



2013-2014

OPERATING BUDGET

**ATTACHMENT C -
STATUS OF CITY
AUDITOR
RECOMMENDATIONS
WITH FUNDING
IMPACT**

Status of City Auditor Recommendations With Funding Impact 2013-2014 Adopted Operating Budget

There are a number of audit recommendations that are incorporated into actions included in the 2013-2014 Adopted Budget. The table below provides a summary of those audit recommendations. While this report focuses on audit recommendations with budget actions in 2013-2014, there are numerous outstanding audit recommendations with financial implications that are not being implemented as part of the 2013-2014 Adopted Budget. The City Auditor's Office reports on all outstanding audit recommendations on a semi-annual basis. These status reports can be found on the Auditor's Office website at: <http://www.sanjoseca.gov/index.aspx?nid=309>.

Department	Item	Remarks
Human Resources/ City Manager's Office – Employee Relations	Audit of Employee Medical Benefits – Pursue at least one or a combination of the aforementioned cost-containment strategies and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present (6/10/09, #17)	In June 2012, the City Council approved a low cost/high deductible healthcare plan for non-sworn employees and retirees in both Retirement Plans effective December 23, 2012. Additionally, effective July 1, 2012, Federated Retirement System members are required to enroll in Medicare A and B supplemental plans at the age of 65. These changes are expected to generate General Fund savings of \$6.5 million annually due to lower employer contribution rates for the Federated Retirement System. Per the Memoranda of Agreements with the public safety bargaining units, the City and employees' retiree healthcare contributions are capped at 11.0% and 10.0%, respectively. Although the healthcare modifications reduce the unfunded liability for the Police and Fire Department Retirement Plan, the annual required contribution is still above the capped rate of 11.0% for the employer contributions. Therefore, no immediate savings are realized. This change, however, is the subject of litigation. The 2013-2014 Adopted Budget includes a list of \$20.0 million of ongoing and one-time expenditures that will not be implemented pending the outcome of litigation associated with this new plan as well as the elimination of the Supplemental Retiree Benefit Reserve (SRBR).

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Department	Item	Remarks
Police/ City Manager's Office – Employee Relations	Audit of Civilianization Opportunities in the San José Police Department – Consider how Community Service Officers and Investigative Aides might be used in the future in San José and meet and confer with the SJPOA regarding this provision (Issued 1/14/10, #4)	The 2013-2014 Adopted Budget includes the addition of 21.0 Community Service Officers (CSOs) and seven vehicles as of January 2014 at a cost of \$1.1 million in 2013-2014 (\$1.8 million ongoing). These positions would perform non-sworn technical and administrative support services (interviewing witnesses, photographing crime scenes, collecting evidence, taking telephone reports, conducting follow-up investigations, and fingerprinting). These positions will respond to lower priority, non-enforcement calls, thereby increasing capacity for existing Police Officer positions to respond to higher priority calls and conduct more proactive police work. The hiring of the CSOs is currently underway and it is anticipated that they will start and begin their training in early 2014.

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Employee Relations	Pension Sustainability: Rising Pension Costs Threaten the City's Ability to Maintain Service Levels – Alternatives for a Sustainable Future – Pursue at least one or a combination of pension cost-containment strategies (9/29/10, #3)	<p>The 2013-2014 Adopted Budget incorporates savings associated with the elimination of the SRBR that have been factored into the City retirement contribution rates for 2013-2014. This change is projected to generate General Fund savings of \$13.4 million annually. This change, however, is the subject of litigation. The 2013-2014 Adopted Budget includes a list of \$20.0 million of ongoing and one-time expenditures that will not be implemented pending the outcome of litigation associated with the elimination of the SRBR as well as the implementation of the low cost/high deductible health plan.</p> <p>A Tier 2 Retirement Plan has been implemented for non-sworn employee groups effective September 30, 2012. A Tier 3 Plan for new unrepresented employees was effective February 4, 2013. The savings associated with the implementation of these lower-cost retirement plans will be reflected in the annual budget as new employees are enrolled in these plans.</p> <p>An agreement was reached with the San José Police Officers' Association (POA) on a Police Tier 2 plan that was implemented in August 2013.</p>

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Department	Item	Remarks
Information Technology	<p>Audit of Information Technology General Controls – ITD should collect, maintain and periodically update a central inventory of computer equipment and software, and should use its inventory management system and records of technology purchases to:</p> <ul style="list-style-type: none"> a) better evaluate purchasing needs; b) identify opportunities to redistribute and/or share equipment and software; and c) to the extent possible, ITD should pursue opportunities to centrally install packages, rather than installing packages at individual workstations (1/18/12, #9) 	<p>The 2013-2014 Adopted Budget includes funding to upgrade the City's Microsoft's Office 2003 Suite to an Office 365 subscription model. The City's current Office 2003 is three full generations behind this latest version. The upgraded version will increase productivity through enhanced features and mitigate certain security and compatibility risks by ensuring that the City remains on current and supported versions in a sustainable hosted model. Further, the software is delivered through a web browser rather than a traditional PC by PC installation, which significantly addresses the recommendation to centrally install and manage software. Included in this action is a one-time allocation of \$550,000 for implementation and training and ongoing funding of \$262,000 for the subscription service.</p>

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Department	Item	Remarks
Environmental Services	<p>Environmental Services: A Department at a Critical Juncture – The Administration should continue pursuing ways to retain high-performing, critical Plant staff (8/8/12, #1)</p>	<p>The 2013-2014 Adopted Budget includes the addition of 7.0 Plant Attendant positions and the elimination of 4.0 vacant journey-level Plant Mechanic positions in order to 1) create additional points of entry into the Water Pollution Control Plant (WPCP) Mechanic classification series and 2) help obtain a qualified candidate pool for existing Plant Operator Trainee (O.I.T), Apprentice Plant Mechanic (M.I.T.), Electrician, Instrument Control Technician and Heavy Equipment Operator positions. The Plant Attendants will assist Plant Mechanics by performing the lower level tasks and will learn various job functions as they rotate through the various Plant work groups.</p> <p>The Adopted Budget also includes the addition of 1.0 Division Manager position and 1.0 Senior Analyst position to the Administrative Services Division of the Environmental Services Department. The Division Manager position will manage the Department's Fiscal, Budget, MIS, and new Workforce Planning Section that will be responsible for all activities related to Plant staffing, developing and implementing a recruiting and retention strategy, management of all human resources, and employee relations activities. The Senior Analyst will assist with recruitments, training and development, and performance appraisal management at the WPCP.</p>

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Department	Item	Remarks
Environmental Services/City Manager - Office of Economic Development	Environmental Services: A Department at a Critical Juncture – The Environmental Services Department, along with the Office of Cultural Affairs and the City Attorney’s Office, should review past and current public art allocations in the Sanitary Sewer System, Water Pollution Control, Storm Sewer, and Water Utility Capital Funds to determine whether appropriations are in accordance with the City’s Public Art Ordinance (8/8/12, #20)	Past allocations for Public Art from the referenced capital programs will continue to be programmed for Public Art in the 2013-2014 Adopted Capital Budget. Consistent with the adoption of the 2011-2012 Capital Budget, current and future Public Art allocations in the referenced programs will exclude rehabilitation projects that replace assets in kind, projects which primarily replace existing equipment, and projects that constitute site remediation.