division completed its Business Process Reengineering in June, 2008, but the BPR has not been implemented because the Union will not meet and confer on implementation.*

Proposed Mayor's Response: Disagree. AFSCME Local 127 did initially refuse to meet and confer on the Facilities Maintenance BPR. They have since agreed to do so.

IBA Recommendation: Join the Mayor's Response.

Finding #07: *The Grand Jury is empowered to make recommendations to the Mayor and City Council; but lacks the jurisdiction to make recommendations to the American Federation of State, County and Municipal Employees, AFL-CIO, Local 127, and the Municipal Employees Association. If the Grand Jury had such jurisdiction it would include these employee organizations in its recommendations.*

Proposed Mayor's response: The Mayor declines to opine on the Grand Jury's jurisdiction to make recommendations to labor organizations, or what the Grand Jury's actions would be if they believed they had such jurisdiction.

IBA Recommendation: Join the Mayor's Response.

The 2009/2010 San Diego County Grand Jury recommends that the Mayor and the City Council of the City of San Diego:

10-100: *Proceed with the impasse process or other appropriate process to approve and implement the Facilities Maintenance Division Business Process Reengineering, as well as other BPRs that have been completed by the City but have not been implemented because of refusal of the applicable union to meet and confer regarding BPRs.*

Mayor's Response: The recommendation has not yet been implemented but will be implemented upon completion of the required meet and confer process and City Council approval. The Mayor is committed to achieving costs savings through business process reengineering, efficiency studies, and other efforts. Previous BPRs conducted by the Mayor have achieved over $39M in annual savings and over $6M in additional cost avoidances. Council approval will be sought on completed BPRs either after, or subject to, completion of meet and confer obligations with labor. The Facilities Maintenance BPR recommendations are currently under staff review prior to meeting with labor. The labor organizations are no longer taking the position that BPRs cannot be implemented before a managed competition process is complete. Progress has been made with impacted labor organizations and the City continues to meet and confer, as required by law. The Mayor is also committed to continuing to monitor the implementation of BPRs that are approved by City Council.

IBA Recommendation: Join the Mayor's Response.

EFFICIENCY IN GOVERNMENT

MANAGED COMPETITION, OUTSOURCING, REENGINEERING AND REVERSE AUCTION WITHIN SAN DIEGO COUNTY

INTRODUCTION

Proposition C on the November 2006 ballot amended the San Diego City Charter[1] to permit the City of San Diego (the City) to employ independent contractors to perform city services. The measure passed by a significant margin: sixty percent against forty percent. The City has yet to enter a contract under the charter amendment.

Four months later, in March 2007, the San Diego County Board of Supervisors granted the County Director of Purchasing and Contracting expanded authority to enter into contracts to purchase, rent, or lease all personal property for the County and to engage independent contractors to perform services for the County. The Director used this authority to enter managed competition, outsourcing and reverse auction contracts under the ordinance which, together with savings from reengineering, resulted in savings of $678,596,736 for the taxpayers of the County through FY 2008.[2]

Both statutory processes are often referred to as "managed competition" although the statutes may allow other processes such as outsourcing and reverse auction. Managed competition, while similar to outsourcing, differs in that current government employees are encouraged to devise and submit their own bids to compete with private sector providers for a contract. The objective of managed competition, outsourcing and reverse auction, as well as "reengineering", remains the same: to realize greater economy and efficiency on behalf of the taxpayer. The benefits of managed competition include: reduced cost, enhanced quality, timeliness of delivery, flexible staffing, access to expertise, innovation due to competitive contracting, and shifting of risk to contractors.[3] The cost savings realized by public agencies such as the Department of Defense, for example, have ranged from about thirty-one percent to forty-two percent.[4]

