

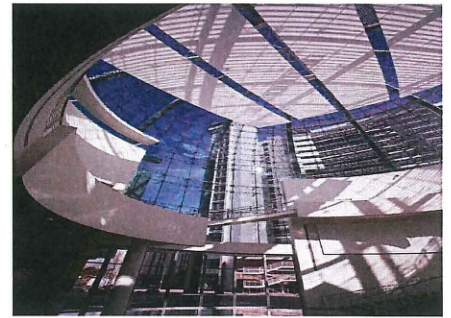
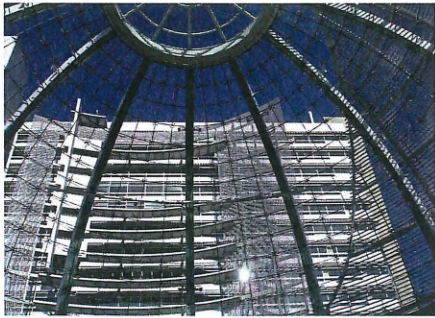
2012-2013

OPERATING BUDGET

STRATEGIC SUPPORT CSA

**STRATEGIC SUPPORT
CSA**

City Service Area Strategic Support



***Mission:** To effectively develop, manage and safeguard the City's fiscal, physical, technological and human resources to enable and enhance the delivery of City services and projects*

Primary Partners

Finance
Human Resources
Information
Technology
Public Works
Retirement Services

CSA OUTCOMES

- Sound Fiscal Management that Facilitates Meeting the Needs of the Community
- A High Performing Workforce that is Committed to Exceeding Internal and External Customer Expectations
- Effective Use of Technology
- Safe and Functional Public Infrastructure, Facilities and Equipment

City Service Area
Strategic Support
SERVICE DELIVERY FRAMEWORK

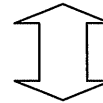
CITY SERVICE AREA
 A cross-departmental collection of core services that form one of the City's 6 key "lines of business"

MISSION STATEMENT
 Why the CSA exists

Strategic Support CSA

Mission:

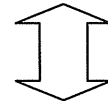
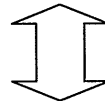
To effectively develop, manage and safeguard the City's fiscal, physical, technological and human resources to enable and enhance the delivery of City services and projects.



CSA OUTCOMES
 The high level results of service delivery sought by the CSA partners

Outcomes:

- Sound Fiscal Management that Facilitates Meeting the Needs of the Community
- A High Performing Workforce that is Committed to Exceeding Internal and External Customer Expectations
- Effective Use of Technology
- Safe and Functional Public Infrastructure, Facilities, and Equipment



PRIMARY PARTNERS
 Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES
 Primary deliverables of the organization

Finance Department

Core Services:

Disbursements

Financial Reporting

Purchasing and Materials Management

Revenue Management

Treasury Management

Human Resources Department

Core Services:

Employee Benefits

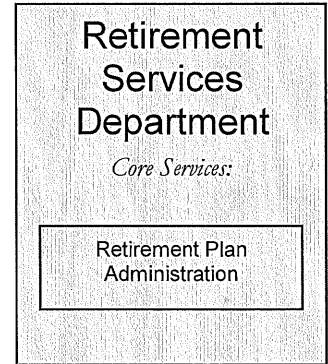
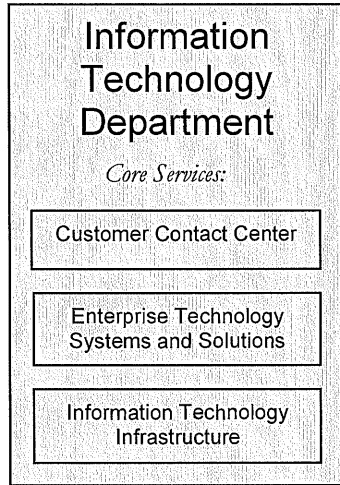
Employment Services

Health and Safety

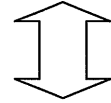
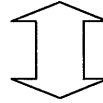
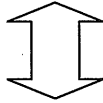
City Service Area
Strategic Support
SERVICE DELIVERY FRAMEWORK

