



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada

SUBJECT: 2012-2013 ALTERNATIVE
SERVICE DELIVERY
EVALUATIONS UPDATE

DATE: May 22, 2012

Approved

Date

5/24/12

The purpose of this memorandum is to provide an update to the completion or progress on various Business Case Analyses for various services, which were initially summarized in the information memorandum provided to City Council on January 19, 2012 entitled "2012-2013 Alternative Service Delivery Evaluations."

BACKGROUND

On January 19, 2012, the Administration provided the Mayor and City Council with an information memorandum entitled "2012-2013 Preliminary Alternative Service Delivery Evaluations." The memorandum identified five services that were undergoing a preliminary business case analysis as part of the 2012-2013 Proposed Budget process. The five services included Airport Traffic and Parking Control, Adult School Crossing Guards, Recycle Plus Billing, Parks Maintenance, and Workers' Compensation.

Five additional services were also being evaluated to determine whether to proceed with a formal business case analysis. The services include Accounting Payroll/Benefit, Fleet, Library, Parking and Traffic Control, and Sanitary Sewer. The administration will also continue to evaluate service delivery models for the Revenue Management, Animal Care, and Real Estate services to look for efficiencies and may bring forward recommendations as part of the 2013-2014 budget process.

ANALYSIS

Results of Preliminary Business Case Analysis

Airport Parking and Traffic Control – The preliminary business case analysis concluded that outsourcing the Airport Parking and Traffic Control service could save \$1 million annually and provide several service improvements. The Airport has conducted a public stakeholders meeting, including airline carriers, union representatives, and airport tenants, and has incorporated this feedback into the business case analysis. The results of the final business case analysis are

May 22, 2012

Subject: 2012-2013 Alternative Service Delivery Update

Page 2

described in more detail in Manager's Budget Addendum #7 which is available on the City's website at www.sanjoseca.gov/budget.

Parks Maintenance – A business case analysis focused on park maintenance activities provided at 33 neighborhood parks that were 2.1 to 5 acres in size and concluded that the cost to outsource these services exceeds the City's cost by approximately \$163,000. Based on the analysis, the Administration decided to continue providing the service by City staff at this time. The business case analysis is available on the City's website at www.sanjoseca.gov/budget/FY1213/ServiceDeliveryEvaluations12-13.asp.

Adult School Crossing Guards – A business case analysis focused on school crossing guard activities and concluded that potential savings of approximately 4.3% or about \$55,000 could be generated by outsourcing the program. However, although there could potentially be some savings, they are not substantial and need to be weighed against other factors. The current program model benefits from strong community support as well as positive relationships from the schools and school districts. By keeping the program in-house, the San José Police Department would continue to have full control over the program, ensure high-level program responsiveness, and maintain established strong relationships between the City and schools. Due to the minimal General Fund savings, the Administration decided to continue providing this service by City staff. The business case analysis is available on the City's website www.sanjoseca.gov/budget/FY1213/ServiceDeliveryEvaluations12-13.asp.

Workers' Compensation – Two Requests for Proposals (RFPs) for the Workers' Compensation program were released on March 20, 2012. The RFP for Workers' Compensation Comprehensive Services sought vendors to perform and/or coordinate an integrated cost containment program including administrative services, bill review/preferred provider organization (PPO) networks, utilization review, and medical case management. The RFP for Workers' Compensation Legal Services sought external legal counsel to handle workers' compensation cases throughout the litigation process including appellate review, third party subrogation related to the underlying workers' compensation case, and coordinating workers' compensation cases with interrelated issues of retirement, safety, and return to work. Proposals for both RFPs were received on April 30, 2012 and staffs from the Human Resources Department and the City Attorney's Office are currently evaluating these proposals. The results of the RFP processes will be reported to the Public Safety, Finance, and Strategic Support Committee once the RFP evaluation process has concluded.

Recycle Plus Billing – The Administration is currently evaluating possible options for providing billing services for the Recycle Plus program. The vendor of the current billing system will significantly reduce the level of support provided starting in July 2012. As soon as the evaluation is complete, the Administration will bring forward recommendations for City Council consideration to either replace the current system and continue providing the billing function using City staff or implement an alternative service delivery model.

Results of Preliminary Evaluation

Benefits/Payroll Administration – Phase I of a two part RFP process has been completed with the objective of determining if there are alternative solutions or technologies currently available

to upgrade the City's PeopleSoft HR/Payroll application. Staff has determined that based on the results of Phase I, the Phase II RFP process will solicit proposals to upgrade our existing PeopleSoft technology as well as proposals for entirely new solutions. The outcome of the Phase II RFP process will be to determine and recommend a solution that best addresses the short and long term requirements of the organization.

Fleet Maintenance Pilots – The Public Works Department is currently testing two fleet management service delivery model pilots. One pilot leases Parks, Recreation, and Neighborhood Services (PRNS) vehicles and outsources vehicle maintenance and repair. A preliminary estimate indicates an additional \$103,500 in upfront costs over the pilot's two-year period. This cost will be funded through a PRNS Capital Improvement allocation. The second pilot outsources the maintenance and repair of City-owned vehicles and does not require any additional funding. Contracts for both pilots will be completed by the end of May, with the pilots going into effect July 1, 2012. The pilots are expected to last for two years and regular status reports will be presented to the Transportation and Environment Committee.

Library – A Request for Information (RFI) for management and operations services for four new libraries was released and resulted in only one proposal. A comparison of the budgeted cost for City staff to operate the libraries to this proposal is being finalized. This analysis will be described in a forthcoming Manager's Budget Addendum.

Parking and Traffic Control – Staff is continuing to conduct preliminary research relative to the City's Parking Compliance Program to determine if there are potential alternative service delivery models that may result in a more efficient delivery of service. The preliminary analysis to determine if any service provided by the Parking Compliance Program should proceed with a formal business case analysis is anticipated to be completed during the first half of 2012-2013.

Sanitary Sewer Pilot – Staff is conducting a pilot project to contract out minor sanitary sewer repairs. To date approximately 60 minor projects have been contracted out. An evaluation of the pilot to determine the level of cost savings and service quality improvements will be conducted to determine whether to conduct a service delivery evaluation during the 2013-2014 budget process.

In addition to the ten service delivery areas listed above, staff also considered other streamlining and alternative service delivery opportunities that did not require a formal service delivery evaluation. Service improvements in the Information Technology area are being brought forward as part of the 2012-2013 Proposed Budget. These improvements include conversion of the City's email system to a hosted email subscription model resulting in a modern and reliable e-mail system with increased storage limits, a more streamlined response to public records requests, and better integration with mobile devices such as smart phones and data tablets. The extension of the Voice over Internet Protocol (VoIP) platform for the majority of the City through a new hosted platform model will result in cost savings and provide a voice solution with modern features.

The Finance Department is partnering with collection agencies to leverage their services in order to more effectively and efficiently use Finance staff to focus on sensitive, more complicated, and higher dollar amount revenue collection efforts. The administration may also release RFPs for

HONORABLE MAYOR AND CITY COUNCIL

May 22, 2012

Subject: 2012-2013 Alternative Service Delivery Update

Page 4

animal licensing in the Animal Care Services Division and for brokerage, title search, and Right of Way services in the Real Estate section. The administration will continue to evaluate service delivery models and may bring forward recommendations as part of the 2013-2014 budget process in other areas.



Ed Shikada
Assistant City Manager

For questions please contact Ashwini Kantak, Assistant to the City Manager, at 408-535-8147.