



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: April 26, 2007 REPORT NO: 07-080
ATTENTION: Council President and City Council
Agenda of May 3, 2007 (Budget Hearing)
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 and the County fleet 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.

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. Closure of the General Services' Central Operations Station.
6. The Miramar Place facility will continue specialization in refuse packers only.
7. The Fire-Rescue facility will specialize in heavy duty Fire-Rescue apparatus only.
8. Elimination of Voluntary Furlough participation.

FISCAL CONSIDERATIONS:

Elimination of Non-Core Functions

Three services have been determined to be *non-core* functions. Two are proposed for elimination: washing/cleaning/fueling of the Police non-patrol vehicles (4.0 positions) and the General Services/Equipment Division Work Order Hauling program (3.0 positions); the latter has been absorbed by the Water Department's Operations Division and the General Services Department's Street Division. The third non-core function is custodial services; custodial staff (2.0 positions) will be transferred to the General Services Facilities Division as part of the citywide consolidation of the custodial function.

Affected Positions

The BPR proposal eliminates 37 positions from the budget, or 13% of the total positions. The following reflects the "Summary of BPR Recommendations" in Attachment 1:

- Of the 35 positions to be eliminated and the 2 to be transferred, 27 are vacant and 10 have incumbents (it is anticipated that all incumbents will remain City employees by attrition and promotions).

- Elimination of 25 positions from General Services, 8 positions from Police, and 2 positions from Fire-Rescue; in addition, 2 positions from General Services will be transferred.
- Reduction of 2, or 67%, of the unclassified positions.
- Reduction of 6, or 16%, of the supervisory positions.
- Proposed ratio of Local 127 and MEA represented positions to be 77% and 23%, respectively, which is close to the current ratio of 82% and 18%.

Meet and Confer

Invitations to Meet and Confer were made to all four employee organizations. MEA and AFSCME Local 127 accepted the invitations, and Agreements were negotiated and established with both – see Attachments 2 and 3 for details.

Budgetary Impact

The annualized impact of this BPR proposal on the budget is \$2.6 million in salary and fringe for the 35 position reductions and 2 position transfers; the Equipment Division/Internal Service Fund portion is \$1.9 million for the 25 position reductions and 2 position transfers, and the General Fund portion is \$0.7 million for the 10 position reductions from Police and Fire-Rescue (see Attachment 4). There are no projected savings in non-personnel costs at this time.

The consolidation of the three fleets is anticipated to occur on an organizational basis at some point in the fourth 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 based on actual operating costs from the previous full fiscal year. Replacement Fund revenues are derived from annual Assignment Fees charged to customer divisions based on 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 an

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 Recommendations
 2. Agreement with MEA
 3. Agreement with AFSCME Local 127