

City of San José, California

COUNCIL POLICY

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EFFECTIVE DATE October 20, 2009	REVISED DATE	
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BACKGROUND

The City is responsible for regularly reviewing services provided to residents to ensure service delivery is as cost effective as possible. An extraordinarily difficult economic climate and the City's responsible actions to address the structural budget deficit have generated particular interest and discussion on how such reviews are conducted and decisions made to change service delivery methods, particularly when outsourcing services. During this challenging period, the City has benefited from substantial reductions in the costs of services as a result of compensation concessions by its public employees. It is within this context that evaluations of service delivery resulting in contracted services, if and when cost effective, be undertaken.

Based upon City Council direction to review the City's competition policies, staff has worked with a group of stakeholders representing labor, business, and non-profit community interests. As a result of this consultation, staff has developed recommendations for a structured approach to evaluating and selecting among a variety of service delivery models. For the purpose of establishing a policy and consistency in practice, the term "Service Delivery Evaluation" is used here to broadly encompass the evaluation of a range of service providers, including City employees, non-profit organizations, private enterprises, or other governmental agencies for providing services to the Community on behalf of the City.

PURPOSE

The purpose of this policy is to provide a decision-making framework for evaluating a variety of service delivery models.

POLICY

It is the policy of the City of San José to use an efficient and transparent process for evaluating service delivery methods, which:

- applies consistent decision-making criteria;
- ensures that stakeholders have the opportunity to provide input to decisions; and,
- results in quality, cost effective services that leverage the unique strengths of public, private, and nonprofit sectors in service delivery.

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Implementation

Step 1. Evaluations of existing service delivery may be undertaken at any time. The evaluations may result in changes among services currently provided in-house and those currently contracted out and new services. The City Manager shall consider recommendations for evaluations of existing service delivery from the City Council, City Attorney, City Auditor, department heads, bargaining unions, and the public and private sector. Concepts of service evaluations will be advanced prior to the formal annual budget process to the extent feasible, in order to maximize the opportunity to carefully consider the potential effects (positive and negative) of a proposed service delivery method change.

The City Manager will inform the Council early in the process of the service models undergoing a business case analysis. For proposals to be considered as part of the annual budget, Council will be informed no later than the “City Manager’s Budget Request and Five Year Forecast and Revenue Projections for the General Fund and the Capital Improvement Program” submitted each year in February. Formal decisions to proceed with a service delivery change may be made at the time of the annual budget adoption, in order to ensure that resources are allocated accordingly.

The implementation process described in this Policy will only be applied to projects that meet specific size thresholds. Smaller service delivery changes may proceed (as prescribed under other rules and policies) using elements of this process when appropriate, but will not require the extensive process described below:

1. For the purposes of this Policy, a business case analysis will be undertaken to evaluate Service Delivery changes that are expected to result in the addition, deletion, or reclassification of four (4) or more City full-time equivalent (FTE) positions.
2. This process will not be applied to service eliminations due to budget cuts, episodic, one-time, or temporary work.

Step 2. A business case analysis will be prepared to determine the full cost, including transition and management expenses, for the City to deliver an existing service differently.

Step 3. The business case analysis will be reviewed with stakeholders and made available to the general public. As applicable, the Administration will meet and confer with affected City employee bargaining units.

This review will provide a preliminary Administration recommendation on the service delivery approach to be pursued and the applicability of Council Policy 0-29, Public Private Competition Policy, based upon the following decision-making criteria:

1. What is the potential impact on public employees currently providing the service and on the workforce in general with respect to issues such as workload, productivity, diversity, and availability of measures to mitigate negative impacts? Impacts will specifically be evaluated relative to the City’s core values (Integrity * Innovation * Excellence * Collaboration * Respect * Celebration).
2. Is it practical for City staff to provide the proposed service (versus being precluded by proprietary, supply chain, or other factors)?

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3. Is there limited market competition for the service or other reasons that the City directly providing the service would protect public interests from default or service interruption?
4. Is there currently a City staff unit capable of and interested in developing a managed competition proposal?
5. Is the workload sufficiently steady to support a permanent workforce (versus episodic)?
6. Is a City interest served by being a long term direct service provider, such as avoiding future costs?
7. Is the service model likely to improve the quality, customer satisfaction, and/or responsiveness for the same or lower cost, with particular focus on the General Fund?
8. Do local, state and federal laws, regulations, and funding guidelines restrict the method of service delivery, and if so can these restrictions be changed?
9. What risks to the City and public do the service delivery models present, and how would these risks be managed?
10. Is the City able to cost-effectively maintain the specialized skills, technology, and equipment needed for the service?
11. Does the service delivery model maximize the leveraging of prospective non-City resources (such as sponsorships and donations)?
12. Is there management and administrative capacity to support the in-house workforce or contract oversight needed?

Step 4. The decision to pursue changes to the existing service delivery model, including whether managed competition including City employees will be pursued, will be presented to the City Council for approval. This will include the allocation of resources (funding and personnel) to complete any required procurement process.

Step 5. The Administration will issue a request for proposal (or other procurement process) for service provider selection, managed competition, or other partnership agreements as applicable. The City's Public Private Competition Policy (Council Policy 0-29) will guide the managed competition process.

Step 6. The Administration will present for approval by the City Council results of the procurement process. In making its recommendations, the Administration will compare the proposed agreement to the business case analysis and either validate its preliminary recommendation or identify material differences. The Administration will consult with stakeholders in advance of presenting its recommendations to the City Council, including as applicable, meeting and conferring with affected City employee bargaining units.

Step 7. The City will monitor any resulting contract to ensure quality and ongoing cost competitiveness, with reporting and renewals consistent with other City rules and policies.

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DEFINITIONS

Service delivery evaluation refers to the evaluation of a range of methods of delivering services to the public via City employees, non-profit organizations, private enterprises, or other governmental agencies for providing community services on behalf of the City.

Managed Competition refers to a process whereby City employees as well as other public and private entities may propose to deliver specific services over a specified period of time.