

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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City Council Agenda Date: July 31, 2007

Item Number: 339

Subject: Engineering & Capital Projects Business Process Re-engineering (BPR).

OVERVIEW

On Tuesday, July 31, 2007 the City Council will hear the Engineering and Capital Projects (E&CP) Business Process Reengineering (BPR) study. Starting in July 2006 the E&CP department conducted a comprehensive assessment of engineering core functions and processes, spread among various City departments, in order to identify operational efficiencies, streamline business processes, and reduce the cost of providing services to citizens.

The E&CP BPR was initially discussed at the May 3, 2007 Council Budget Hearing and then at the May 23, 2007 City Council meeting as an informational item. Some items of the E&CP BPR were included in the Fiscal Year 2008 Budget. These items included:

1. Reduction of (78.50) vacant positions in the Engineering & Capital Projects, Metropolitan Wastewater (MWWD), General Services, and Purchasing & Contracting departments.
2. Transfer of 1.00 position to the Office of CIO.
3. Transfer of 1.00 position to the General Service Department.
4. Transfer of 18.00 positions from the Park and Recreation Department to the E&CP department.

The requested actions before the City Council on July 31, 2007 were not included in the Fiscal Year 2008 Budget, due to the necessary conclusion of Meet and Confer and requisite legislative approval. The requested actions include:

1. The transfer of positions to the E&CP department from the following departments:

Department	Positions
Metropolitan Wastewater	42.00
Water	25.00
Development Services	6.00
Planning	6.00
General Services	1.00
Total:	80.00

2. Reduction of (11.00) positions from the E&CP, MWWD, and Water departments.
3. Transfer of 2.00 positions to the Purchasing and Contracting department.
4. Reclassification of 14.00 positions.

OUTCOMES

The E&CP BPR results in fifteen recommended modifications to current business practices, including significant departmental reorganization. The BPR proposes a more effective and streamlined organization with centralized processes and enhanced service levels. The E&CP department has stated that after the BPR has been completed the department will be able to maintain “core services” and “create enhanced service levels in the areas of CIP preliminary and technical engineering services, transportation system engineering and operations, life cycle asset management, and centralized general requirements contracting among others.” To ensure the success of the BPR, the E&CP department has identified four key performance areas that the department will use to measure their progress, including: customer satisfaction, project cost, timeliness, and quality.

FISCAL IMPACTS

The E&CP department estimates that the savings from the initial reduction of (78.50) positions included in the Fiscal Year 2008 Budget is (\$6.6) million dollars annually. If approved, the reduction of an additional (11.00) positions is estimated to save \$1.3 million annually. The total projected savings for Fiscal Year 2008 when all reductions, reclassifications, and transfers are complete is (\$7.9) million. This includes impacts to both General Fund and Non-General Fund departments including E&CP, MWWD, Water, Planning, Development Services, General Services, Purchasing & Contracting, and Park & Recreation. In addition, E&CP projects an additional (\$362,000) in Non-Personnel expense reductions in Fiscal Year 2009 from the BPR.

It should be noted that although the E&CP BPR will result in the reduction of 89.50 positions and \$7.9 million in Fiscal Year 2008, the department will reflect a net increase

in positions, expenditures, and revenues due to transfers from other departments in the consolidation effort. The net change from the Fiscal Year 2007 Budget after all BPR related reductions, reclassifications, and transfers will be:

Fiscal Year	FTE	Expenditures	Revenue
2007	511.00	\$62,208,595	\$95,347,981
2008	531.00	\$70,002,787	\$104,493,327
Total Change:	20.00	\$7,794,192	\$9,145,346

POLICY IMPACTS

If the requested actions are approved by the City Council at the July 31, 2007 Council meeting, the results will be a reorganized department that consolidates most of the engineering functions under one umbrella department. In previous fiscal years engineering functions have been spread out over multiple departments creating challenges in the oversight of the City's engineering functions and the City's Capital Improvements Program (CIP). As noted in the IBA's Report #07-46 Review of the Mayor's Proposed Fiscal Year 2008 Budget: "It is essential that the City prioritize all City Capital improvement projects to ensure efficient and effective allocation of funding." The proposed consolidation of the engineering functions will enable management to address the operational challenges the department has faced in the past and deficiencies in the City's Capital Improvement Program.

RECOMMENDATION

The IBA is optimistic that the E&CP BPR will provide improved control and coordination of engineering functions and the City's Capital Improvement Program while maintaining core services and creating enhanced service levels. The IBA recommends approval of the Engineering & Capital Projects BPR. In addition, it is recommended that the City Council request that the E&CP department include as part of the Fiscal Year 2009 Budget Hearing an update on the status of the implementation of the BPR. The IBA also recommends that the service level measures created by the E&CP department as part of the BPR be incorporated into the Fiscal Year 2009 budget process as previously requested by the City Council.

[SIGNED]

Jeffrey Sturak
Fiscal & Policy Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst