The City of SAN DIEGO

Citywide Human Capital

Fact Book

July 2018

An Analysis Prepared by the Office of the City Auditor

OCA

Independent · Objective · Accurate

July 9, 2018

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is an informational report on aspects of the City's human capital and workforce. The objective of this Fact Book is to provide an informative, educational overview of the City's workforce across a variety of dimensions, including the number of employees, their ethnic and gender diversity, and information related to employee recruitment, development, retention, compensation, and satisfaction.

This report was conducted in accordance with the City Auditor's Fiscal Year 2018 Audit Work Plan, and is presented in accordance with City Charter Section 39.2. The Audit Objective, Scope, and Methodology are presented at the end of the report.

A project of this size involves considerable effort and assistance from many people. Please see the Acknowledgements page at the beginning of this report highlighting some of the many people who helped make this project possible.

The audit staff responsible for this report are Nathan Otto, Laura Reyes-Cortez, Andy Hanau, Danielle Knighten, and Kyle Elser.

Respectfully submitted,

Eduardo Luna
City Auditor

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Human Capital: The collective skills, knowledge, or other intangible assets of individuals that can be used to create economic value for the individuals, their employers, or their community.

Contents

Acknowledgments

A project of this size involves considerable effort and assistance from many people. The Office of the City Auditor would like to thank those who helped make this project possible:

- The City's leadership for their insights and support of the project, including Kris Michell, Stacey LoMedico, David Graham, Paz Gomez, and Ron Villa.
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- The Human Resources Department, including Judy von Kalinowski, Liz Barat, Shara Staine, Maggie Taylor, Pamela Holmberg, Abby Jarl-Veltz, and Darrin Schwabe, for their insights into Citywide training and resources.
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- The Office of the City Comptroller, including Cathy Wang, Elena Perez, and Lillian Garcia for their insights into the City's annual compensation reports.
- The San Diego City Employees' Retirement System, including Monty Peretto and Marcelle Rossman for providing information about workforce eligibility and participation in the Deferred Retirement Option Program (DROP).
- The Office of the City Attorney, including Mary Nuesca, Sanna Singer, Joan Dawson, and Ken So, for their feedback regarding relevant legal and equal opportunity issues.
- The Performance and Analytics Department, including Almis Udrys and Jeremy Culuko, for providing data related to workforce satisfaction and Operational Excellence academy graduates.
- The San Diego Police Department and Fire-Rescue Department, including Chief Jarvis, Chief Ester, and Michelle Yamamoto, for their insight into organizational structures and issues affecting retention and perspectives within the City's public safety departments.
- The Risk Management Department, including Quennelle Allen and Estella Montoya for providing data related to City retirement benefits.
- The Office of the Independent Budget Analyst, including Lisa Byrne and Angela Colton for sharing their ideas and comments on various exhibits.
- The more than 430 supervisors, managers, and executives throughout departments Citywide who took time to complete our recent Citywide Management Survey, for their willingness to share their perspectives on issues affecting the City workforce, including what the City is doing well, and how it can improve its human capital management.

The Office of the City Auditor commends the spirit of collaboration exhibited by these individuals. Thank you.

Eduardo Luna
City Auditor

Introduction

The City of San Diego (City) employs one of the largest workforces in the region. Its employees provide a wide variety of critical services to San Diego residents and visitors. Further, the City's Strategic Plan includes goals for not just providing services, but doing so in a manner that is of high quality, in partnership with the community, and which sustains a resilient and economically prosperous City with opportunity in every community.

The objective of this Fact Book is to provide an informative, educational overview of the City's workforce across a variety of dimensions, including the number of workers, their ethnic and gender diversity, and information related to employee recruitment, development, retention, compensation, and satisfaction.

Because the subject matter is broad, this is the first of a series of audits reviewing various aspects of human capital issues. Thus, while conducting the research and analysis that went into the creation of this Fact Book, we also identified areas of particular risk. That information was used to inform the City Auditor's proposed FY19 work plan, which includes audits relating to the City's human capital management and its associated internal controls. Additional audits on human capital-related topics may be proposed in future years as well. The identified risk areas and future proposed projects will be presented alongside the information in this Fact Book to the City's Audit Committee.

The exhibits below provide some examples of the diverse range of human capital issues with respect to the City's workforce.

Section 1: Workforce Overview

How many workers does the City have per 1,000 residents? How does that compare to other cities?

The City of San Diego's (City) workforce is over 11,000 full-time equivalents (FTEs), making it one of the largest employers in the region. There are about 8 City workers for every 1,000 City residents. Comparisons to other cities are shown below.[1]

Exhibit 1. FTEs per 1,000 residents, Fiscal Year (FY) 2017
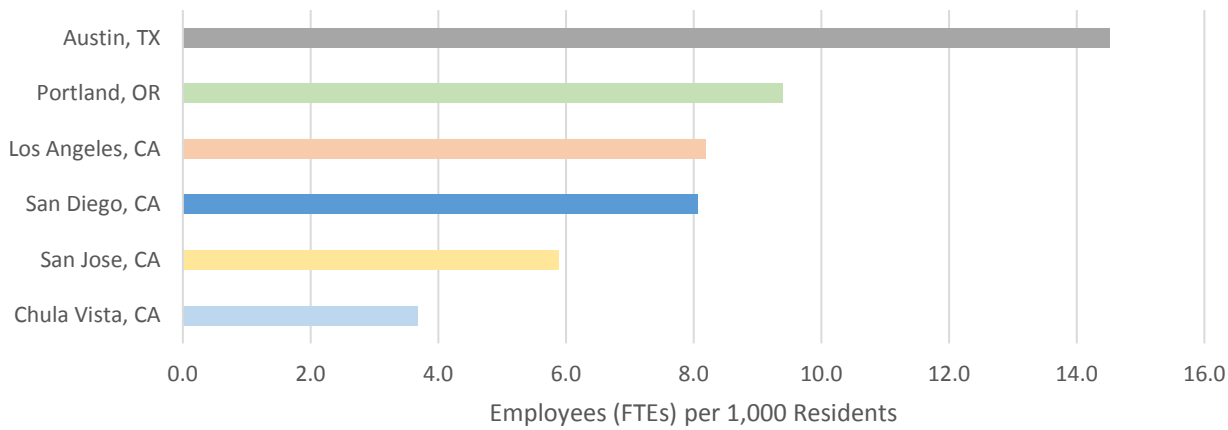
Sources: OCA, based on Adopted Budgets, population estimates from the California Department of Finance and the US Census Bureau.

Exhibit 2. FTEs per 1,000 residents, FY08–FY17
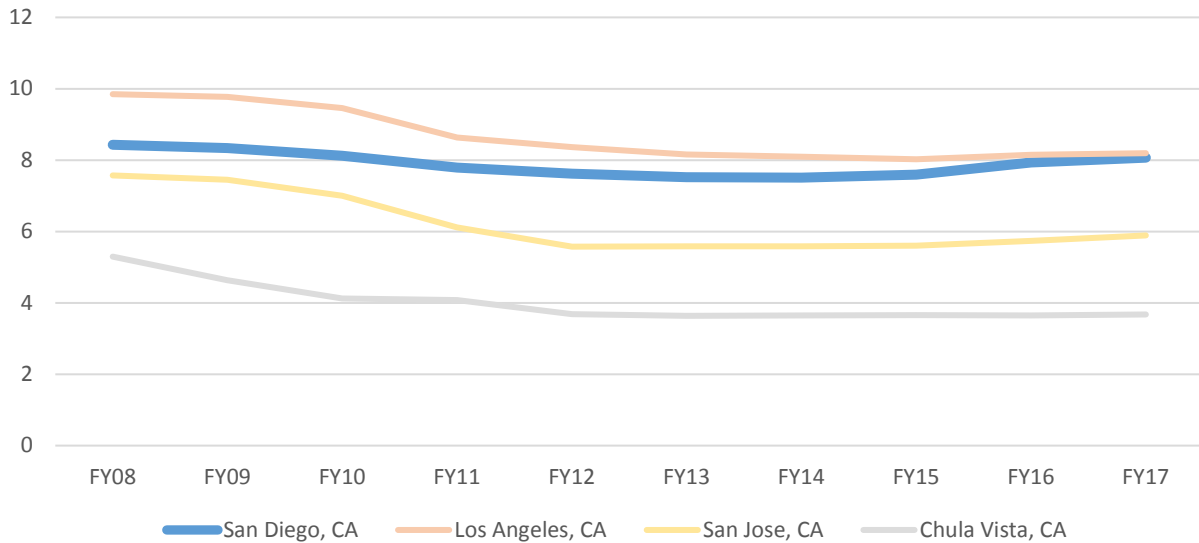
Sources: OCA, based on Adopted Budgets and California Department of Finance population estimates.

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[1] Cities consist of varying combinations of services and departmental configurations. For example, not every City has an Office of the City Auditor. Where feasible, auditors made efforts to keep comparisons appropriate (for example, by excluding Los Angeles' staffing for the Los Angeles Department of Water and Power, Airports, and Harbor). We benchmarked with the cities shown in the above exhibits to show how the City of San Diego's staffing generally compares to other jurisdictions.

How much of the City's money is spent on its personnel?

$1.4 Billion Budgeted Personnel Expenditures in FY18

Personnel expenditures include salaries, wages, and fringe expenditures, and have been about 40% of the City's overall spending since FY10.

Exhibit 3. Personnel Expenditures as a Portion of the City's Budget, FY10–FY18
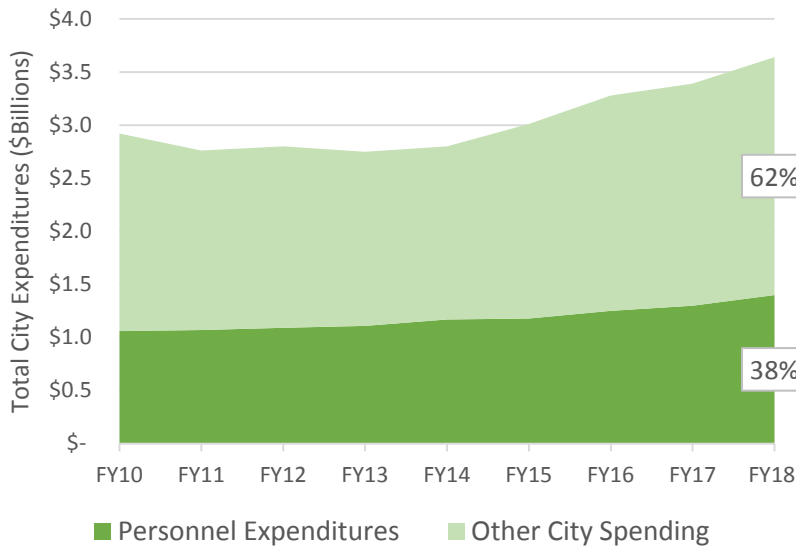
Sources: OCA, based on FY10–FY18 Adopted Budgets.

Exhibit 4. Personnel Expenditures per FTE, FY10–FY18

Sources: OCA, based on FY10–FY18 Adopted Budgets.

Which labor groups are the largest? How has the City's use of unclassified positions changed over time?

Although the vast majority of full-time equivalent positions in the City participate in labor group representation, about 1 in 10 do not. The largest labor group is the Municipal Employees Association (MEA), with almost half of represented City positions.[2]

Exhibit 5: FTE Positions by Labor Group, FY18
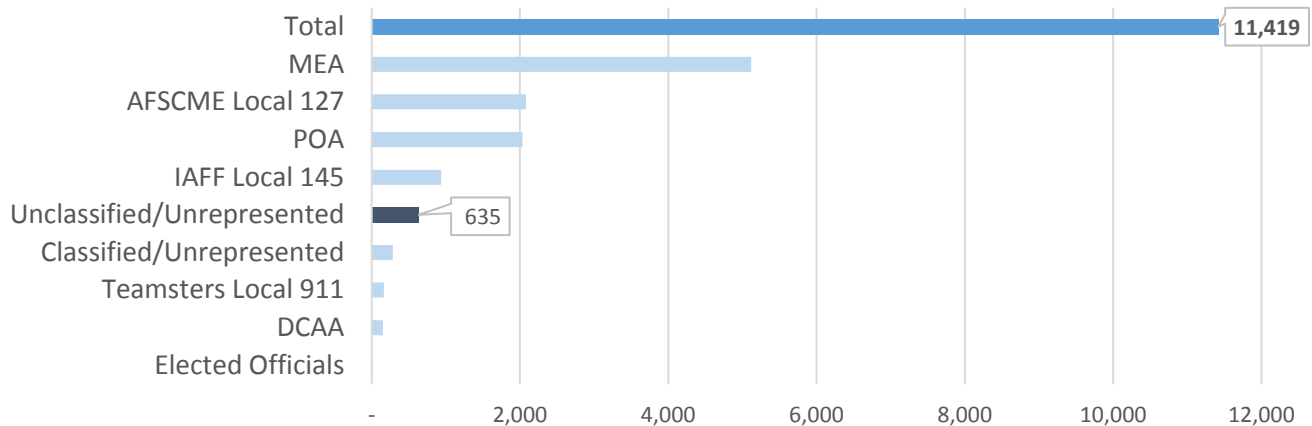
Sources: OCA, based on Adopted Budgets, FY10–FY18.p

The City has seen steady growth in the percentage of its workforce that is considered unclassified.[3]

Exhibit 6: Percentage of City's Workforce in Unclassified Positions Over Time, FY10–FY18
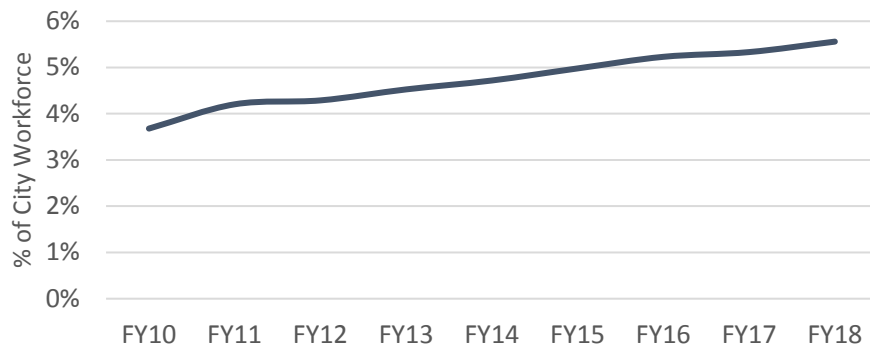
Sources: OCA, based on Adopted Budgets, FY10–FY18.