Managed competition for the City of San Diego has been the subject of numerous press releases, news reports, studies, analyses and editorials. More objective than most editorials is Managing Competition, *Union-Tribune*, February 14, 2010. The Mayor (as reported by the *Union-Tribune* on December 4, 2006) has noted that the City proposal requires that a managed competition contract may be awarded to an outside bidder only if the taxpayers will realize at least a 10% savings, significantly tipping the scales against the outside bidder and in favor of City employees. However, the unions want that advantage in addition to the exclusion of their health insurance, valued at more than $6,000 per employee per year, from their bid. One council member, frustrated with the failure of the City to implement managed competition has proposed a new ballot

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[1] San Diego City Charter, Article VIII, Section 117, Unclassified and Classified Services.
[2] *County of San Diego, Business Processes Report*, April 8, 2009.
[3] *Streamlining San Diego, Achieving Taxpayer Savings and Government Reforms Through Managed Competition,* San Diego Institute for Policy Research, September 2007.
[4] Ibid, Appendix 1.

initiative on the subject.[5] Unfortunately for the City of San Diego and its taxpayers, managed competition has become a union versus management battle accompanied by substantial campaign funding. Two councilmembers who oppose managed competition received about $529,000 from unions in the 2008 elections and about $103,000 were spent by unions in the 2008 election against one councilmember and one candidate for council who both favor managed competition (as reported by a San Diego Ethics Commission Audit Report, December 4, 2009 and by the Office of the City Clerk, Independent Expenditures Filings, 2008). The *Union-Tribune* reported on October 28, 2009, that the vote of the City Council to reject impasse as requested by the Mayor came down on party lines, with six members of the Council (of eight council seats) siding with organized labor. Conversely, to the good fortune of its taxpayers, the County managed competition program stands out as a model of collaborative effort resulting in significant savings.

The City has completed or is in the process of completing twenty-five Business Process Reengineering (BPR) studies. BPR is conducted by City employees, who research industry benchmarks, conduct internal and external customer surveys, and map existing processes and organizational structures, all designed to deliver better service and save money.[6] BPR stands alone and should be conducted and implemented by all departments without regard to whether a managed competition is contemplated. However, the failure of the City and the affected union to meet and confer regarding implementation of the Facilities Division BPR almost two years after completion of the study illustrates the difficulty facing the City in these matters.

Most local entities are unaware or only vaguely aware of the reverse auction tool. The auction is conducted online real-time by way of a specialized program that pits the bidding contractors or suppliers against their competition. The actual auction is preceded by an online transmission of the specifications and the online process, as well as a rehearsal auction. The competing bidders do not know the identity of their competitors, only the amount of the last bid. The baseline is the last contract formerly entered for the goods and/or services subject of the auction. The auction ends at a pre-specified deadline or after a pre-specified time has elapsed since the last bid. Savings can be significant. For example, the County saved $228,918 on the cost of tree removal in reverse auctions conducted in December 2009.

In order to estimate the extent of implementation of managed competition, outsourcing, reengineering and reverse auctions within the County, the 2009/2010 San Diego County Grand Jury surveyed cities, a sampling of school and community college districts and the Unified Port of San Diego (Port District). The purpose of this report is simply to afford a snapshot of the state of managed competition, outsourcing, reengineering and reverse auctions within San Diego County and to make recommendations in that regard.

[5] Competition and Transparency in City Contracting Initiative, 2010.
[6] City of San Diego, Fiscal Year 2010 Proposed Budget, Business Office.

INVESTIGATION

The Grand Jury reviewed:

- San Diego City Charter;
- Proposition C 2006, Contracting Out of City Services, City of San Diego;
- Managed Competition Guide, Version 3.0, October 8, 2009 Draft, City of San Diego;
- Ordinance No. 9336, Article XXIII, San Diego County Administrative Code; and
- County of San Diego Managed Competition Guide (Draft), September 2009.