PRIMARY PARTNERS
 Departments with Core Services that contribute to achievement of CSA Outcomes

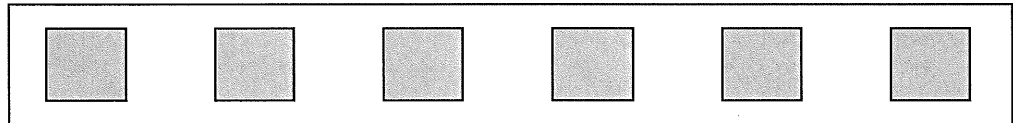
CORE SERVICES
 Primary deliverables of the organization



OPERATIONAL SERVICES
 Elements of Core Services; the "front-line" of service delivery



STRATEGIC SUPPORT
 Organization-wide guidance and support to enable direct service delivery



Strategic Support

BUDGET SUMMARY

Strategic Support

Expected Service Delivery

- Oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customer and City staff needs.
- Maintain City facilities, equipment, and vehicles.
- Attract and retain qualified employees by continuing to facilitate recruitments, manage hiring processes in partnership with client departments, and provide a wide range of quality, affordable, and responsive benefit programs.
- Maintain a safe and healthy work environment in compliance with all applicable State and federal regulations related to employee health and safety and continue to minimize liability and loss to the City.
- Ensure the City's finance and technology resources are protected and available to address the short and long-term needs of the community.
- Manage space usage at City-owned facilities.



Impacts of Budget Actions

- The restoration of accounting management resources will positively impact the City's overall ability to provide city-wide technical accounting services and prepare financial reports in a timely manner, in addition to increasing internal controls.
- Ongoing funding for dedicated Procurement staff will support critical procurements and contracting activity at the Water Pollution Control Plant and Watershed Protection Program.
- The full implementation of a vendor-direct service delivery model and expanded use of city-wide Purchase Orders and Procurement Cards (P-Card) will result in the elimination of the City's Central Warehouse; however, the purchase and sale of postage and fire hydrants will remain centralized. This transition will also result in the closure of the Stores Fund.
- The addition of staffing in the Employment Services Division will allow Employment Services to continue providing quality recruitment services, while matching the increased demand for hiring and classification services. In June 2012, the City's vacancy rate was approximately 8.5% (475 vacancies) with close to 250 positions authorized to be filled. These additional resources will help reduce the number of vacant positions in the City to ensure that direct services to the community are being provided at budgeted levels.
- The realignment of staffing and duties within the Benefits Division will improve efficiency as the workload distribution is properly divided between transactional duties and data analysis.
- The restructuring of executive management staffing aligns the Human Resources Department under the direct oversight of a department director.

