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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Edward K. Shikada

**SUBJECT: UPDATE ON ALTERNATIVE
SERVICE DELIVERY PROPOSALS
CONSIDERED FOR THE 2010-2011
PROPOSED BUDGET**

DATE: April 22, 2010

Approved

Date

4/22/10

INFORMATION

On October 20, 2009, the City Council adopted Council Policy 0-41, Service Delivery Evaluation. The Policy requires a business case analysis to be undertaken. Through the business case analysis, the Administration is guided to evaluate service delivery changes that meet certain criteria.

On February 28, 2010, in accordance with Council Policy 0-41, the Administration provided an information memorandum to Council identifying the services that were selected for a business case analysis. These include: 1) custodial services, 2) in-state prisoner transport, 3) departmental consolidations, 4) employee health services, and 5) workers' compensation claims processing. This memorandum provides an update on the progress of these analyses with a focus on proposals that will have direct implications for the 2010-2011 Proposed Operating Budget.

Custodial Services

Airport – The Administration has completed a preliminary business case analysis evaluating a new service delivery model that would provide custodial services at the San José Norman Y. Mineta International Airport with contracted custodians. Given the Airport's fiscal constraints, growing labor costs, need to remain competitive, and the significant cost savings that can be achieved, the Administration is finalizing a recommendation that Council not choose to implement Council Policy 0-29, Public Private Competition Policy, and to proceed directly with private sector contracting.

General Services and Other Departments – The Administration has completed a preliminary business case analysis evaluating the sole use of contracted custodians at all other City facilities (excluding the Convention Center). Currently in-house custodians provide services at Police

facilities, the San Jose Museum of Art, Animal Care and Services, and the old Martin Luther King Library. Contracted services are provided at community centers, libraries, and service yards. City Hall and the Water Pollution Control Plant utilize a blend of both in-house and contractual services. Due to the cost savings that this alternative service model would generate, the Administration is finalizing a recommendation that Council not choose to implement Council Policy 0-29, Public Private Competition Policy, and to proceed directly with private sector contracting in all City facilities.

In-State Prisoner Transport

The Administration has completed a preliminary business case analysis evaluating the use of contract services from the private sector or from other public law enforcement agencies to provide in-state prisoner transport. Due to the cost savings that this alternative service model would generate, the Administration is finalizing a recommendation that Council not choose to implement Council Policy 0-29, Public Private Competition Policy, and to proceed directly with contracting for this service.

Other Services

Several other concepts are being evaluated that do not have implications for the 2010-2011 Proposed Budget at this time. Per the Mayor's March Budget Message as approved by the City Council, the Administration is evaluating the concept of Departments combining administrative functions. Additionally, as identified in the February 28 memorandum, for employee health services and workers' compensation claims processing, it was determined that the costs associated with a private vendor providing the services require information from potential contractor providers, since the City currently does not contract out for these services. Requests for Information have been developed and issued to further evaluate the cost for private contractors to deliver the services.

For each of the three alternative service delivery proposals discussed above in detail, a business case has been provided to affected bargaining units. Additional outreach to interested stakeholders will be conducted through May. Recommendations will be presented and considered by Council as part of its review of the 2010-2011 Proposed Operating Budget in May and early June, 2010.

For questions regarding this memo or to request a copy of the business plans please contact me at (408) 535-8190.



EDWARD K. SHIKADA
Chief Deputy City Manager