The Grand Jury also obtained and considered numerous other sources of information, including:

- Reverse auctions conducted by the County;
- *SANDAG 2050 Regional Growth Forecast*, February 26, 2010;
- The testimony of a number of professional, auditing and lay witnesses;
- The testimony of a number of elected officials, government managers and union representatives;
- The Grand Jury survey of a sampling of cities within the County, a sampling of school and community college districts within the County, and the Unified Port of San Diego; and
- Reports, letters, analyses, news reports, websites and other sources of information.

FACTS—SET ONE

Fact: Proposition C on the November 7, 2006 ballot amended the San Diego City Charter, Section 117(c)[7] to permit the City of San Diego to employ independent contractors to perform city services that the Mayor and City Council determine can be provided more economically and efficiently.

Fact: The process for implementation of managed competition or outsourcing under Section 117(c) may be summarized[8] as follows.

- The City Council must by ordinance provide for appropriate policies and procedures to implement Section 117(c).
- The Mayor must first determine that City services can be provided more "economically and efficiently" by an independent contractor than by persons employed in the classified service[9] while maintaining service quality and protecting the public interest.
- The Mayor must submit the proposed outsourcing contract to the Managed Competition Review Board and if a City department submits a proposal for the services, the department must be provided with an opportunity and resources to

[7] San Diego City Charter, Article VIII, Section1117, Unclassified and Classified Services.
[8] Outsourcing City Services, City Attorney, City of San Diego, October 8, 2009.
[9] The classified service is composed of employees other than management and elected officials.

develop efficiency and effectiveness improvements in their operations as part of the department's proposal.

- The proposed outsourcing contract must then be submitted to the City Council, which has the authority to accept or reject in its entirety any proposed agreement with an independent contractor.
- In attempting to implement amended Charter Section 117(c) the City must comply with the meet and confer rules set forth in the State Meyers-Milias-Brown Act.

Fact: All City contracts with consultants, vendors or agencies must include a clause to allow the City Auditor access to the contractor's records needed to verify compliance with the terms of the contract.[10]

Fact: On December 4, 2006, the Mayor called for the City Council to pass the implementing ordinance required by amended Charter Section 117(c), noting that the City had negotiated with a coalition of four labor unions in thirty-one meetings of about four hours each.

Fact: Since 2006, the City has been negotiating with labor organizations attempting to put in place an implementing ordinance and corresponding administrative regulations acceptable to the unions and the City Council.

Fact: Before and after the passage of Proposition C in 2006, City management and American Federation of State, County and Municipal Employees, AFL-CIO, Local 127, and the Municipal Employees Association (MEA) engaged in extensive negotiations, argued unfair labor practices charges, and ultimately litigated those issues before the California Public Employment Relations Board (PERB). In a decision that was entered on September 18, 2008, the Administrative Law Judge ordered the City to follow the impasse procedures and to bargain in good faith.[11]

Fact: After the PERB decision, the City negotiated with Local 127 in more than forty sessions and with MEA in more than thirty-three sessions. The parties failed to reach agreement and the City initiated the impasse procedure.[12]

Fact: The impasse procedure might ultimately have resulted in a decision to resolve the matter in accord with the last and best offer of the City.[13] On October 27, 2009, the mayor, in requesting impasse, again called on the City Council to "honor the will of the voters on managed competition." But the City Council rejected the Mayor's request for impasse, sending the parties back to further bargaining. As the *Union-Tribune* reported on October 28, 2009, six Council members sided with organized labor.

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[10] Charter of the City of San Diego, Section 39.2 (Charter amended effective July 1, 2008).

[11] AFSCME Local 127 & San Diego Municipal Employees Association v. City of San Diego, (2008) 32 PERC 146.

[12] City of San Diego Memorandum to Council President, September 29, 2009; Council Policy 300-06 providing for resolution by the City Council where the City and Labor are unable to agree.

[13] City Attorney, City of San Diego, Memorandum of Law, January 26, 2009.

Fact: A union representative accused the City of a "shameless bait and switch". A City spokesman responded: "The mayor has worked hard to implement managed competition and the only thing we've gotten from the unions is delay after delay".

