



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: January 24, 2007 REPORT NO: 07-022  
ATTENTION: Council President and City Council  
Docket of January 30, 2007  
SUBJECT: Fleet Services Business Process Reengineering  
REFERENCE: Fleet Services Business Process Reengineering Final Report

REQUESTED ACTION:

1. Accept the Report from the Mayor on the Fleet Services Business Process Reengineering Project.
2. Authorize the City Auditor & Comptroller and the City Attorney to prepare the necessary documents to implement the recommended Fleet Services Business Process Reengineering organizational and budgetary changes.
3. Authorize the City Auditor & Comptroller to adjust expenditure and revenue appropriations on a prorated basis to reflect the Fleet Services Business Process Reengineering recommendations as defined on a full-year basis in summary form in Attachment 2. The adjustments are described in detail in the Detail of Budget Impacts ("Crosswalk") document on file with the Business Office, the Office of the Auditor & Comptroller, and the Office of the Independent Budget Analyst.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

The Mayor has commenced Business Process Reengineering (BPR) efforts to improve efficiencies, reduce the cost of City government and to maximize the services offered to our residents. BPR focuses on significantly streamlining work processes (activities, services or functions) for substantial improvement and reorganizing functional work groups and positions. On July 31, 2006, the City Council adopted Ordinance O-19523, establishing a policy for the implementation of Business Process Reengineering Results (Report to City Council No. 06-094).

**The Fleet Services Reengineering Study**

The Chief Operating Officer was the Project Sponsor and the General Services Department was the Project Lead. The Fleet Services Reengineering Study was a comprehensive assessment of the fleet

operations within the three separate Departments of General Services, Police and Fire-Rescue. Representatives from all three of the current fleets participated in the process, both at the Team and Committee levels. Activities included business process mapping, benchmarking with other agencies, and development of improvement ideas. Along with employees, labor representatives from MEA and AFSCME Local 127, plus representatives from customers and support departments, participated and contributed to this comprehensive review.

The Informational Report to the City Council numbered 06-196 and dated December 20, 2006 did not provide full details on Fleet Services' "most efficient organization" (MEO) proposal. This was in recognition that Fleet Services might have been selected for managed competition soon and the need to protect City employees against unfair advantage from competing firms. Since then, it has been determined that Fleet Services will implement its full MEO as soon as possible. Once Fleet Services experiences a year of consolidation and MEO implementation, plus any further improvements and cost reductions, a decision will be made whether Fleet Services warrants exemption from managed competition.

The Fleet Services BPR has resulted in a plan that will implement improvements and cost-effective measures; below are highlights from the "Summary of Recommendations" found in Attachment 1:

1. Consolidation of the City's three fleet organizations into one Fleet Services Division within the General Services Department.
2. Expansion of the structured Internal Service Fund for vehicle operations and vehicle replacement programs to the public safety fleets.
3. Expansion of a variety of specialized expertise to the public safety fleets: acquisition and fitting, management information system, parts management, safety and budgeting.
4. A more efficient repair/maintenance process.
5. Consolidation of towing and road call services.
6. Closure of the General Services' Central Operations Station.
7. Operations Station's specialization of vehicles and worker expertise.
8. Elimination of Alternative Work Schedules and Voluntary Furlough participation.

#### FISCAL CONSIDERATIONS:

##### **Elimination of Non-Core Functions**

The General Services/Equipment Division Hauling program (3.0 positions) and custodial services (2.0 positions), and the Police Vehicle Wash/Clean/Fuel service (11.0 positions) have been determined to be *non-core* functions and are proposed for elimination. The Hauling function has been absorbed by the Water Department's Operations Division and the General Services Department's Street Division. Custodial staff will be transferred to the General Services Facilities Division and then go through managed competition. The proposal assumes that Police Officers will fuel their own vehicles and drive them through the automated vehicle washers, as indicated by the Police Chief in a recent meeting on the Fleet BPR recommendations.