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[2] The City recognizes the following six labor groups (listed in order of appearance in **Exhibit 5**): Municipal Employees Association (MEA), American Federation of State County and Municipal Employees (AFSCME), San Diego Police Officers Association (POA), International Association of Firefighters (IAFF), Teamsters Local 911, and Deputy City Attorneys Association of San Diego (DCAA).

[3] Employment in the City is divided into the unclassified and classified service. The unclassified service is not subject to the Civil Service provisions of the City Charter. Unclassified employees include management-level employees (e.g., Department Directors), although departments such as the Offices of the City Auditor, the Independent Budget Analyst, and the City Attorney contain non-managing unclassified employees.

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Section 2: Demographics

Do we have a diverse workforce by ethnicity?

The City's workforce is roughly comparable to the local labor force availability for major ethnic groups.

Exhibit 7: City Workforce by Ethnicity
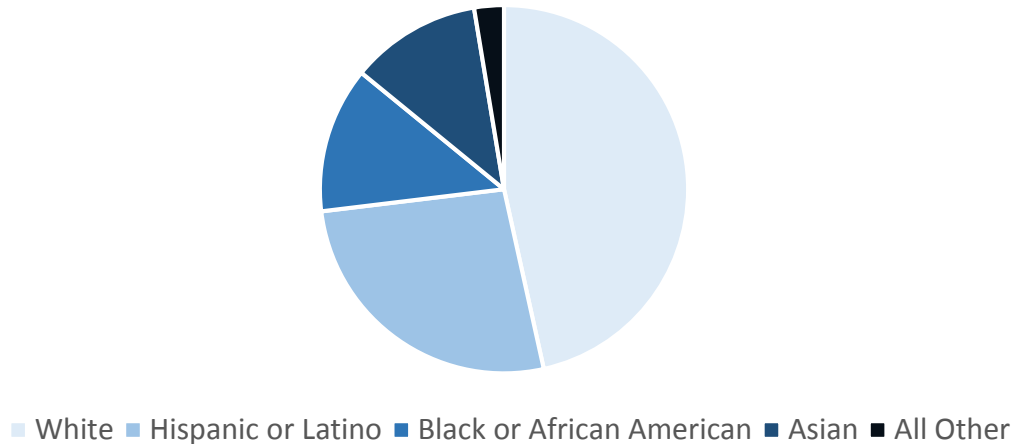
■ White ■ Hispanic or Latino ■ Black or African American ■ Asian ■ All Other

Source: OCA, based on the City of San Diego's 2016 Civil Service Commission Equal Employment Opportunity Annual Report.

Exhibit 8: City Workforce Compared to Local Labor Force Availability

■ City Population Availability ■ City of San Diego Employees

Source: OCA, based on the City of San Diego's 2016 Civil Service Commission Equal Employment Opportunity Annual Report.

Do we have a diverse workforce by gender?

Overall, the City employs significantly more males than females.

66% Male   34% Female

Source: OCA, based on 2016 Civil Service Commission Equal Employment Opportunity Annual Report.

However, females are employed by the City at a rate that is comparable to the local labor force availability for most occupational categories.[4]

Exhibit 9: Percentage of Various City Occupational Categories Held by Females
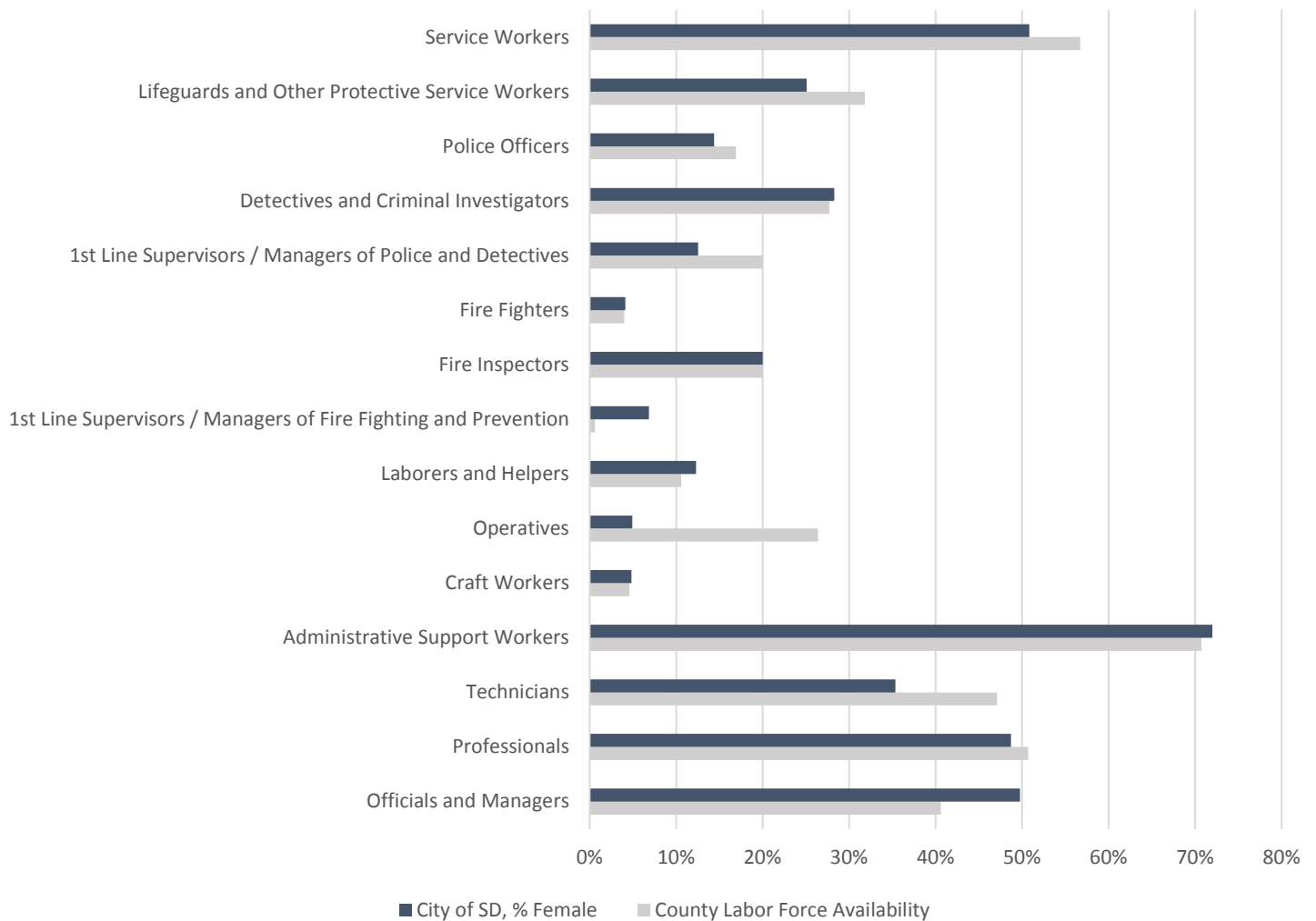
Source: OCA, based on 2016 Civil Service Commission Equal Employment Opportunity Annual Report.

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[4] As determined by the US Department of Commerce, US Census Bureau, American Community Survey, and San Diego County Data Source.

What is the age of the City's workforce? How has that changed over time?

Although the average age of City employees is essentially unchanged from 2010 to 2018, the distribution of employee ages within that average has changed considerably. The City has fewer employees age 40–49 than it used to; the substantial decrease in this mid-career workforce has been countered by an increase of employees in their 20's, 30's, 50's, and 60's.

Exhibit 10. Age of City Workforce, 2010 vs. 2018

43.6

Average age in 2010

43.4

Average age in 2018
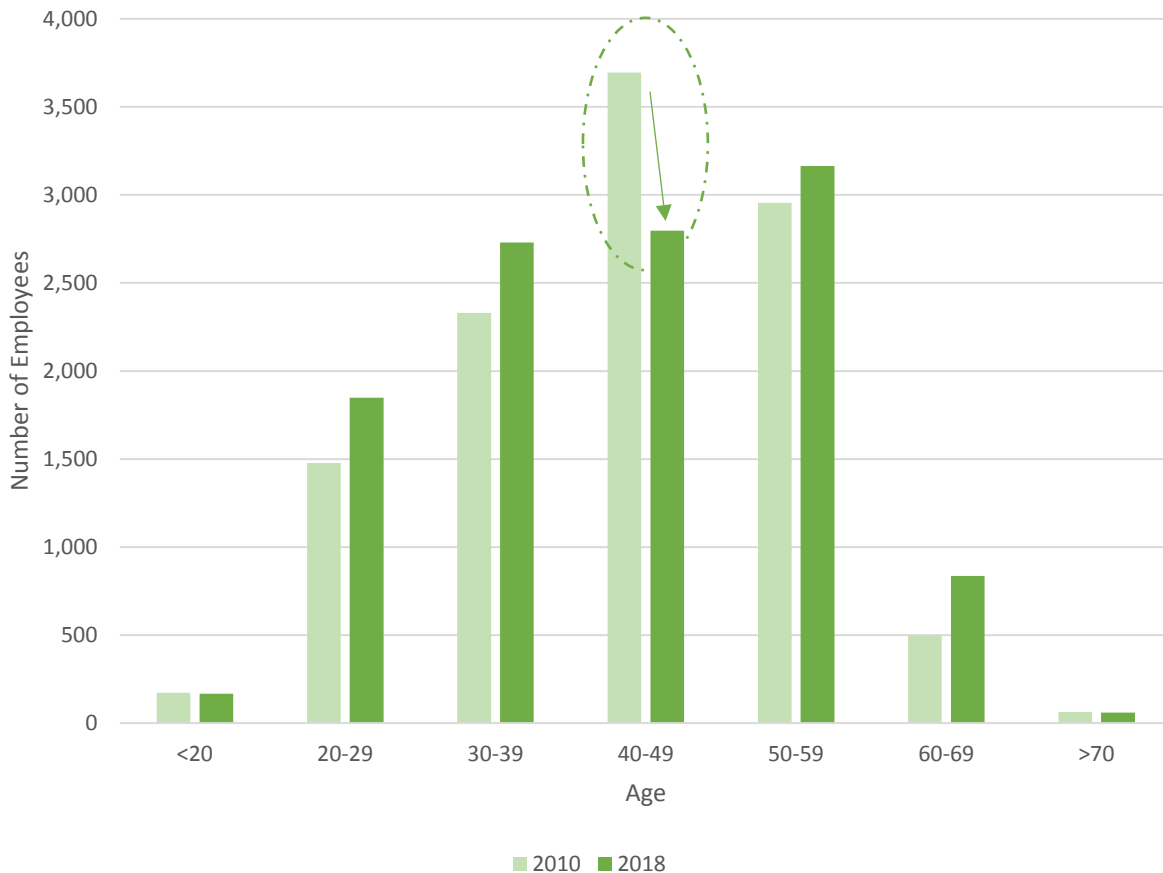
Source: OCA, based on workforce data within SAP.[5]

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[5] SAP is the City's workforce information system of record.

Section 3: Retention and Separations

Citywide Management Survey: Recruiting, Employee Development, and Retention—How is the City doing?

We asked supervisors, managers, and executives throughout the City to assess how effective the City is at:

- **Recruitment** (e.g., finding and hiring the right people);

- **Employee Development** (e.g., rewarding good performance, implementing corrective actions, promotion, training and leadership development); and

- **Retention** (e.g., preventing important talent from leaving/leaving at important times, etc.).

Their collective assessment is displayed below. Employee Development scored the highest; Retention scored the lowest.

Exhibit 11. Citywide Management Survey: Effectiveness at Employee Recruitment, Development, and Retention
"How effective is the City at each of the following in terms of achieving your department's goals and mission?"

(Percentage of responses that were positive: "Very Effective" or "Somewhat Effective")

55% Employee Development

51% Recruitment

30% Retention

Source: OCA Citywide Management Survey.

What is the turnover rate of the City's workforce? How does that compare to other California cities?

The City's recent annual turnover rate is about 10%, which we found is generally comparable to several other California cities.[6]

Exhibit 12. Benchmarking Comparison of Recent Annual Turnover Rates

12% The City of San Jose's turnover rate (in FY14)

10% The City of San Diego's turnover rate (in 2016)

7% The City of Chula Vista's turnover rate (in 2015)

6% The City of Long Beach's turnover rate (in FY16)

Sources: OCA, based on City separations data from the Personnel Department and reports from municipalities listed above.

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[6] Note that information from several different years is displayed. Auditors also found benchmarking information from the Society for Human Resource Management on a mixture of the public, private, and non-profit sectors, reporting a median annual turnover rate of 15% in 2016. Auditors simply note here that the City of San Diego does not appear to be an extreme outlier organization in terms of overall turnover.

For those that leave, what attributes do they possess?

City supervisors, managers, and executives expressed that turnover is higher among the highest-performing workers.

Exhibit 13. OCA Citywide Management Survey: "In your opinion, City separations among the highest-performing workers over the last several years are…"
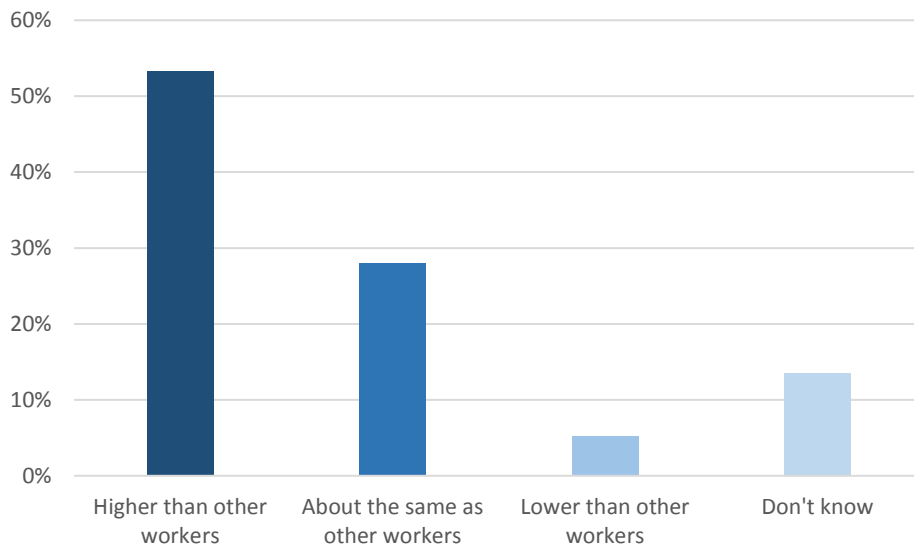
Source: OCA Citywide Management Survey.