Fact: The City has yet to enter a contract under the amended Charter Section 117(c) passed by the voters on November 7, 2006.

Fact: The City's total expenditures for FY 2010 are expected to be $2,944,282,705.[14] A citizens task force of distinguished business and civic leaders noted in its December 2009 report that the City's projected FY 2011 deficit is $179,000,000; but the City has not implemented its most powerful tool, Managed Competition.[15]

FINDINGS

***Finding #01*:** In November 2006 the voters of the City of San Diego amended Section 117(c) of the City Charter to permit the City to employ independent contractors to perform city services and requiring that the City Council enact an ordinance implementing the amended City Charter.

***Finding #02*:** The City has expended many hours in numerous sessions attempting to negotiate with City unions the terms of the implementing ordinance and managed competition guide.

***Finding #03*:** The City has yet to enter a contract under the charter amendment passed by the voters on November 7, 2006.

***Finding #04*:** Managed Competition is stalled in a political and ideological battle that may ultimately have to be resolved: by enactment in November 2010 of the alternative Competition and Transparency in City Contracting Initiative 2010, an election result that alters the partisan split, or by some other means.

***Finding #05*:** The Grand Jury is empowered to make recommendations to the Mayor and City Council; but lacks the jurisdiction to make recommendations to the American Federation of State, County and Municipal Employees, AFL-CIO, Local 127, and the Municipal Employees Association. If the Grand Jury had such jurisdiction it would include these employee organizations in its recommendation.

RECOMMENDATION

The 2009/2010 San Diego County Grand Jury recommends that the Mayor and the City Council of the City of San Diego:

10-99: Proceed with the impasse process or other appropriate process to approve and enact the implementing ordinance, approve the Managed Competition

[14] City of San Diego, Fiscal Year 2010 Annual Budget.
[15] City of San Diego's Fiscal Outlook, December 11, 2009, *Citizens' Task Force Report Highlighting Challenges & Opportunities.*

Guide, and proceed to full implementation of amended Section 117(c) of the City charter.

FACTS—SET TWO

Fact: The City Facilities Maintenance Division has completed its Business Process Reengineering (BPR) by diligently researching industry benchmarks, conducting internal and external customer surveys, and mapping existing processes and organizational structures.

Fact: On June 3, 2008, the City so notified AFSCME Local 127, requesting that the Union meet and confer with the City to discuss implementation of the Facilities Division BPR.

Fact: The City wrote to the Union again on October 16, 2008, explaining that the BPR process pre-dated the managed competition program, in response to cancellation of negotiations by the union on the ground that managed competition must first be resolved.

Fact: On October 30, 2008, the City notified the Union that its lack of response to the City's request to meet was deemed to constitute a waiver of the right to meet and confer.

Fact: On July 16, 2009, the City again notified Local 127 that its lack of response to the City's request to meet was deemed to constitute a waiver of the right to meet and confer.

Fact: Through March 2009, Local 127 has declined to meet and confer and the City has therefore been unable to implement the Facilities Division BPR.

FINDINGS

Finding #06: The City Facilities Division completed its Business Process Reengineering in June 2008, but the BPR has not been implemented because the Union will not meet and confer on implementation.

Finding #07: The Grand Jury is empowered to make recommendations to the Mayor and City Council; but lacks the jurisdiction to make recommendations to the American Federation of State, County and Municipal Employees, AFL-CIO, Local 127, and the Municipal Employees Association. If the Grand Jury had such jurisdiction it would include these employee organizations in its recommendation.

RECOMMENDATION

The 2009/2010 San Diego County Grand Jury recommends that the Mayor and the City Council of the City of San Diego:

10-100: Proceed with the impasse process or other appropriate process to approve and implement the Facilities Maintenance Division Business Process Reengineering, as well as other BPRs that have been completed by the City but have not been implemented because of refusal of the applicable union to meet and confer regarding BPRs.