Strategic Support

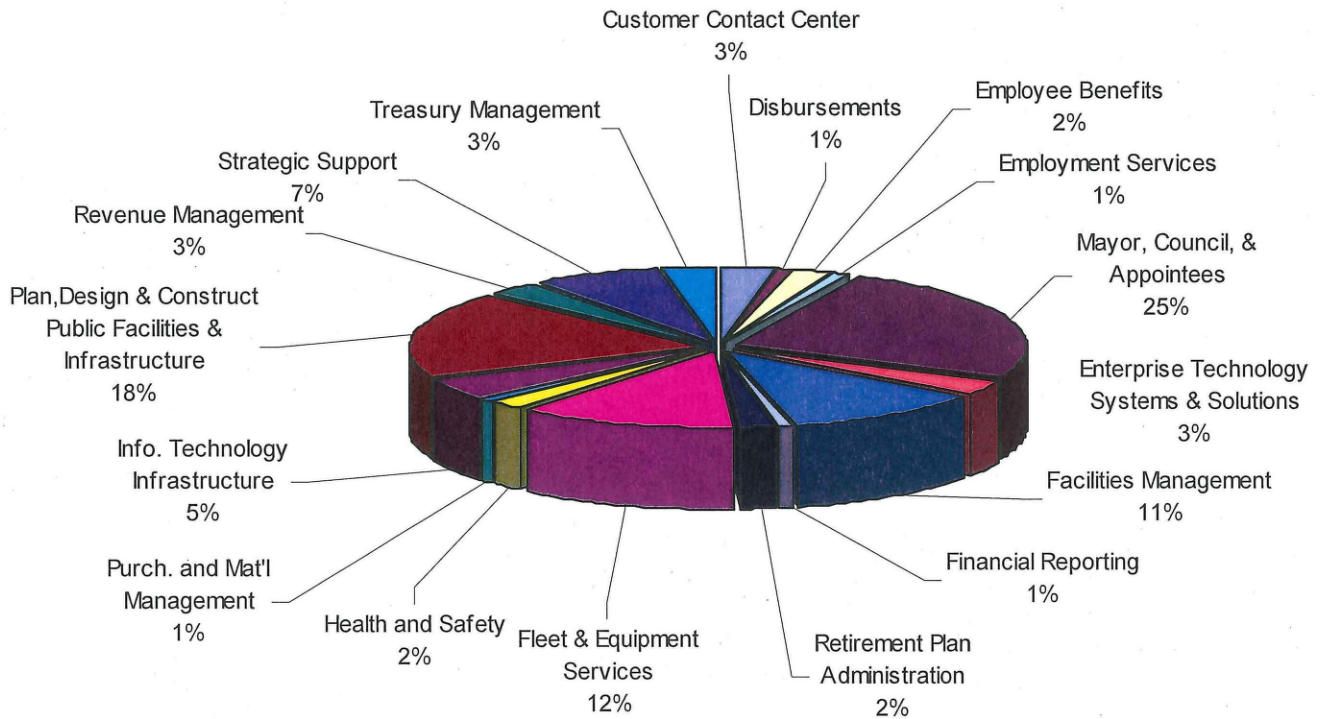
Impacts of Budget Actions

- ❑ Elimination of the Assistant Director and addition of two Division Managers in the Information Technology Department (ITD) appropriately returns daily operational responsibilities to technical managers, allowing the Chief Information Officer to focus on the strategic direction of the organization, including beneficial partnerships and economic development.
- ❑ Following the completion of technology projects that resulted in extraordinary high-speed internet bandwidth for the City, infrastructure is in place to take advantage of cloud computing opportunities such as hosted email and hosted Voice over Internet Protocol (VoIP) implementation in 2012-2013.
- ❑ ITD will leverage infrastructure investments to address the technology backlog and issues of security and sustainability highlighted in the 2011-2012 City Auditor's Report on General Information Technology Controls with projects such as Windows Server Licensing, Software Centralization, and Information Technology Security Compliance. In addition, existing staff will learn diverse and contemporary skill sets, making them an important part of the City's efforts to attract and retain a highly qualified workforce for the future.
- ❑ Increased service levels for contracted custodial services at the Police Administration Building and the Police Communications Center will restore some of the service level reductions from past years.
- ❑ One-time funding of \$1.8 million will allow for 80% of necessary preventive maintenance at City facilities to be completed, up from 38%. The ongoing portion of this funding (\$500,000) will allow for a basic preventative maintenance program to continue at 40-50%.
- ❑ Additional capital-funded staffing resources in the Department of Public Works will support increased activity levels related to various Sanitary and Storm Sewer capital projects and Water Pollution Control Plant capital projects.
- ❑ The addition of an Assistant Director position in the Retirement Services Department will increase oversight and leadership in the Investments and Administrative units as well as provide additional support to the Retirement Boards.

City Service Area
Strategic Support
BUDGET SUMMARY

2012-2013 Total Operations by Core Service

CSA Dollars by Core Service \$155,920,001
(Includes Mayor, City Council, and Appointees)



City Service Area
Strategic Support
BUDGET SUMMARY

City Service Area Budget Summary

Dollars by Core Service	2010-2011 Actual 1	2011-2012 Adopted 2	2012-2013 Forecast 3	2012-2013 Adopted 4	% Change (2 to 4)
<i>Finance</i>					
Disbursements	\$ 1,747,422	\$ 1,660,822	\$ 1,725,135	\$ 1,719,927	3.6%
Financial Reporting	1,490,210	1,747,492	1,779,114	1,655,558	(5.3%)
Purch. and Mat'l Management	2,048,891	2,106,905	2,039,932	2,041,002	(3.1%)
Revenue Management	4,459,577	5,322,107	4,683,293	4,890,018	(8.1%)
Treasury Management	3,351,162	3,660,204	3,749,701	3,738,746	2.1%
Strategic Support	1,027,471	1,037,449	1,168,420	1,168,420	12.6%
<i>Human Resources</i>					
Employee Benefits	2,593,408	2,478,948	2,368,542	2,249,780	(9.2%)
Employment Services	923,728	1,506,241	1,639,306	1,994,437	32.4%
Health and Safety	4,000,089	3,486,353	3,403,483	3,159,700	(9.4%)
Training and Development	480,469	0	0	0	N/A
Strategic Support	913,634	811,699	830,975	830,975	2.4%
<i>Information Technology</i>					
Customer Contact Center	2,833,998	4,199,873	4,147,285	3,940,374	(6.2%)
Enterprise Technology Systems & Solutions	8,269,666	5,561,545	4,591,061	4,785,485	(14.0%)
Info. Technology Infrastructure	7,046,253	7,620,259	6,635,612	7,955,708	4.4%
Strategic Support	870,971	882,456	1,094,097	880,774	(0.2%)
<i>Public Works</i>					
Facilities Management	18,569,018	14,935,143	15,059,824	17,456,887	16.9%
Fleet & Equipment Services	16,605,806	16,930,188	17,662,362	17,697,155	4.5%
Plan, Design & Construct Public Facilities & Infrastructure	28,721,314	26,460,310	26,907,678	27,188,506	2.8%
Strategic Support	7,005,828	7,074,959	6,476,552	6,712,333	(5.1%)
<i>Retirement Services</i>					
Retirement Plan Administration	2,752,330	3,139,610	3,044,795	3,044,795	(3.0%)
Strategic Support	1,264,825	1,529,113	1,588,521	1,908,899	24.8%
Dollars by Core Service Subtotal	\$ 116,976,070	\$ 112,151,676	\$ 110,595,688	\$ 115,019,479	2.6%
MAYOR, CITY COUNCIL, AND APPOINTEES	\$ 37,015,478	\$ 38,210,896	\$ 36,911,988	\$ 40,900,522	7.0%
Other Programs					
City-Wide Expenses	\$ 104,128,808	\$ 45,716,948	\$ 26,825,699	\$ 46,985,409	2.8%
Gen.Fd Cap, Trans & Reserves	20,394,396	66,870,042	62,410,433	109,316,281	63.5%
Other Programs Subtotal	\$ 124,523,204	\$ 112,586,990	\$ 89,236,132	\$ 156,301,690	38.8%
Total CSA	\$ 278,514,752	\$ 262,949,562	\$ 236,743,808	\$ 312,221,691	18.7%
Authorized Positions	894.88	836.76	813.41	826.77	(1.2%)