Are we losing a lot of new people? And Millennials?

By far, the most common level of experience for people who separate is between 0 and 5 years of experience with the City.[7] After that, separations are distributed fairly evenly among experience levels.

Exhibit 14. How Experienced are the People Who are Leaving?
(Separations from the City, 2015–2017)
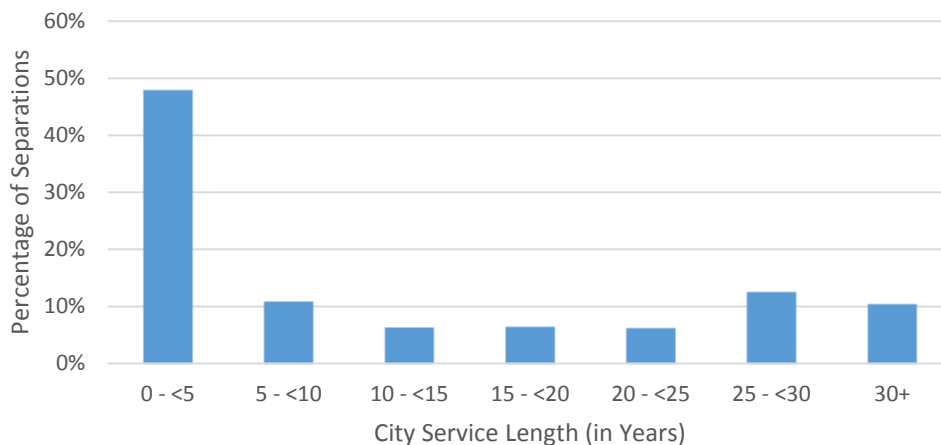
Sources: OCA, based on SAP separation data provided by the Personnel Department and workforce information within SAP.

Millennials leave City employment at a moderately higher rate than the City's overall workforce.[8] However, that appears to be simply because they are currently relatively young, and more likely to change jobs in general. For example, the US Bureau of Labor Statistics has found that median tenure with an employer among young people today is actually comparable to what it was for young people in the 1980's.

10% City's overall turnover rate, 2016

15% Turnover rate of the City's Millennials, 2016

Sources: OCA, based on separation data provided by the Personnel Department and workforce information within SAP.

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[7] "Service Length" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point until the employee's date of separation. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. Auditors do not believe the information or comparison is materially compromised; it is presented here to show a general pattern of employee service length Citywide based on the information available in the City's main SAP database. Additionally, note that this is experience with the City of San Diego; many of these employees likely have accrued relevant work experience with other employers.

[8] According to the Pew Research Center, the Millennial generation includes people born between 1981 and 1996.

Which classifications have had the most turnover?

Throughout 2015–2017, separations from the City in terms of sheer numbers have been dominated by classifications within the San Diego Police Department (SDPD). However, this is because SDPD has a large workforce. The turnover rate is actually significantly higher among many other classifications throughout the City.

Exhibit 15. Annual Separations Rate ("Turnover Rate") and Total City Separations, 2015–2017
Classifications with the Highest Turnover **Rates** and Classifications with the Highest Total **Number** of Separations[9]

	Turnover Rate	Total Separations (N =)
Dispatcher 1*	44%	20
Structural Engineering Associate	18%	10
Grounds Maintenance Worker 1	16%	26
Combination Inspector 2	15%	10
Associate Planner	14%	16
Deputy City Attorney	12%	54
Police Officer 1	10%	64
Citywide Career Average	8%	2,261
Police Detective	8%	59
Police Sergeant	7%	56
Police Officer 2	6%	186
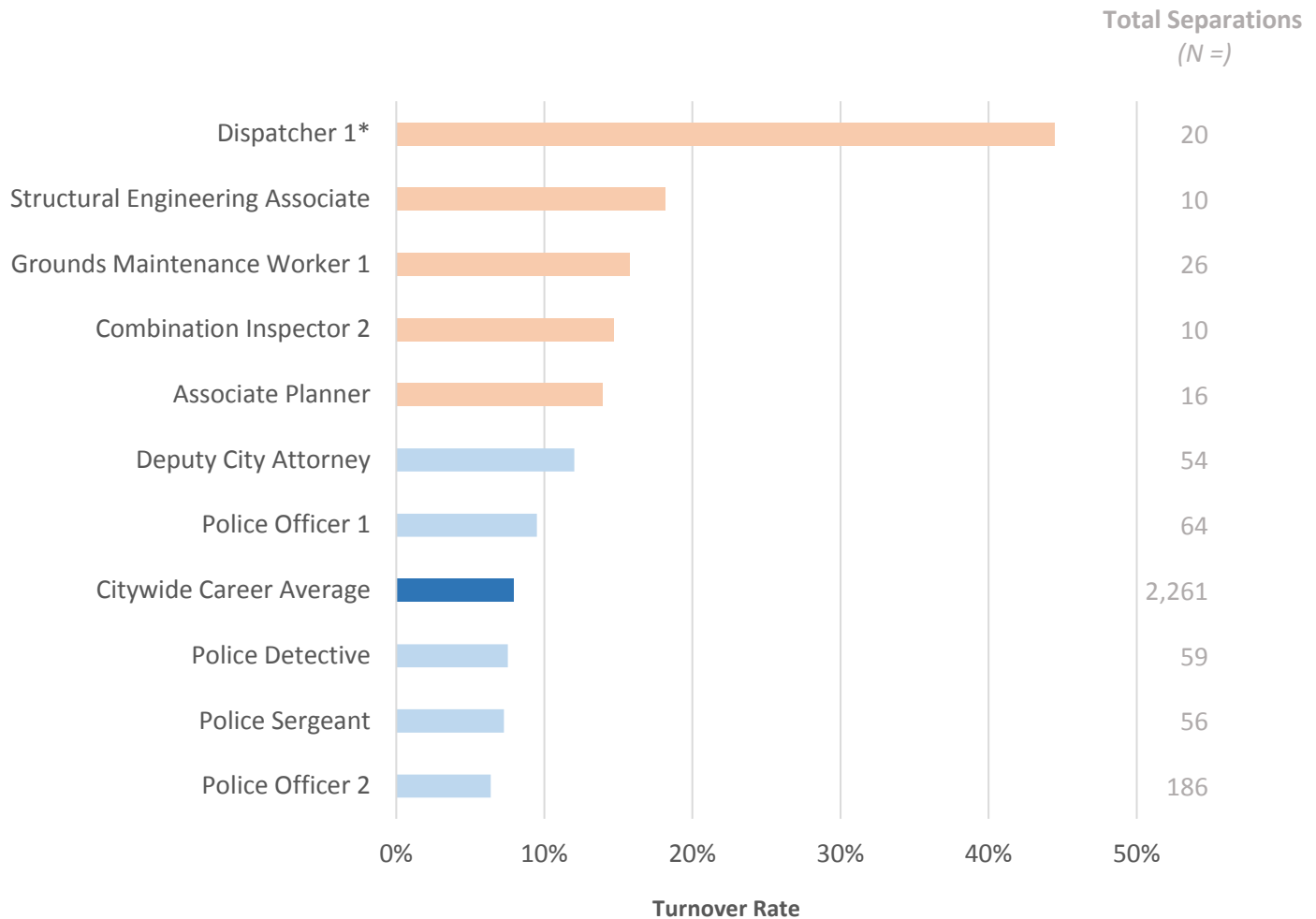
*Dispatcher 1 separations were from multiple departments: 12 from the Fire-Rescue Department, 5 from the Transportation & Storm Water Department, and 3 from SDPD over the period of 2015–2017.

Sources: OCA, based on separation data provided by the Personnel Department and City workforce counts in SAP.

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[9] Note that turnover rates are average annual turnover rates over the period 2015–2017. Auditors made some judgmental exclusions from the turnover percentage data: e.g., classifications needed at least 10 separations over the period to be included. Auditors also did not include some classifications with higher expected rates of turnover such as Management Interns, Pool Guards, Police and Fire Recruits, etc.

What does turnover cost the City?

Estimates of true turnover costs can vary widely depending on the nature of the position and quality of the departing worker, expected new workers, etc. Using a rough estimate of replacement costs, the cost to the City of recent voluntary employee turnover may be around $39 million annually.[10]

Additional "soft costs"—such as impact to team morale, disruption to continuity of service, loss of institutional knowledge, etc.—can exist as well.

$39M   Potential cost of voluntary employee turnover to the City in 2017

$8.3M   Potential annual cost savings from decreasing the City's voluntary turnover rate by 1%

Sources: OCA, based on review of literature related to turnover costs, City workforce data within SAP, separations data provided by the Personnel Department, and Adopted Budgets.

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[10] Auditors utilized a voluntary turnover cost model developed by Deloitte with City-specific information regarding the size of the workforce, voluntary turnover rate, City revenues, and personnel expenditures per employee to produce the estimates above. We supplemented that estimate with a less rigorous rule of thumb of 6–9 months of an employee's salary and wages, which produced a figure of around $24 million annually. We note a range of debate of true costs and estimation with both models and in other literature on turnover costs.

Why do people leave the City? How has that changed over time?

Despite the common narrative of a "Silver Tsunami" of retiring Baby Boomers within government across the US, for the City of San Diego, employees quitting—even after excluding some classifications with higher expected rates of turnover—have actually become a higher number of separations than retirements.[11] These separations have also been increasing at a faster rate, and are arguably more disruptive, since they may be harder to anticipate than a retirement.

Exhibit 16. Total City Separations, Retirements vs. Quits 2010–2017
(Does not include limited-term appointments)
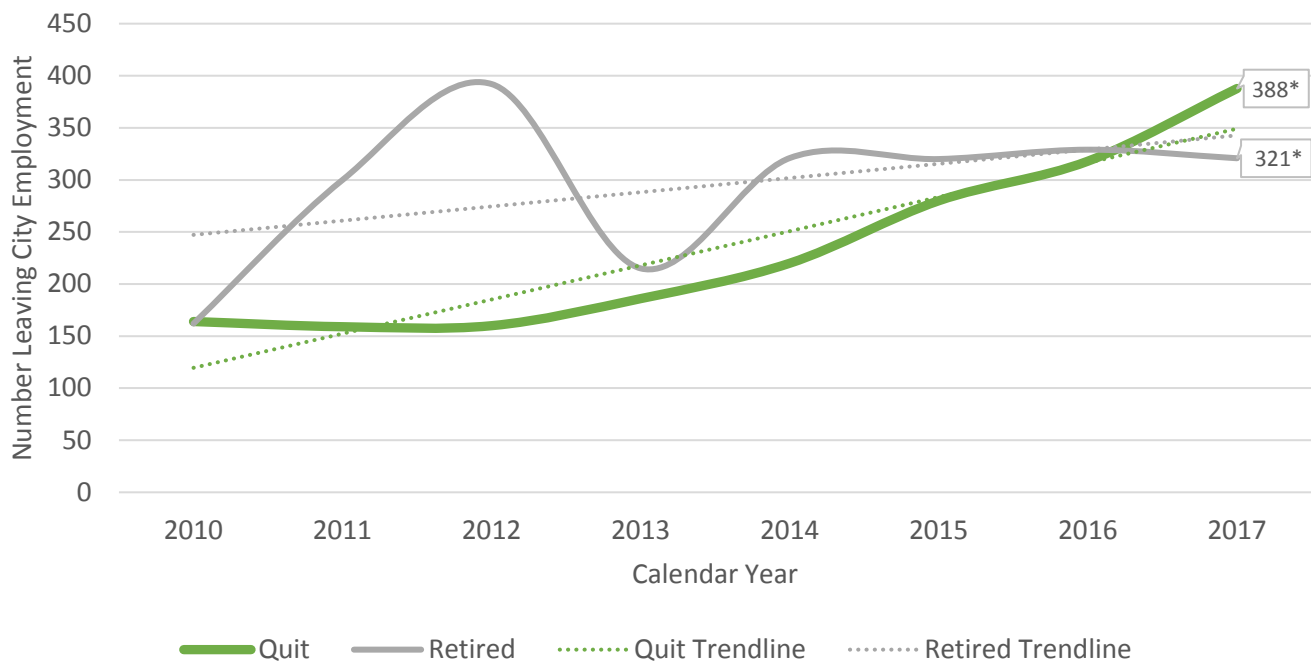
*Separations data for 2017 did not include the last few weeks of December, so figures for 2017 include a small estimation component. All other years are complete actuals.

Source: OCA, based on separations data from the Personnel Department.

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[11] Auditors excluded some classifications with even higher expected rates of turnover such as Management Interns, Pool Guards, Police and Fire Recruits, etc. The City's separations data provided by the Personnel Department contains the following types of reasons for leaving: Retired, Other job, End of limited appointment, Family/Personal, Relocation, Discharged, Education, Failed probation, Deceased, Quit in lieu of discharge, Job dissatisfaction, Leave expired/No response, Layoff, and Other. The City's CS-40 Supervisor Employee Separation form is completed by the employee's first level supervisor and categorizes different reasons for separation (such as retirement, discharge, etc.) as part of the City's separation process. "Quitting" means employees separating from City employment citing voluntary reasons other than retirement (e.g., taking another job, family/personal reasons, pursuing education, etc.).

For those that quit, how long had they been with the City?

The average tenure among those quitting career positions with the City has decreased from about 9 years in 2010 to 5 years in 2017.[12]

Exhibit 17. Average Years of Service at Resignation
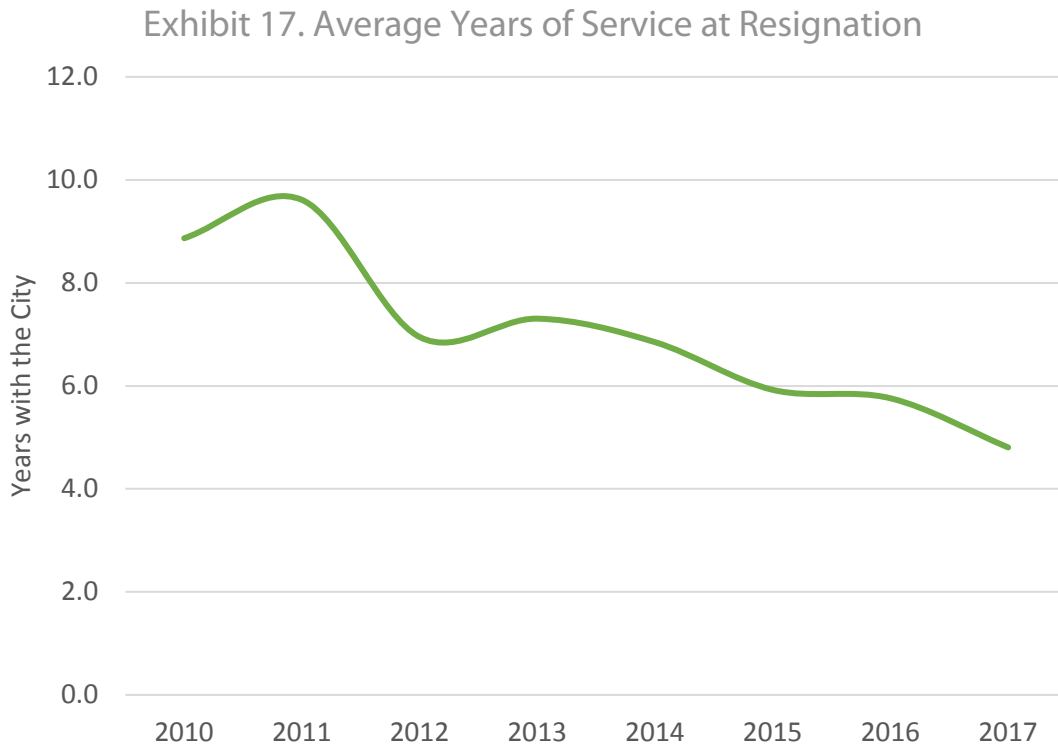
Sources: OCA, based on separations data from the Personnel Department and workforce data within SAP.

[12] "Quitting" means employees separating from City employment citing voluntary reasons other than retirement (e.g., taking another job, family/personal reasons, pursuing education etc.) Auditors also did not include some classifications with higher expected rates of turnover such as Management Interns, Pool Guards, Police and Fire Recruits, etc.

What about separations for sworn SDPD police officers? How have those changed over time?

According to SDPD data, losing officers to other law enforcement agencies has accounted for a relatively small number of separations over the last 8 years. Most officers leave for other reasons, such as retirement or personal reasons.

Exhibit 18. Police Officer Separations, FY11–FY18

N =147

N = 910

- Lost to Other Law Enforcement Agencies
- Other Sworn Attrition
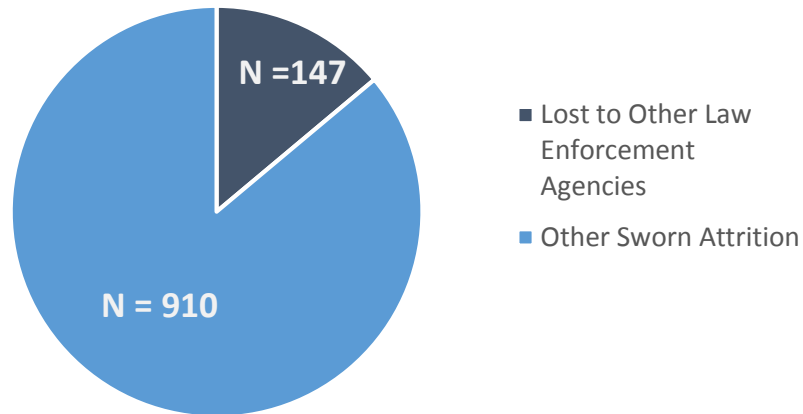
Sources: OCA, based on SDPD weekly staffing report data.[13]

Exhibit 19. Police Officer Separations Trendline, FY11–FY18

Lost to Other Law Enforcement Agencies — Total Sworn Attrition
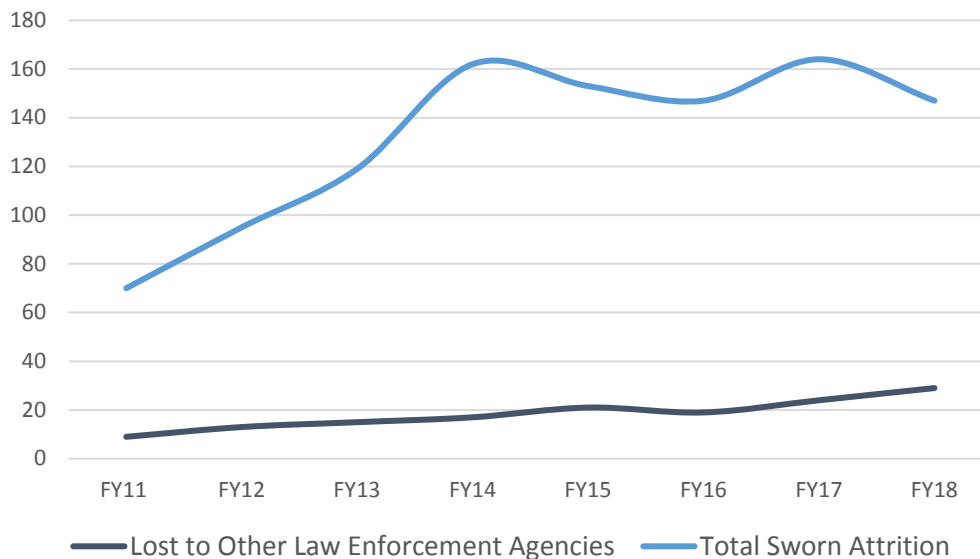
Sources: OCA, based on SDPD weekly staffing report data.

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[13] Variances in the way the data was counted—e.g., police officers vs. total department separations, and fiscal years vs. calendar years—prevented exact comparisons, but separations figures were roughly similar between SDPD and Personnel Department separations data.

Does the City generally hire employees who meet the City's service standards?

The number of employees failing probation each year is relatively small compared to the City's 11,000+ person workforce.

Exhibit 20. Number of Employees Failing Probation, 2010–2017
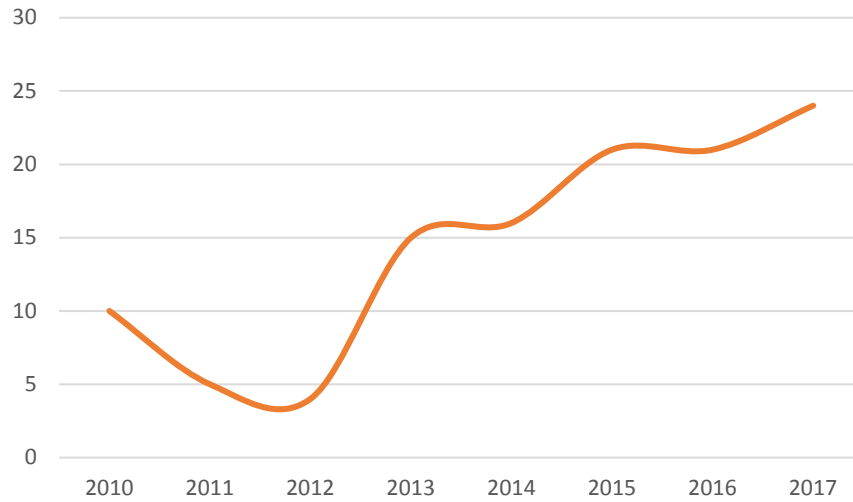
Source: OCA, based on SAP separation data provided by the Personnel Department.

Several dozen employees are discharged—or quit in lieu of discharge—each year.

Exhibit 21. Number of Employees Discharged, 2010–2017
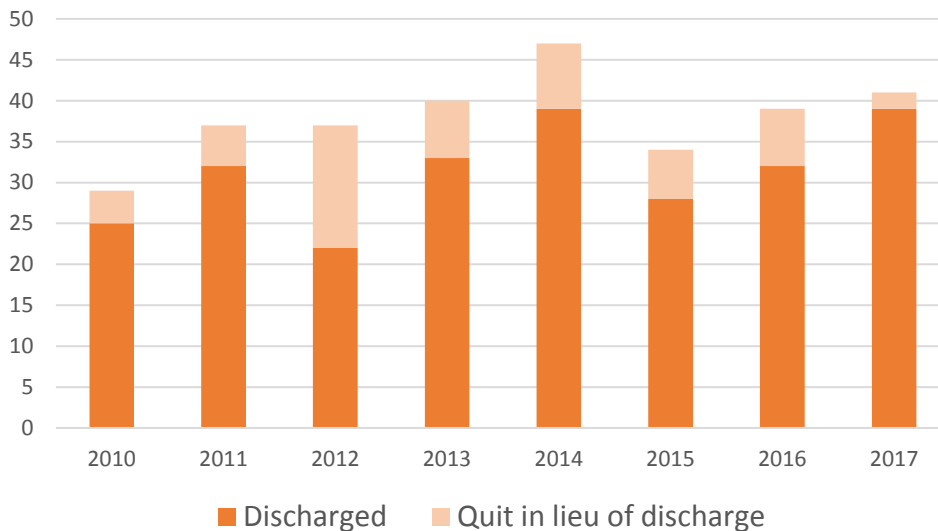
Source: OCA, based on SAP separation data provided by the Personnel Department.

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Section 4: Employee Satisfaction

Are City workers satisfied with their jobs?

In the City's 2017 Employee Satisfaction Survey, about three-fourths of respondents agreed or strongly agreed that they were satisfied in their current position. This was a bit higher than a similar Federal survey, also conducted in 2017.[14]

Exhibit 22. Employee Satisfaction, San Diego vs. Federal Workforce
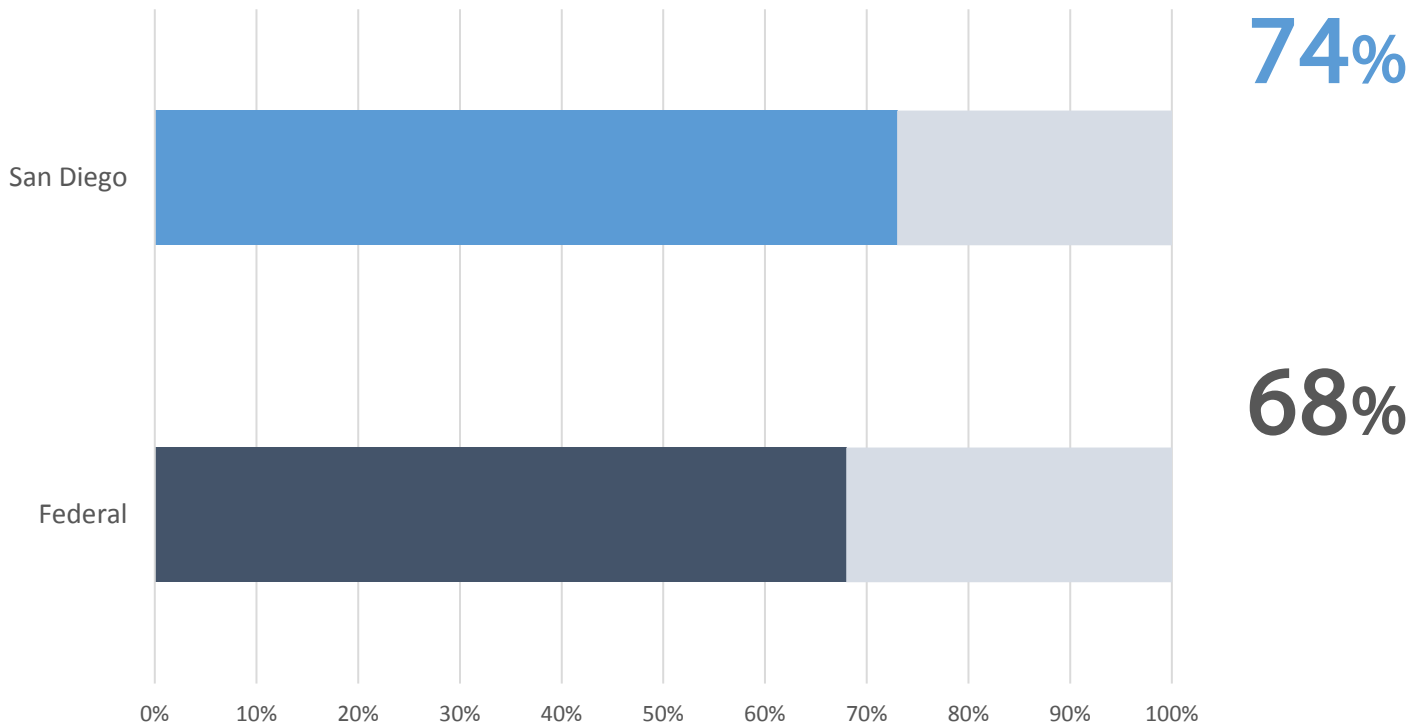
Sources: OCA, based on 2017 Employee Satisfaction Survey data and 2017 Federal Employee Viewpoint Survey.

[14] Both surveys contained thousands of responses, with response rates of approximately 46% for the Federal government and 40% for the City of San Diego. Both surveys combined the "Strongly Agree" and "Agree" comments to produce a percentage of positive results. The question wording was slightly different, with the City prompt as: "I am generally satisfied in my current position," and the Federal prompt as: "Considering everything, how satisfied are you with your job?" Both surveys were conducted in 2017. The 2017 Employee Satisfaction Survey was voluntary, with respondents able to self-identify their department. Consistent with the City Employee survey methodology, percentage figures are of those who expressed an opinion.

How much does employee satisfaction vary across different parts of the City?

Although about three-fourths of respondents agreed or strongly agreed that they were satisfied in their current position with the City, there was some notable variance across departments.

"I am generally satisfied in my current position."

74%

Exhibit 23. Satisfaction Results by Department[15]

Department	Positive Responses Percentage	N =
COO, ACOO, etc.		12
Performance and Analytics		12
Mayor's Office or City Council		26
City Clerk		31
Information Technology		57
Human Resources		23
Real Estate Assets		46
Fire-Rescue		281
Homeland Security		11
Financial Management		20
City Comptroller		54
Debt Management		10
SDCERS		45
City Treasurer		84
Transportation & Storm Water		241
Public Works		379
Police		547
Library		406
City overall		4,580
Park and Recreation		349
Development Services		238
Public Utilities		707
Fleet Operations		123
City Attorney		167
Planning		38
Economic Development		51
Communications		25
Purchasing and Contracting		43
Environmental Services		128
Risk Management		33

Source: OCA, based on 2017 Employee Satisfaction Survey data.

[15] Departments with less than 10 responses are not shown. Percentages are positive responses ("Agree" or "Strongly Agree") of those who expressed an opinion.

Does satisfaction change depending on how long employees have been with the City?

Another notable takeaway is that overall job satisfaction is highest for new and long-serving employees. Satisfaction is lowest for those with 5–10 years with the City.

"I am generally satisfied in my current position."

Exhibit 24: Overall Satisfaction by Years of Service
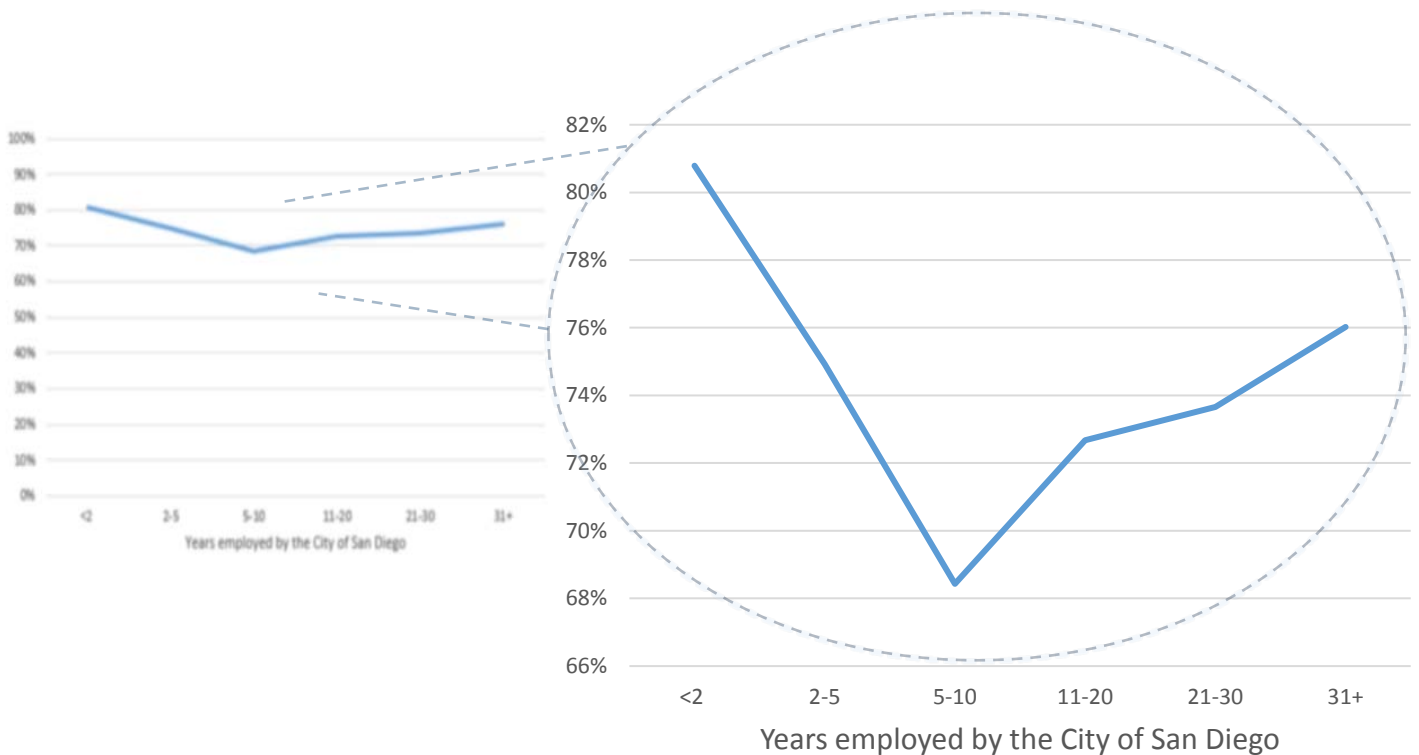
Source: OCA, based on 2017 Employee Satisfaction Survey data.

What about ensuring employees consistently meet performance expectations?

Most respondents did not agree that poor performance was dealt with effectively. There was also large variance across departments.

"Poor job performance is dealt with effectively in my department."

35%

Exhibit 25. Addressing Job Performance Results by Department[16]

Department	Positive Responses Percentage	N =
COO, ACOO, etc.		12
Financial Management		20
Human Resources		23
Performance and Analytics		12
Homeland Security		11
City Clerk		31
Mayor's Office or City Council		26
Information Technology		57
Communications		25
City Treasurer		84
Purchasing and Contracting		43
Fleet Operations		123
Debt Management		10
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Transportation & Storm Water		241
Public Works		379
SDCERS		45
Real Estate Assets		46
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Risk Management		33
Environmental Services		128
City Attorney		167
Planning		38

Source: OCA, based on 2017 Employee Satisfaction Survey data.

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[16] Departments with less than 10 responses are not shown.

Section 5: Employee Development

Is there a relative shortage of operational staff or managers?

Most supervisors, managers, and executives Citywide responded that the ratio of management to staff in their departments is about right.

Exhibit 26. "Regarding management's span of control (i.e. the ratio of management to staff) in your Department…"

Source: OCA Citywide Management Survey.

33

What are some ways the City invests in employee development and career advancement?

Many trainings and certifications are within the purview of the operational department—for example, continuing professional education credits and certificates necessary for professional accreditation. The City also provides multiple cross-departmental trainings to develop its employees' talents and promote professional growth.

Exhibit 27. Number of Recent Graduates from Selected Cross-Departmental Workforce Development Courses

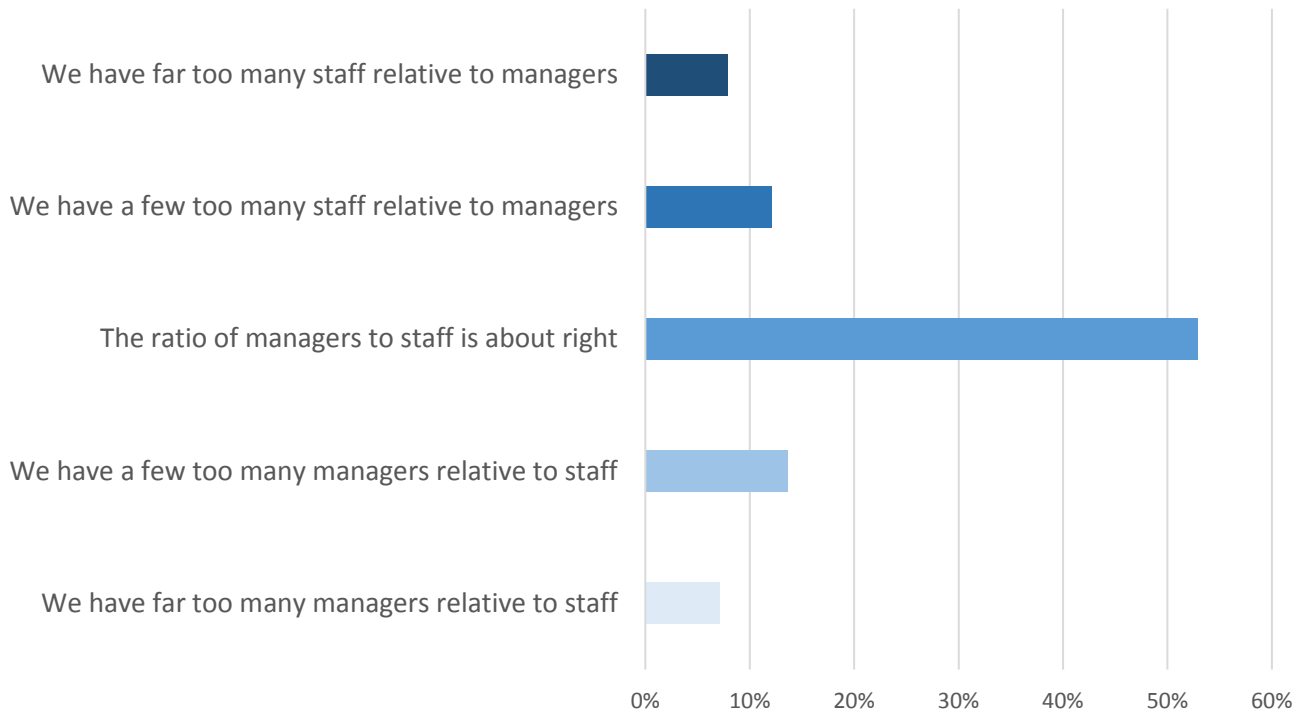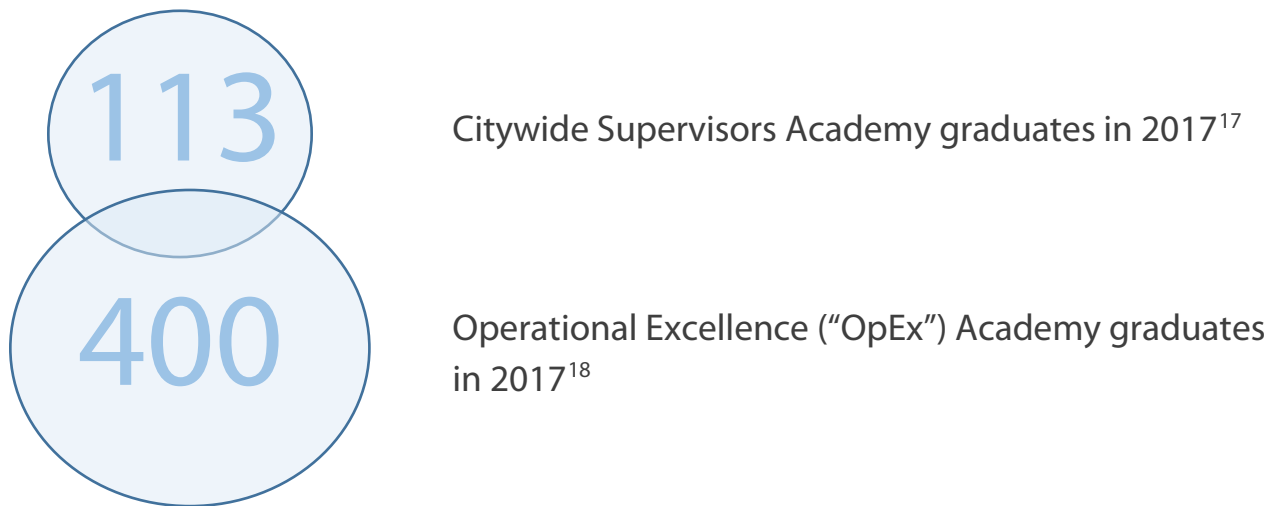**113** Citywide Supervisors Academy graduates in 2017[17]

400 Operational Excellence ("OpEx") Academy graduates in 2017[18]

Sources: OCA, based on trainings and course completion information provided by the Human Resources Department and the Performance & Analytics Department.

Nevertheless, only about half of City respondents either agree or strongly agree that they have a path for career advancement.

55% "I believe I have a path for career advancement."

Source: OCA, based on 2017 Employee Satisfaction Survey data.

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[17] Citywide Supervisors Academy (CSA) is a multi-day training available for employees throughout the City to develop their supervisory and leadership skills. The training database contained variances in the number of Supervisor Academy graduates. According to the Human Resources Department, 113 graduates completed CSA in 2017.

[18] OpEx Academy is a program offered to interested employees Citywide on how to improve their work processes by eliminating waste, basing decisions on data, and delivering better value offers. After the program, employees are encouraged to return to their workplaces to work on incremental process improvements. The program offers 3 versions, called "Champion" (2-hour; 255 graduates in 2017), "Introductory" (1-day; 102 graduates) and "Advanced" (1-week; 43 graduates).

What kinds of generalizable employee skills are most in demand?

Interpersonal, communications, and technological skills are the generalizable skill sets most desired by supervisors, managers, and executives within the City.

Exhibit 28. OCA Citywide Management Survey: "Looking broadly at your workforce, what generalizable skill sets are most needed in employees?"[19]
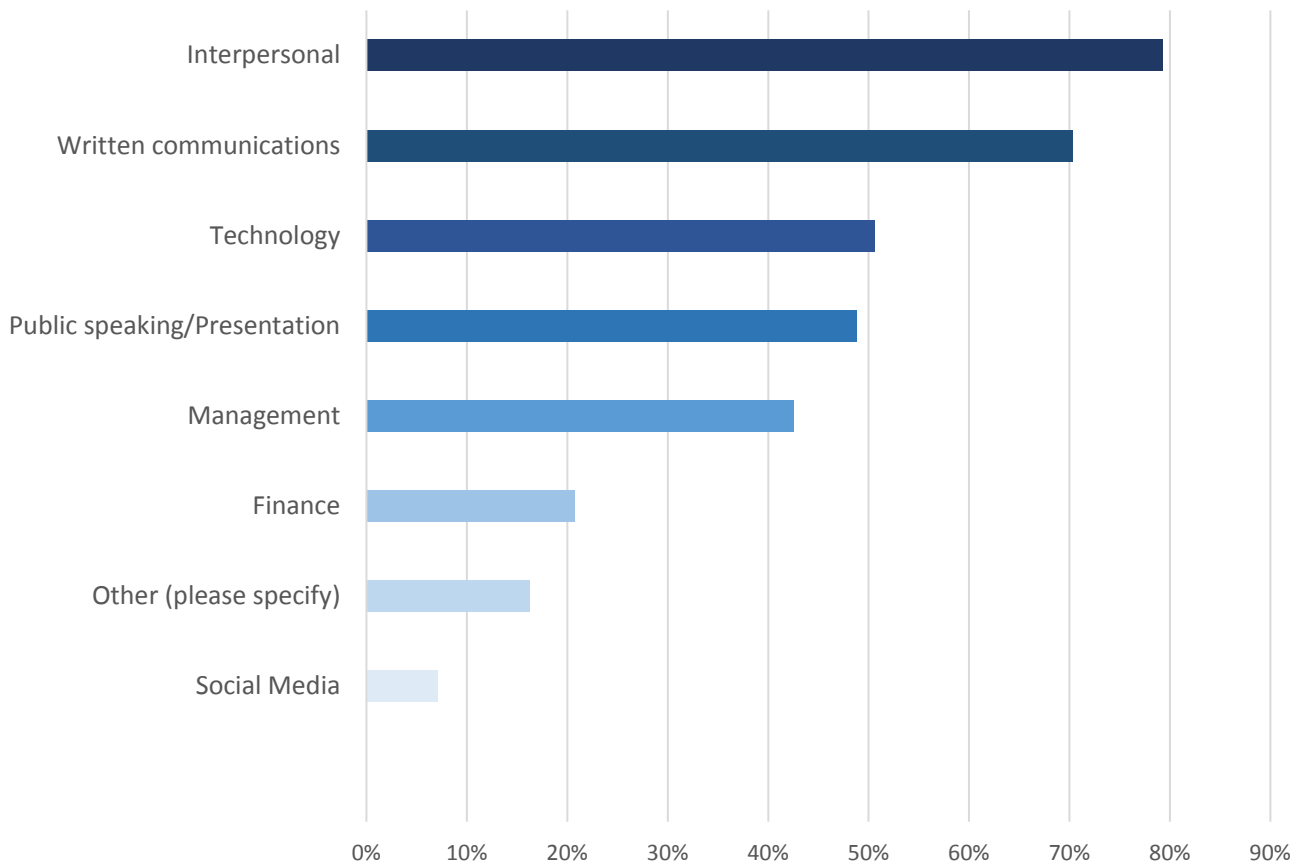
Source: OCA Citywide Management Survey.