##### **Affected Positions**

The BPR proposal eliminates 44 positions from the budget, which is 15% of the total positions. The following is a summary of Attachment 1:

- Of the 44 positions to be eliminated, 24 are vacant and 20 have incumbents.
- Elimination of 27 positions from General Services, 15 positions from Police, and 2 positions from Fire-Rescue.
- Reduction of 2 of 3 unclassified positions, which reduces the total number of second level or higher supervisory positions from 6 to 4.
- Proposed ratio of Local 127 and MEA represented positions to be 83% and 17%, respectively, which is only a 1% change from the current ratio of 82% and 18%.

### **Meet and Confer**

As this BPR involves position reductions and changes in working conditions, this proposal is subject to Meet and Confer with MEA, Local 127, and POA. The BPR proposal is therefore tentative and subject to the outcome of Meet and Confer. Meet and Confer discussions are presently underway.

### **Budgetary Impact**

The annualized impact of this BPR proposal on the budget is \$3.2 million in salary and fringe for the 44 position reductions; the General Fund portion is \$1.3 million for 17 position reductions. There are no projected savings in non-personnel costs at this time (See Attachments 2-a and 2-b). The actual impact will depend on a variety of factors, including the exact implementation date and Meet and Confer.

The consolidation of the three fleets is anticipated to occur on an organizational basis at some point in the third quarter of FY 2007. The budgetary consolidation will occur at the beginning of FY 2008.

A significant budget change as of FY 2008 will be the expansion of the structured Internal Service Fund to include Police and Fire-Rescue Departments. The Internal Service Fund, which is a fleet management best practice, has been utilized for the past 30 years by the General Services Equipment Division in its relationship with non-public safety department customers. The Internal Service Fund receives both its operating revenues and capital replacement revenues from its customer departments. Operating Fund revenues are derived from annual Usage Rates charged to customer divisions; the Usage Rates are based on actual operating costs from the previous full fiscal year. Replacement of fleet equipment is funded through the Replacement Fund, the revenues for which are derived by annual Assignment Fees charged to customer divisions; Assignment Fees are based upon estimated costs to replace equipment at the end of their life cycle.

As customers of the Consolidated Fleet Services using the Internal Service Fund starting in FY 2008, the Usage Rates charged to Police and Fire-Rescue will reflect two factors: (1) the departments' FY 2007 fleet expenses less the position reduction savings, and (2) anticipated increases in operational costs, which would have occurred regardless of consolidation. Examples of items incurring an increase in costs for FY 2008 include fuel, parts, salaries, and underground fuel storage tank upgrades – these increases will affect all customer departments, not just Police and Fire-Rescue.

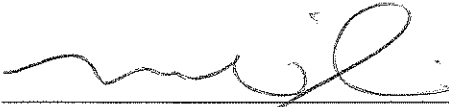
In terms of Assignment Fees for vehicle replacement, the Police and Fire-Rescue fleets are significantly over-aged (42% for patrol sedans and 50% for fire apparatus). Over the past three years, the average replacement funding for public safety fleets has been \$6.1M, which is about half of the

level needed for replacement according to life cycle. Therefore, Assignment Fees for Police and Fire-Rescue vehicle replacement will increase in FY 2008. Over the long term, it is expected that increased investment in vehicle replacement according to life cycle will reduce operational expenses, and thus reduce Usage Rates.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: In order to assure a level playing field for Fleet Services employees in the event of a managed competition, there was limited external participation in the BPR. Fleet Services, however, did involve the participation of MEA and AFSCME Local 127, as well as a number of external stakeholders with background and familiarity with Fleet Services operations. Fleet Services also conducted benchmarking on many aspects of operations.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: City customer departments will receive improved and more efficient service delivery. The resulting cost savings will benefit the City.



Mario X. Sierra  
General Services Director



R. F. Haas  
Deputy Chief of Public Works

- Attachments: 1. Summary of BPR Recommendations  
2 (a). Summary of Budget Impacts – Operational Budget  
2 (b). Summary of Budget Impacts – Replacement Budget