FACTS—SET THREE

Fact: On March 13, 2007, the San Diego County Board of Supervisors adopted Ordinance No. 9836[16] granting the Director of Purchasing and Contracting expanded authority to enter into contracts to purchase, rent or lease all personal property for the County and to engage independent contractors to perform services for the County. The ordinance also granted the Director authority to enter into contracts, without the approval of the Board of Supervisors, where the total anticipated value of the services or non-services provided are under $1,000,000 per year.

Fact: The Director of Purchasing and Contracting has administered managed competition, outsourcing and reverse auction transactions under the County ordinance, which together with reengineering, have resulted in savings of $678,596,736 for the taxpayers of San Diego County through FY 2008.[17]

Fact: The County's **managed competition** program resulted in savings of $78,935,727 through FY 2008.

Fact: Contrary to arguments of opponents of managed competition, only two of the nine managed competition contracts went to outside contractors; the remaining seven were retained by competitive County departments made more efficient by the process.

Fact: Information technology, printing shop, and records were **outsourced** by the County, resulting in savings of $104,776,909 through FY 2008. The County both piggybacks on other entities' outsourcing and allows other governmental entities to piggyback on its outsourcing, to the benefit of all.

Fact: Hand-in-hand with the County's managed competition program is the County **re-engineering** program, whereby County departments effectively made managed competition unnecessary by implementing more efficient processes which resulted in savings of $494,623,182 through FY 2008.

Fact: The County saved $261,100 on the cost of supplies and tree removal in **reverse auctions** conducted in December 2009 alone.

Fact: The reverse auction employs a specialized web-based process. While not inexpensive, the reverse auction process saved the County four times its annual fee in reverse auctions conducted during December 2009 alone. The County allows other governmental entities to piggyback in its auctions.

Fact: The savings of $678,596,736 compared to estimated in-house costs previously incurred for the same level of service amounts to about 18% of the $3,765,901,000[18] of total expenditures of governmental funds by San Diego County for FY 2008.

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[16] County Administrative Code, Article XXIII, Department of Purchasing and Contracting.
[17] County of San Diego, Business Processes Report, April 8, 2009.
[18] *Comprehensive Annual Financial Report for FY June 30, 2008,* County of San Diego.

FINDINGS

Finding #01: The County Director of Purchasing and Contracting has administered numerous managed competitions, outsourcing and reverse auction transactions under County Ordinance No. 9836 which, together with reengineering, have resulted in savings of $678,596,736 for the taxpayers of San Diego County through FY 2008.

Finding #02: The savings, compared to estimated in-house costs previously incurred for the same level service, amount to about 18% of the $3,765,901,000 total expenditures of governmental funds by San Diego County for the FY 2008.

Finding #03: The County saved $261,100 on the cost of supplies and tree removal in reverse auctions conducted in December 2009 alone.

Finding #04: Two of the nine managed competition contracts administered by the County went to outside contractors; the remaining seven were retained by competitive County departments made more efficient by the process.

RECOMMENDATION

The 2009/2010 San Diego County Grand Jury recommends that the San Diego County Board of Supervisors and the County of San Diego's Chief Administrative Officer:

10-101: **Apply the principles proven by the implementation of County Ordinance No. 9836 throughout the County departments and agencies.**

FACTS—SET FOUR

Fact: The Grand Jury surveyed the County of San Diego, eighteen San Diego County cities, a sampling of school and community college districts, and the Unified Port of San Diego.

Fact: The County has a **managed competition** program in place; but none of the rest of the respondents indicated that they had a managed competition program in place.

Fact: The County and many other respondents indicated that they did engage in **outsourcing**, to greater or lesser extent. For example, many respondents indicated that they outsourced consultants, various maintenance and custodial services, and trash collection.

Fact: The County has a **reengineering** program in place and the City of San Diego has a stalled reengineering program; but none of the rest of the respondents indicate that they have a reengineering program in place.