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[19] San Diego's results were largely comparable to the results to a similar question asked to State and Local Governments throughout the United States. See: Center for State and Local Government Excellence, *State and Local Government Workforce 2017 Trends.*

Section 6: Compensation

How much are City workers paid? How much does compensation vary across City departments?

The average salary and wages, excluding retirement contributions, varies considerably for employees across the City.[20] The departments with the highest and lowest average salaries and wages are exhibited below.

Exhibit 29. 2017 Average Employee Salary and Wage Variance Across Departments[21]

Emergency Medical Services

$111,916

Performance and Analytics

$110,392

Citywide Average

$73,091

Parks and Recreation

$35,620

Public Library

$34,838
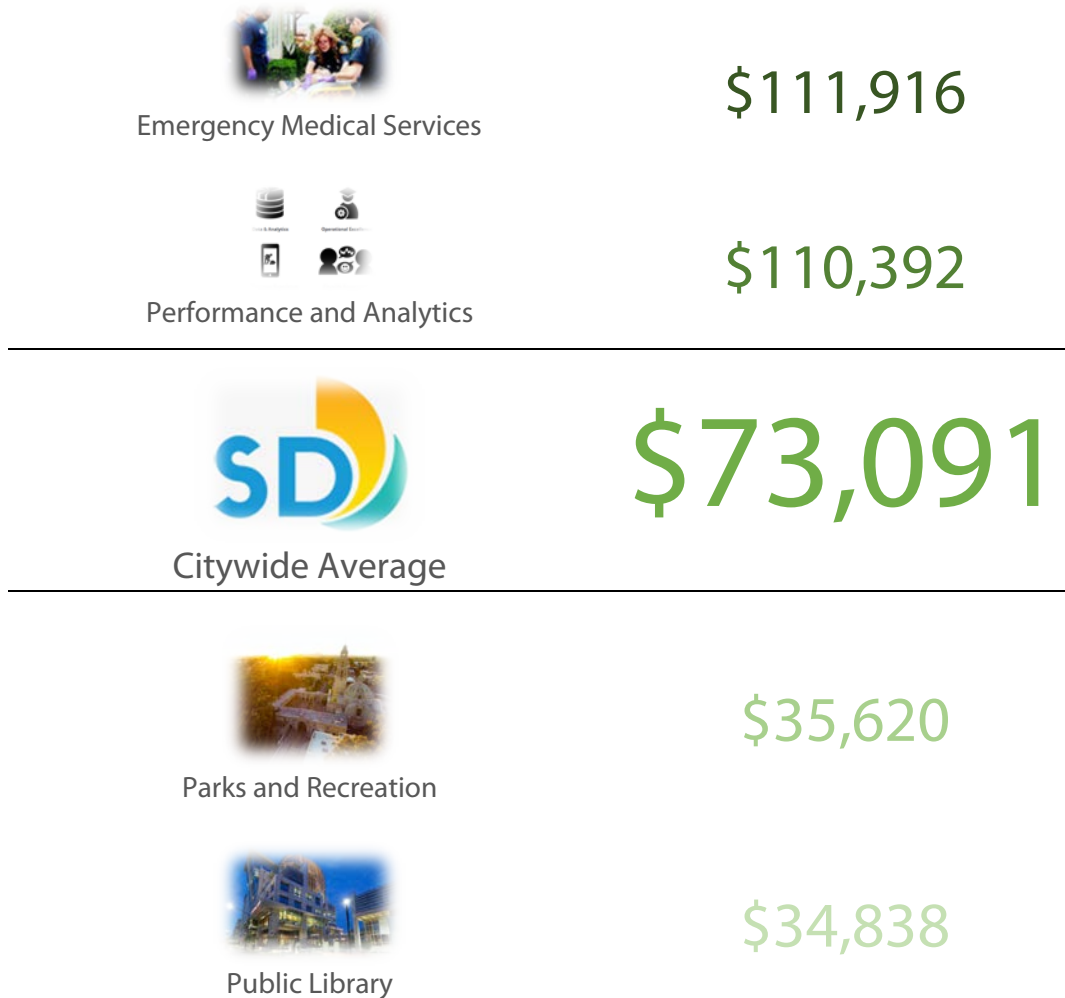
Sources: OCA, based on SAP workforce data and City annual compensation reports.

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[20] Salary and wages include total wages subject to Medicare (Box 5 of a W-2 form); this is comprised of totals of Regular Pay, Overtime, Lump Sum Pay, Flexible Benefits Pay and Other Pay. Salary and wages do not include employer contributions to retirement plans. The City of San Diego's annual compensation reports include employer contribution figures for defined contribution employees, but do not report individualized employer contribution figures for defined benefit employees.

[21] Auditors excluded City employees who only worked part of the year when calculating the average annual salary and wages. Only departments with at least 10 employees who worked the full year are shown.

How have City workers' salary and wages changed over time?

The average salary and wages for City employees has increased about $9,500 from 2010 to 2017. That is an annualized growth rate of about 2%.[22]

Exhibit 30. Average Employee Salary and Wages, 2017 vs. 2010[23]

$73,091 Average Employee Salary and Wages in 2017

$63,512 Average Employee Salary and Wages in 2010

2.0% Average Annual Salary and Wage Growth for City Workers from 2010–2017

Sources: OCA, based on SAP workforce data and City annual compensation reports.

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[22] Salary and wages include total wages subject to Medicare (Box 5 of a W-2 form); this is comprised of totals of Regular Pay, Overtime, Lump Sum Pay, Flexible Benefits Pay and Other Pay. Salary and wages do not include employer contributions to retirement or medical plans. The City of San Diego's annual compensation reports include employer contribution figures for defined contribution employees, but do not report individualized employer contribution figures for defined benefit employees.

[23] Auditors excluded City employees who only worked part of the year when calculating the average annual salary and wages.

How have City workers' salary and wages changed over time? How does that fit into context?

Wage growth for City workers has been increasing at a rate just below the Consumer Price Index for San Diego. The Bureau of Labor Statistics projects that salary and wages in the US will grow more swiftly in the coming years.

Exhibit 31. Historical City Workforce Wage Growth in Context

2.0% Average Annual Salary and Wage growth for City workers from 2010–2017

2.1% Average Annual Consumer Price Index increase in San Diego County from 2010–2017

3.3% Anticipated Pay Increase for most City workers, effective July 2018 and July 2019

4.5% Bureau of Labor Statistics' Projected Annual Rate of Salary and Wage Growth in the US, 2014–2024

Sources: OCA, based on workforce SAP data, annual City compensation reports, and the US Bureau of Labor Statistics.[24]

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[24] Auditors excluded City employees who only worked part of the year when calculating the average annual salary and wages. Salary and wages include total wages subject to Medicare (Box 5 of a W-2 form); this is comprised of totals of Regular Pay, Overtime, Lump Sum Pay, Flexible Benefits Pay and Other Pay. Salary and wages do not include employer contributions to retirement plans. The City of San Diego's annual compensation reports include employer contribution figures for defined contribution employees, but do not report individualized employer contribution figures for defined benefit employees.
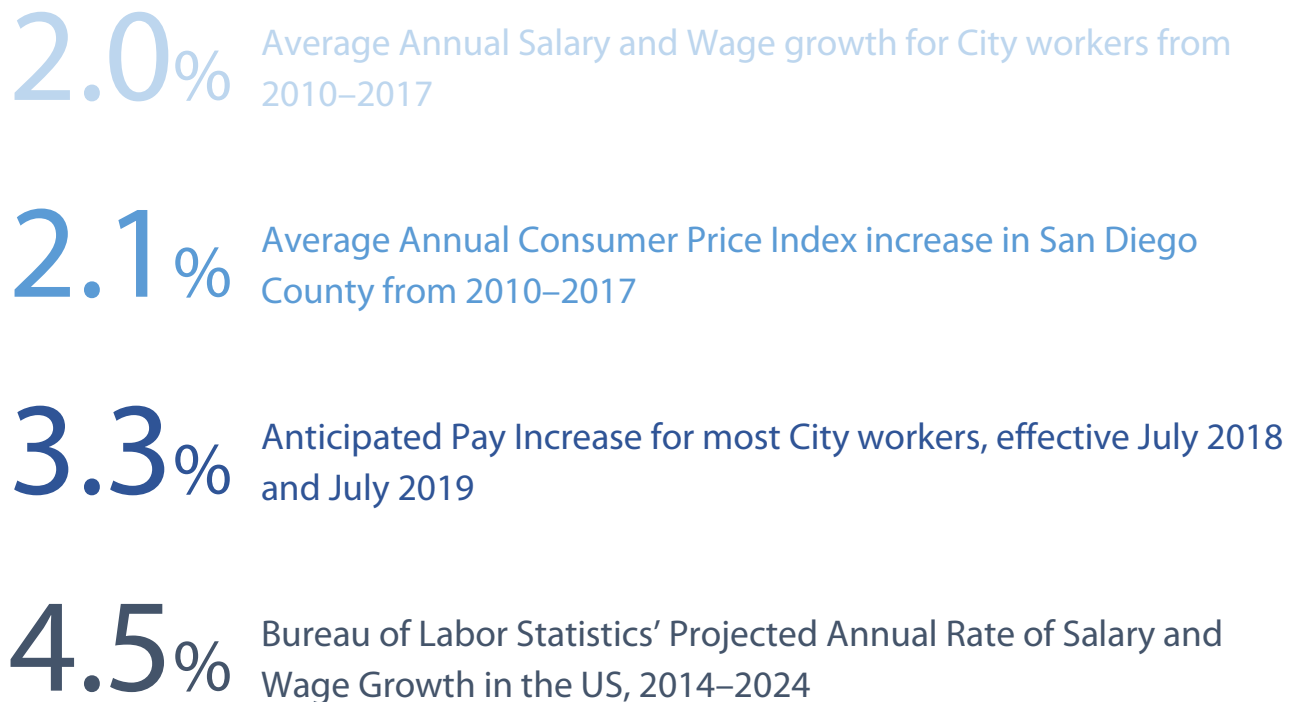
How has the number of employees in the City's different retirement packages changed since Proposition B?[25]

The City's workforce continues to transition away from defined benefit (DB) pensions, as many new employees receive a defined contribution (DC), 401(k)-style retirement plan. Approximately half of the City's current standard-hour employees now receive a DB pension contribution.

Exhibit 32. Retirement Plan Type by Employee, 2010–2017
Not including employees with non-standard hours
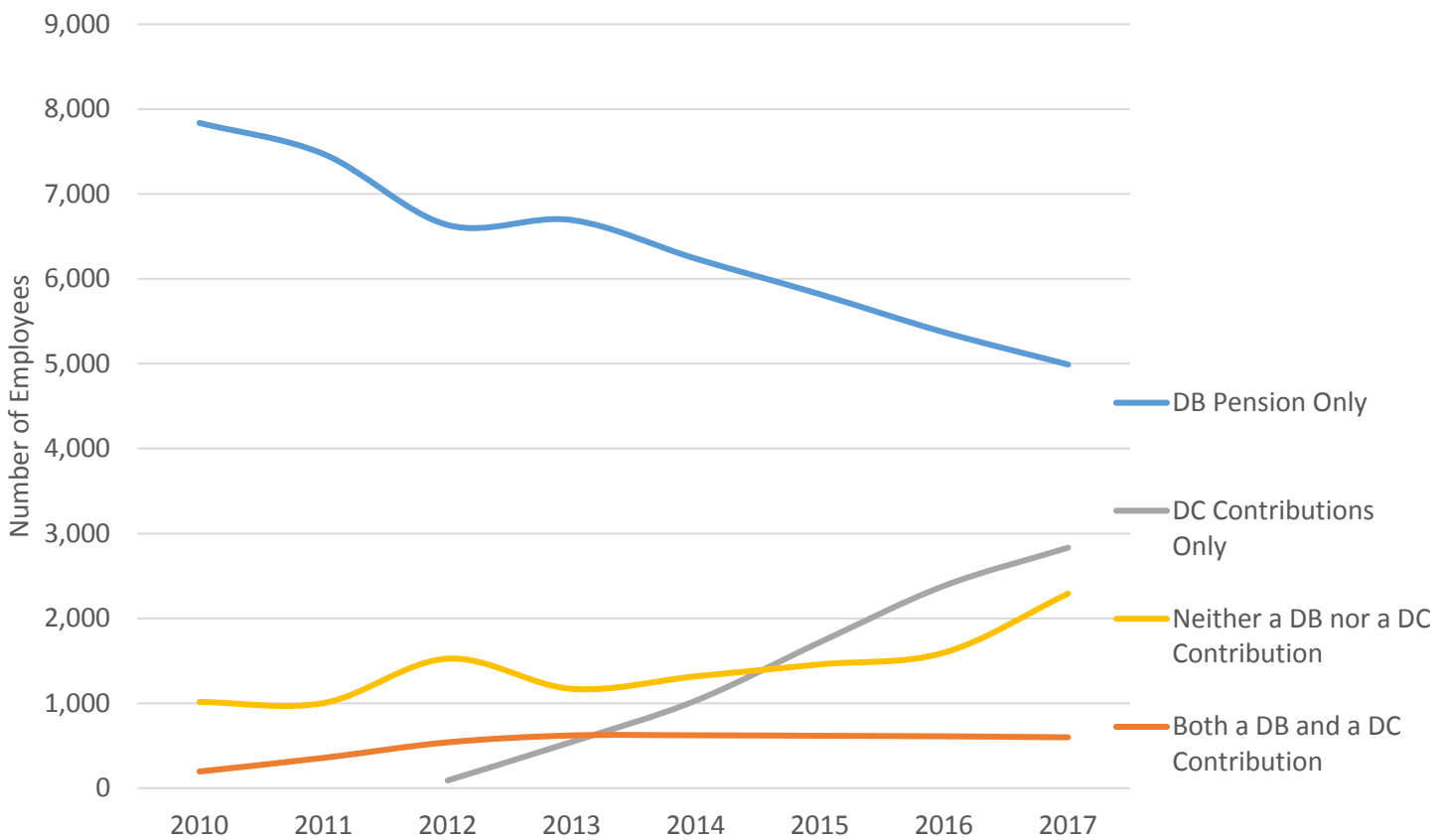
Source: OCA, based on retirement data from the Risk Management Department.

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[25] Proposition B was a City of San Diego voter-approved initiative effective July 20, 2012. It effected several changes for the City workforce, including limiting pensionable pay increases for existing workers, and shifting new hires, except sworn police officers, from defined benefit pensions to a 401(k)-style defined contribution retirement benefit.

How many City workers participate in the Deferred Retirement Option Program (DROP)? How has that changed over time?

Each year, about 1,000 City workers have actively participated in DROP, and the number is slowly increasing.[26] The number of City workers who are immediately eligible for DROP has also been increasing over the same time period.

45% Approximate percent of City's workforce either eventually eligible and/or currently participating in the City's DROP program, as of January 2018.*

Exhibit 33. City Workers DROP Status, FY14–FY17

······ DROP eligible (immediately)*　　——— DROP active
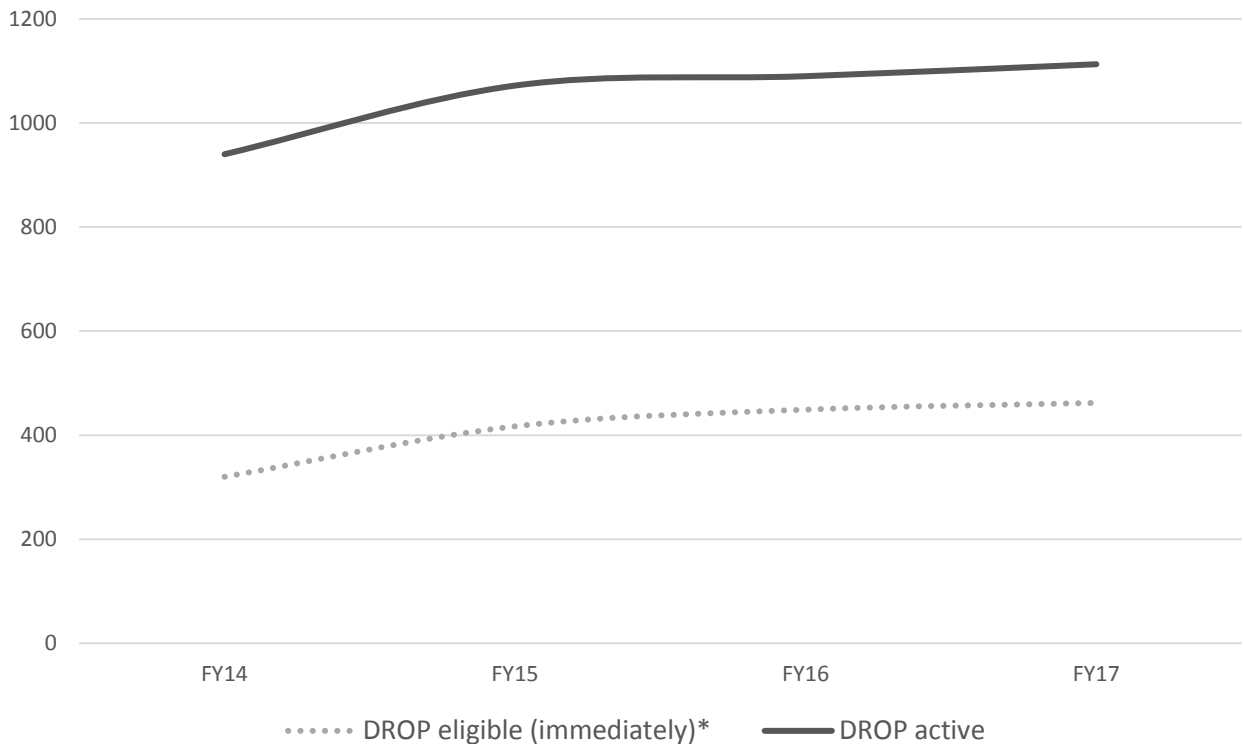
*"Eventually eligible" includes employees who were hired prior to July 1, 2005, but have not yet achieved enough service length and/or age to enter the program. This is in contrast with "DROP eligible (immediately)" depicted on the graph, which shows workers who currently meet program requirements, and could enter the program whenever they wish.

Source: OCA, based on DROP participation data provided by the San Diego City Employees' Retirement System.

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[26] The Deferred Retirement Option Program (DROP) is a legacy program available to employees hired before July 1, 2005 that meet age and service requirements. It allows participating employees to accrue additional retirement benefits if they voluntarily enter into a contract to leave employment within 5 years.

What is management's perception of the City's competitiveness in terms of compensation for its employees?

Respondents from within City Management overwhelmingly disagree that City employees' current compensation is comparable to local labor market opportunities. This perspective is in marked contrast to responses from other governments throughout the country.[27]

Exhibit 34. OCA Citywide Management Survey—"The total compensation (wages and benefits) we offer employees is competitive with comparable labor market opportunities"

"Strongly Agree" or "Agree" **13**% City of San Diego

Source: OCA Citywide Management Survey.

Exhibit 35. Center for State and Local Government Excellence Survey—"Do you feel the wage and benefits compensation you offer your employees is competitive with the labor market?"

"Yes" **79**% State and Local Governments throughout the US

Source: OCA, based on 2017 survey results by the Center for State and Local Government Excellence.

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[27] Note the question wording was slightly different in the prompts. Similarly, the Center for State and Local Government Excellence Survey (SLGE survey) used a "Yes", "No", "Don't know" scale, whereas the OCA Citywide Management Survey used a 5-point scale ranging from "Strongly Agree" to "Strongly Disagree". Auditors combined the "Strongly Agree" and "Agree" portions of the OCA Citywide Management Survey. The SLGE survey broke out affirmative responses separately by wages (64% "Yes") and benefits (93% "Yes"); auditors combined those responses to 79% for comparative purposes. The SLGE survey was conducted in the spring of 2017; the OCA Citywide Management Survey was conducted in the spring of 2018. Despite these methodological differences, auditors believe the difference in results is profound enough to demonstrate a noteworthy gap in the perception of compensation competitiveness.

Section 7: Human Capital Pipeline

How has the service length of the City workforce changed over time?

The average service length of City employees has declined from 2010 to 2018, though in both cases has averaged around 12 years. The City has fewer employees with 10–30 years of service, and has a noticeable increase of employees with less than 10 years of service.

Exhibit 36. Average Service Length of City Workforce, 2010 vs. 2018 (approximate)[28]

12.4 years

2010

11.5 years

2018
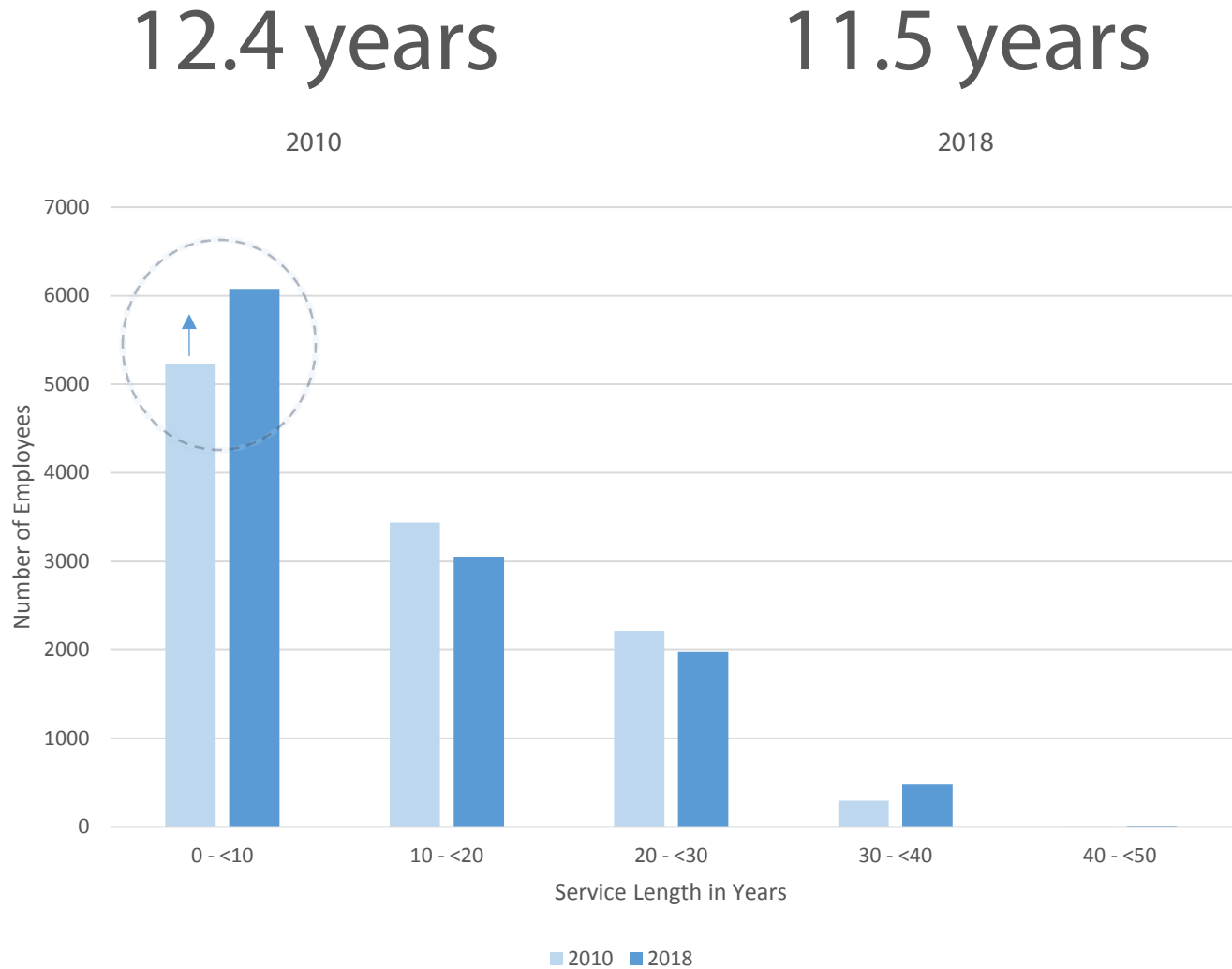
Source: OCA, based on workforce data within SAP.

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[28] "Service Length" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. Auditors do not believe the information or comparison is materially compromised; it is presented here to show a general pattern of employee service length Citywide based on the information available in the City's main SAP database.

How well is the City able to replenish its employee talent and experience?

Average service length with the City has changed significantly from 2010 to 2018 for several departments. The departments with the largest percentage change are displayed below.

Exhibit 37. Change in Average City Service Length, 2010 vs. 2018—Selected Departments[29]

Department	2010 Average Service Length	2018 Average Service Length	Difference in Average Service Length (%)	2010 Number of Employees	2018 Number of Employees
Development Services	15.7	10.5	**-33%**	323	478
Risk Management	11.8	7.9	**-33%**	88	84
Citywide	12.4	11.5	**-7%**	10,651	11,508
Comptroller	8.0	11.8	**+48%**	85	83
Human Resources	9.4	14.8	**+57%**	20	30

Source: OCA, based on workforce data within SAP.

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[29] The term "department" is used for public communication purposes. SAP technically uses the field "Business Area" for these entities. Departments needed at least 10 individuals working for the City as of both 2010 and 2018 to be included. "Service Length" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. Auditors do not believe the information or comparison is materially compromised; it is presented here to show a generalized pattern of employee service length Citywide based on the information available in the City's main SAP database.

How well is the City able to replenish its employee talent and experience—By classification?