Fact: Only the County has a **reverse auction** program in place; and the County permits other governmental entities to join in the auctions, thus resulting in significant savings to all on account of the greater volume.

Fact: The query regarding reverse auction was frequently met with the comment that reverse auction is not a suitable means of processing bids for services; but the County has successfully used the process for services, for example: tree removal.

Fact: Some of the respondents indicated that they **piggyback** in purchasing goods. For example, one governmental entity might join another in purchasing goods at reverse auction.

FINDINGS

Finding #01: All governmental entities within San Diego County would benefit from considering adoption and implementation of managed competition, outsourcing, reengineering and/or reverse auction programs; and/or piggybacking on such programs that are in place at other governmental entities within the County.

RECOMMENDATIONS

The 2009/2010 San Diego County Grand Jury recommends that the City Managers of the cities of *Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Marcos, Santee, Solana Beach,* and *Vista*:

10-102: **Study, adopt and/or piggyback on, as appropriate, managed competition outsourcing, reengineering and reverse auction programs such as are employed by the County of San Diego.**

The 2009/2010 San Diego County Grand Jury recommends that the Superintendents of the following school districts: *Alpine Union, Bonsall Union, Borrego Springs Unified, Cajon Valley Union, Cardiff Elementary, Carlsbad Unified, Chula Vista Elementary, Coronado Unified, Dehesa, Del Mar Union, Encinitas Union, Escondido Union, Escondido Union High, Fallbrook Union Elementary, Fallbrook Union High, Grossmont Union High, Jamul-Dulzura Union, Julian Union, Julian Union High, La Mesa-Spring Valley, Lakeside Union, Lemon Grove, Mountain Empire Unified, National, Oceanside Unified, Poway Unified, Ramona Unified, Rancho Santa Fe, San Diego Unified, San Dieguito, San Marcos, San Pasqual Union, San Ysidro, Santee, Solana Beach, South Bay Union, Spencer Valley, Sweetwater Union High, Vallecitos, Valley Center-Pauma Unified, Vista Unified, and Warner Unified:*

10-103: **Study, adopt and/or piggyback on, as appropriate, managed competition, outsourcing, reengineering and reverse auction programs such as are employed by the County of San Diego.**

The 2009/2010 San Diego County Grand Jury recommends that the Chancellors and/or Superintendents of the following community college districts: *Grossmont-Cuyamaca Community College District, MiraCosta Community College District,*

Palomar Community College District, San Diego Community College District, and Southwestern Community College District:

10-104: Study, adopt and/or piggyback on, as appropriate, managed competition, outsourcing, reengineering and reverse auction programs such as are employed by the County of San Diego.

The 2009/2010 San Diego County Grand Jury recommends that the Board of Port Commissioners of the *Unified Port of San Diego and the Airport Authority Board of the San Diego International Airport:*

10-105: Study, adopt and/or piggyback on, as appropriate, managed competition, outsourcing, reengineering and reverse auction programs such as are employed by the County of San Diego.

REQUIREMENTS AND INSTRUCTIONS

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

(a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
  (1) The respondent agrees with the finding
  (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  (1) The recommendation has been implemented, with a summary regarding the implemented action.
  (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
  (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the

governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code §933.05 are required from the:

Responding Agency	Recommendations	Date
Mayor, City of San Diego	**10-99, 10-100**	**9/1/10**
City Council, City of San Diego	**10-99, 10-100**	**9/1/10**
Chief Administrative Officer, County of San Diego	**10-101**	**9/1/10**
Board of Supervisors, County of San Diego	**10-101**	**9/1/10**
Superintendent San Diego Unified School District	**10-103**	**9/1/10**
Board of Port Commissioners Unified Port of San Diego	**10-105**	**9/1/10**
Chancellor San Diego Community College District	**10-104**	**9/1/10**
City Manager, City of Chula Vista	**10-102**	**9/1/10**
City Manager, City of Carlsbad	**10-102**	**9/1/10**
City Manager, City of Coronado	**10-102**	**9/1/10**
City Manager, City of Del Mar	**10-102**	**9/1/10**

City Manager, City of El Cajon	**10-102**	**9/1/10**
City Manager, City of Encinitas	**10-102**	**9/1/10**
City Manager, City of Escondido	**10-102**	**9/1/10**
City Manager, City of Imperial Beach	**10-102**	**9/1/10**
City Manager, City of La Mesa	**10-102**	**9/1/10**
City Manager, City of Lemon Grove	**10-102**	**9/1/10**
City Manager, City of National City	**10-102**	**9/1/10**
City Manager, City of Oceanside	**10-102**	**9/1/10**
City Manager, City of Poway	**10-102**	**9/1/10**
City Manager, City of San Marcos	**10-102**	**9/1/10**
City Manager, City of Santee	**10-102**	**9/1/10**
City Manager, City of Solana Beach	**10-102**	**9/1/10**
City Manager, City of Vista	**10-102**	**9/1/10**
Alpine Union School District	**10-103**	**9/1/10**
Bonsall Union School District	**10-103**	**9/1/10**
Borrego Springs Unified School District	**10-103**	**9/1/10**
Cajon Valley Union School District	**10-103**	**9/1/10**
Cardiff School District	**10-103**	**9/1/10**
Carlsbad Unified School District	**10-103**	**9/1/10**
Chula Vista Elementary School District	**10-103**	**9/1/10**

Coronado Unified School District	**10-103**	**9/1/10**
Dehesa School District	**10-103**	**9/1/10**
Del Mar Union School District	**10-103**	**9/1/10**
Encinitas Union School District	**10-103**	**9/1/10**
Escondido Union School District	**10-103**	**9/1/10**
Escondido Union High School District	**10-103**	**9/1/10**
Fallbrook Union Elementary School District	**10-103**	**9/1/10**
Fallbrook Union High School District	**10-103**	**9/1/10**
Grossmont Union High School District	**10-103**	**9/1/10**
Jamul-Dulzura Union School District	**10-103**	**9/1/10**
Julian Union School District	**10-103**	**9/1/10**
Julian Union High School District	**10-103**	**9/1/10**
La Mesa-Spring Valley School District	**10-103**	**9/1/10**
Lakeside Union School District	**10-103**	**9/1/10**
Lemon Grove School District	**10-103**	**9/1/10**
Mountain Empire Unified School District	**10-103**	**9/1/10**
National School District	**10-103**	**9/1/10**
Oceanside Unified School District	**10-103**	**9/1/10**
Poway Unified School District	**10-103**	**9/1/10**
Ramona Unified School District	**10-103**	**9/1/10**

Rancho Santa Fe School District	**10-103**	**9/1/10**
San Dieguito School District	**10-103**	**9/1/10**
San Marcos School District	**10-103**	**9/1/10**
San Pasqual Union School District	**10-103**	**9/1/10**
San Ysidro School District	**10-103**	**9/1/10**
Santee School District	**10-103**	**9/1/10**
Solana Beach School District	**10-103**	**9/1/10**
South Bay Union School District	**10-103**	**9/1/10**
Spencer Valley School District	**10-103**	**9/1/10**
Sweetwater Union High School District	**10-103**	**9/1/10**
Vallecitos School District	**10-103**	**9/1/10**
Valley Center-Pauma Unified School District	**10-103**	**9/1/10**
Vista Unified School District	**10-103**	**9/1/10**
Warner Unified School District	**10-103**	**9/1/10**
Grossmont-Cuyamaca Community College District	**10-104**	**9/1/10**
MiraCosta Community College District	**10-104**	**9/1/10**
Palomar Community College District	**10-104**	**9/1/10**
Southwestern Community College District	**10-104**	**9/1/10**
Airport Authority Board	**10-105**	**9/1/10**