Average service length has changed significantly from 2010 to 2018 for certain classifications. The classifications with the largest percentage change are displayed below.[30]

Exhibit 38. Change in Average Service Length of City Workforce, 2010 vs. 2018
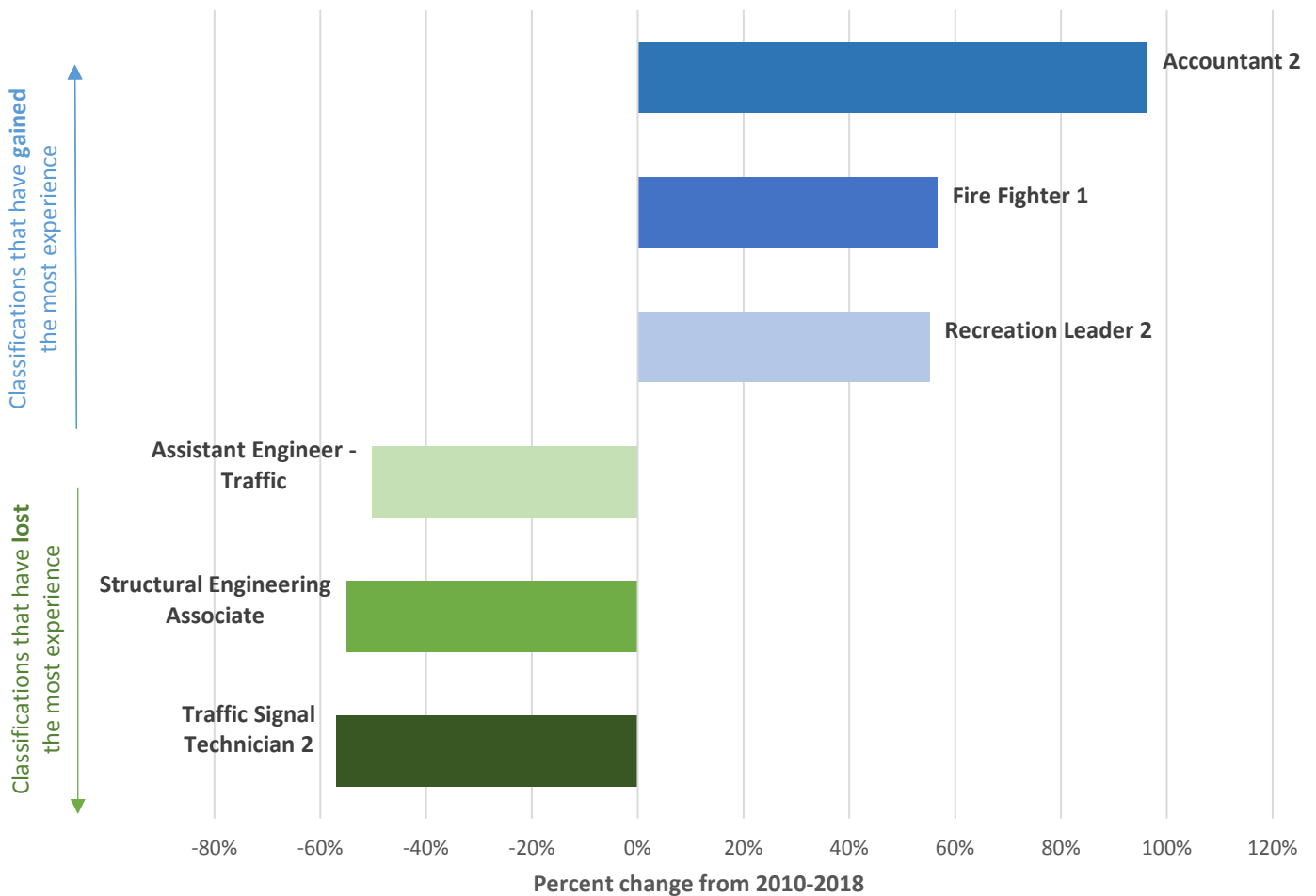
Source: OCA, based on workforce data within SAP.

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[30] Classifications needed at least 10 individuals working for the City as of both 2010 and 2018 to be included. Auditors also judgmentally excluded some classifications with relatively high rates of turnover, e.g. Student Interns, Recreation Aides, Police Recruits, etc. "Service Length" is measured as service length with the City in years. Due to the nature of the data from SAP, auditors used the field "Most Recent Hire Date" as a measuring point. Note that this methodology is inexact in that it undercounts the official pension-eligible "years of service" among those employees with multiple hire dates. The information presented here is to show approximate scale of employee service length change, affecting a variety of classifications in different departments.

Would employees recommend the City as a place to work?

Employee sentiment is mixed when it comes to recommending the City to others as a place to work.

"I would recommend the City of San Diego as a place to work."

60%

(Percent of responses that were positive: "Strongly Agree" or "Agree")

Exhibit 39. City Recommendation Results by Department

Department	N =
COO, ACOO, etc.	12
Homeland Security	11
Mayor's Office or City Council	26
Performance and Analytics	12
Information Technology	57
City Clerk	31
City Treasurer	84
Human Resources	23
Debt Management	10
City Comptroller	54
Real Estate Assets	46
Transportation and Storm Water	241
Purchasing and Contracting	43
Library	406
SDCERS	45
Public Works	379
Financial Management	20
Park and Recreation	349
Fleet Operations	123
Economic Development	51
Communications	25
City overall	4,580
Planning	38
Environmental Services	128
Public Utilities	707
City Attorney	167
Development Services	238
Risk Management	33
Police	547
Fire-Rescue	281

Positive Responses Percentage

Source: OCA, based on 2017 Employee Satisfaction Survey data.[31]

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[31] The 2017 Employee Satisfaction Survey was voluntary, with respondents able to self-identify their department. Departments with less than 10 responses are not shown. Consistent with the Employee Satisfaction Survey methodology, percentage figures are of those who expressed an opinion.

Section 8: Further Management Perspectives

In terms of its Human Capital Management, what does the City do well?

Management also shared their ideas in an open-ended question asking what the City does well in terms of managing its human capital. Summary themes are shown below.[32]

Exhibit 40. OCA Citywide Management Survey:
"Given the constraints and opportunities inherent in municipal government, what are some of the things the City does well in managing its human capital?"

Source: OCA, based on responses to the Citywide Management Survey.

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[32] Auditors coded open-ended responses based on the main theme or idea being suggested. Word size is approximately proportional to mentioned frequency in the OCA Citywide Management Survey.

In terms of its Human Capital Management, what could the City be doing better?

Management also shared their ideas in an open-ended question asking what the City could be doing better in terms of managing its human capital. Summary themes are shown below.[33]

Exhibit 41. OCA Citywide Management Survey:
"What are some of the things you wish you could change about how the City manages its human capital?"

Source: OCA, based on responses to the Citywide Management Survey.

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[33] Auditors coded open-ended responses based on the main theme or idea being suggested. Word size is approximately proportional to mentioned frequency in the OCA Citywide Management Survey.
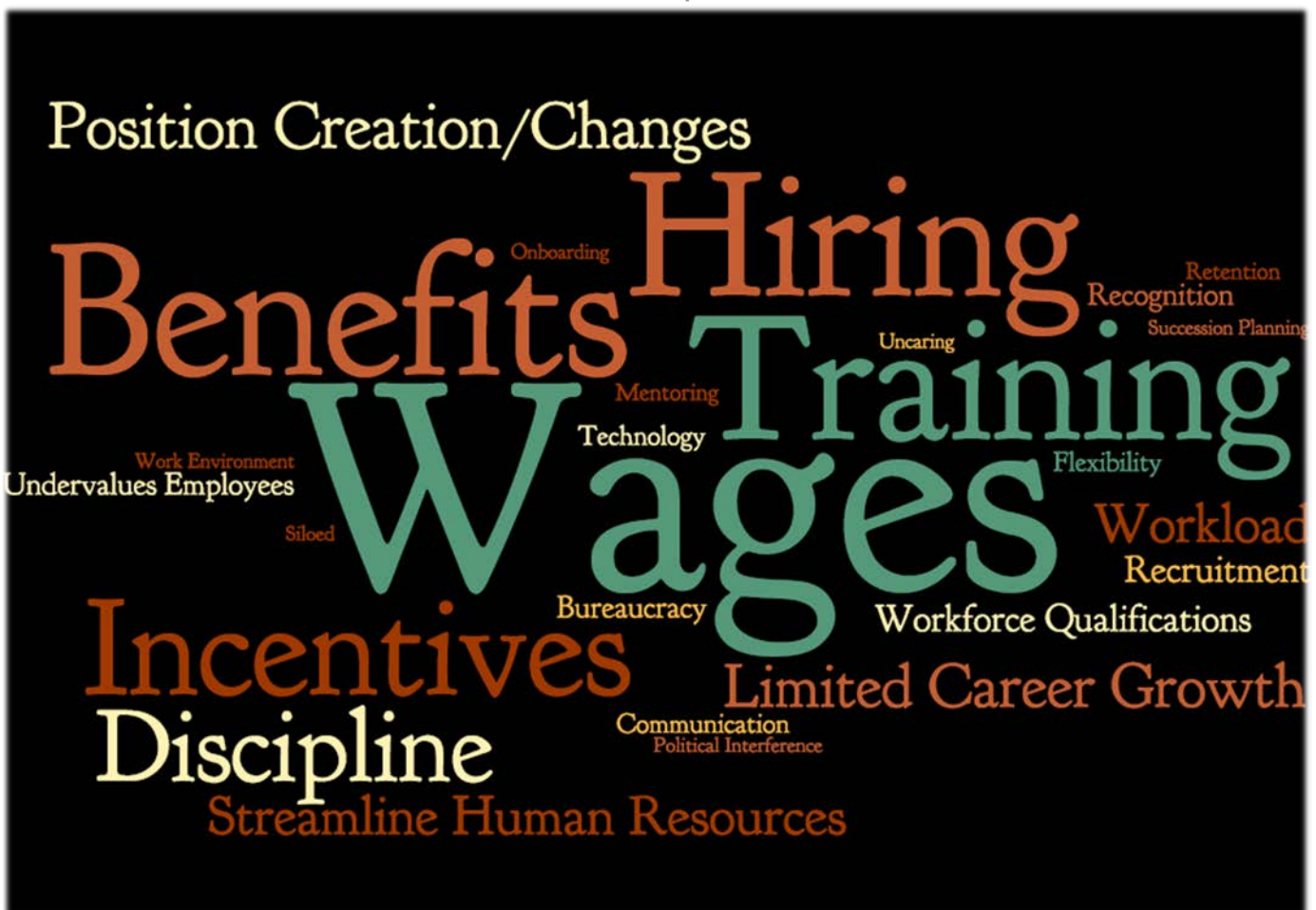
Conclusion

The exhibits throughout this Fact Book represent a diagnostic assessment of the City's human capital across a range of dimensions, such as demographics, employee satisfaction, retention patterns, compensation, management opinions, etc. We caution others that more extensive analysis is needed to determine what actions, if any, the City needs to take to ensure that its workforce is positioned to deliver services at the best value.

To that end, we used this Fact Book, combined with additional analysis of our Citywide Management Survey results and consultations with City leadership, to inform the City Auditor's proposed FY19 work plan. We also plan to use this Fact Book to inform future work plans. These audits are intended to address the most critical issues affecting the City workforce's ability to deliver the high-quality services that taxpayers, residents, and visitors expect and deserve.

Objective, Scope, and Methodology

Our objective was to present an informative, educational overview of the City's workforce across a variety of dimensions, including the number of employees, their ethnic and gender diversity, and employee recruitment, development, retention, compensation, and satisfaction.

Because the subject matter is broad, this is the first of a series of audits reviewing various aspects of human capital issues. Thus, we also identified areas of particular risk, and produced an internal scoping document and presentation with suggested future audits and objectives relating to the City's Human Capital Management.

To produce the Fact Book and scoping document, we reviewed and integrated information from a variety of sources and methods, including:

1) Review of relevant articles and subject literature

We reviewed relevant articles, audits, and reports, noting areas of risk, debates within the field, and best practices. Sources included the Government Accountability Office, the Society for Human Resource Management, the City of San Jose, the City of Sacramento, and the Center for State and Local Government Excellence.

2) Interviews with City leadership

At the beginning of the project we conducted interviews with members of the City's Executive Team. We asked for their suggestions and observations regarding areas of interest and challenges the City faces regarding its workforce.

3) Datasets

We requested and reviewed datasets relating to: compensation, diversity, employee satisfaction, training and development, and Deferred Retirement Option Program (DROP) status, among others. This information was housed in departments throughout the City, including the Personnel Department, Human Resources Department, San Diego City Employees' Retirement System, Office of the Comptroller, and the Department of Information Technology.

We also requested and acquired access to SAP, the City's primary workforce information database. This allowed us to customize and export reports on key aspects of the City's workforce, including: employee numbers, ages, hire dates, current department and classification, salaries, ethnicity, gender, and service lengths.

Because we had no formal audit recommendations, and in sensitivity to project budget and timeliness of the information, our data reliability testing was limited. Where feasible and appropriate, auditors checked for reasonableness of the information—for example, comparing separations figures provided by the Personnel Department against department-specific separations figures provided by the San Diego Police Department. Auditors believe the data utilized in the project is sufficient, appropriate, and reasonable as a basis for the audit objective, in keeping with Government Auditing Standards.[34]

For exhibits that include results across different departments or which filter out small sample sizes, we utilized footnotes to explain caveats, as appropriate. Also for exhibits with department-specific breakouts, we omitted the Office of the City Auditor from any results to mitigate any perceived threat of self-review bias.

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[34]Government Auditing Standards 6.70: "Sufficiency and appropriateness of evidence are relative concepts, which may be thought of in terms of a continuum rather than as absolutes. Sufficiency and appropriateness are evaluated in the context of the related findings and conclusions;" and 6.71: "When assessing the sufficiency and appropriateness of evidence, auditors should evaluate the expected significance of evidence to the audit objectives, findings, and conclusions, available corroborating evidence, and the level of audit risk."

4) OCA Citywide Management Survey

We also conducted a survey of supervisors, managers, and executives in departments Citywide to identify perceived areas of risk. We used information from the above sources and feedback from departments throughout the City to construct and refine a survey of 28 questions relating to issues of supervision, recruitment, employee development, retention, and open-ended commentary. We constructed a list of unclassified and supervisory positions across the City, and used SurveyMonkey to deliver the survey and tabulate the results. Of the 670 recipients, 431 provided responses to the survey.

5) Executive Team Briefing and Feedback

Further, while conducting the research and analysis that went into the creation of this Fact Book, we also identified areas of particular risk. That information was used to produce an internal scoping document with suggested future audits and objectives relating to the City's Human Capital Management and its associated internal controls. We shared a draft version of the Fact Book and risk areas with the City's Executive Team, and incorporated elements of their suggestions and feedback as appropriate prior to publication and presentation. As the Fact Book contains no recommendations, management declined to provide a formal written response.

We believe that this report meets our audit objective of providing an informative and educational overview of the current status of the City's workforce, in accordance with GAGAS Section 6.73[35]. In the production of this report we did not seek to identify causal relationships between the various dimensions of the City's workforce, or any effects thereof. We also did not seek to test internal controls, such as those related to the City's hiring, development, and retention of its workforce. The identified risk areas and future proposed projects will be presented alongside the information in this Fact Book to the City's Audit Committee.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

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[35] Government Auditing Standards 6.73: "[A]n audit objective may be to determine the current status or condition of program operations or progress in implementing legislative requirements, and not the related cause or effect. In this situation, developing the condition would address the audit objective and development of the other elements of a finding would not be necessary."