City Service Area
Strategic Support
OVERVIEW

Service Delivery Accomplishments

- The City's current general credit is rated Aa1/AA+/AA+ by the three leading national rating agencies. In 2011 Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P") affirmed the City's "Aaa" and "AAA" ratings, respectively, while Fitch Ratings ("Fitch") downgraded the City's general obligation ratings one notch from "AAA" to "AA+". Moody's and S&P took comparable rating actions in March 2012 and April 2012, respectively downgrading the City's general obligation rating by one notch from Aaa/AAA to Aa1/AA+. Considering the City's fiscal challenges in recent years, the ratings by the three agencies together acknowledge the City's moderate debt levels, strong financial management, and proactive responsible leadership. The City of San José remains the highest rated large city in California and the country.
- The Finance Department continues to implement the Revenue Collection Strategic Plan, which began in 2007, for improving its collection efforts and optimizing staff resources. Through these efforts, the Return on Investment continues to remain at an average of four dollars return on revenue for every dollar spent on direct costs in the Finance Department, Revenue Management Division.
- Technology enhancements implemented through the City's general banking service provider have allowed for multiple manual processes to be performed electronically, providing opportunities to streamline payment processing operations. These efficiencies have mitigated staff reductions; however, the ability to meet service level demands with existing resources continues to be a challenge.
- The collaboration between the City's Public Records Manager and Finance's Central Service staff led to successfully transferring and indexing approximately 2,900 boxes of the former Redevelopment Agency records from an external vendor into the City's Records Center Management System.
- ITD used internal staff and existing network maintenance funding to replace the City's end-of-life core network with commodity hardware. The City now hosts a contemporary, easily replaced modular network based on industry standards. This new replacement strategy of commodity hardware allowed the network to be upgraded for approximately \$200,000 using existing City staff rather than undertaking a large scale investment including outside consulting services.
- The MAE West internet project at 55 South Market Street, completed in 2011-2012, increased the City's bandwidth by 14 times at one-third the current cost. A secondary internet connection is expected to be established by July 2012, providing additional low-cost bandwidth and completing the necessary foundation for the City to consider cloud computing options and pursue partnership opportunities for business entities that wish to use San José to showcase their solutions.
- ITD established a public-private partnership with a leading wireless integrator and Silicon Valley based supplier of advanced wireless systems to bring America's fastest free outdoor WiFi network to downtown San José. This project, recognized as the "next generation of municipal WiFi," is scheduled to be completed and operational in summer 2012.
- Significant progress on the Library, Parks, and Public Safety Bond programs were achieved in 2011-2012. Construction was completed on the Educational Park Branch Library and Calabazas Branch Library. These facilities are scheduled to open April and May 2013, respectively.

Service Delivery Accomplishments

- The capital program at the airport is winding down with work continuing on a taxi staging building and a shared VIP lounge. In addition, Taxiway W work is continuing with Phase 3 under construction, Phase 4 awarded, and Phase 5 under design.
- Other capital improvement project accomplishments include:
 - The Happy Hollow Park and Zoo Pedestrian Bridge received awards from the American Council of Engineering Companies and the American Society of Civil Engineers.
 - Construction was completed on the remediation and reconstruction of Watson Park and Nisich Park, a new neighborhood park.
- The Mexican Heritage Plaza was transitioned to a private operator for a school of arts and culture through a process that included extensive community engagement.
- Energy efficiency projects totaling \$4.5 million, and funded through the Energy Efficiency and Conservation Block Grant program, continue and provide General Fund savings as well as infrastructure renewal.
- Installation of electric vehicle charging stations at City Hall garages aligns with the City's dedication to alternative-fuel vehicles.
- In 2010-2011, the San José Federated City Employees' Retirement System and the San José Police and Fire Department Retirement Plan outperformed their expected actuarial returns by approximately \$398.5 million based on combined net plan assets of \$4.6 billion. The Retirement Services Department continues to process more service retirements with current staffing levels through retiree education workshops and group retirement counseling sessions.

Service Delivery Environment

- As the City continues to adapt to the financial strains of the current economy, the Finance Department has evolved to include financial modeling and analysis as part of its core mandate to meet the increasingly complex needs of the City.
- The Integrated Billing System (IBS) provides City staff with management tools to oversee annual revenues of approximately \$279 million. Staff is evaluating the feasibility of having the solid waste haulers be responsible for the billing of waste and recycling collection of single-family dwelling and multi-family dwelling to reduce the account maintenance support for the IBS system. In addition, an option of placing the billing of waste and recycling collection of single-family dwelling on the property tax roll is being considered.
- Over the past five years, the Purchasing Division's staffing levels have declined by approximately 40% while demand for procurement services remains strong. Purchasing reforms, the effective use of technology, the use of student interns and temporary staff have helped with workload demands; however, service levels have been impacted. Impacts include longer cycle times, increased risk of Municipal Code violations due to reduced oversight, lower cost savings, and reduced customer satisfaction. During 2011-2012, the Purchasing Division continued to struggle with staff retention and recruitment placing additional demands on the Division.
- As the City continues to be faced with accelerating demands for information technology service delivery and increasing costs for information technology infrastructure maintenance and renewal, the single most significant issue facing ITD and its ability to address city-wide technology infrastructure and business needs is the identification of an ongoing source of funding.

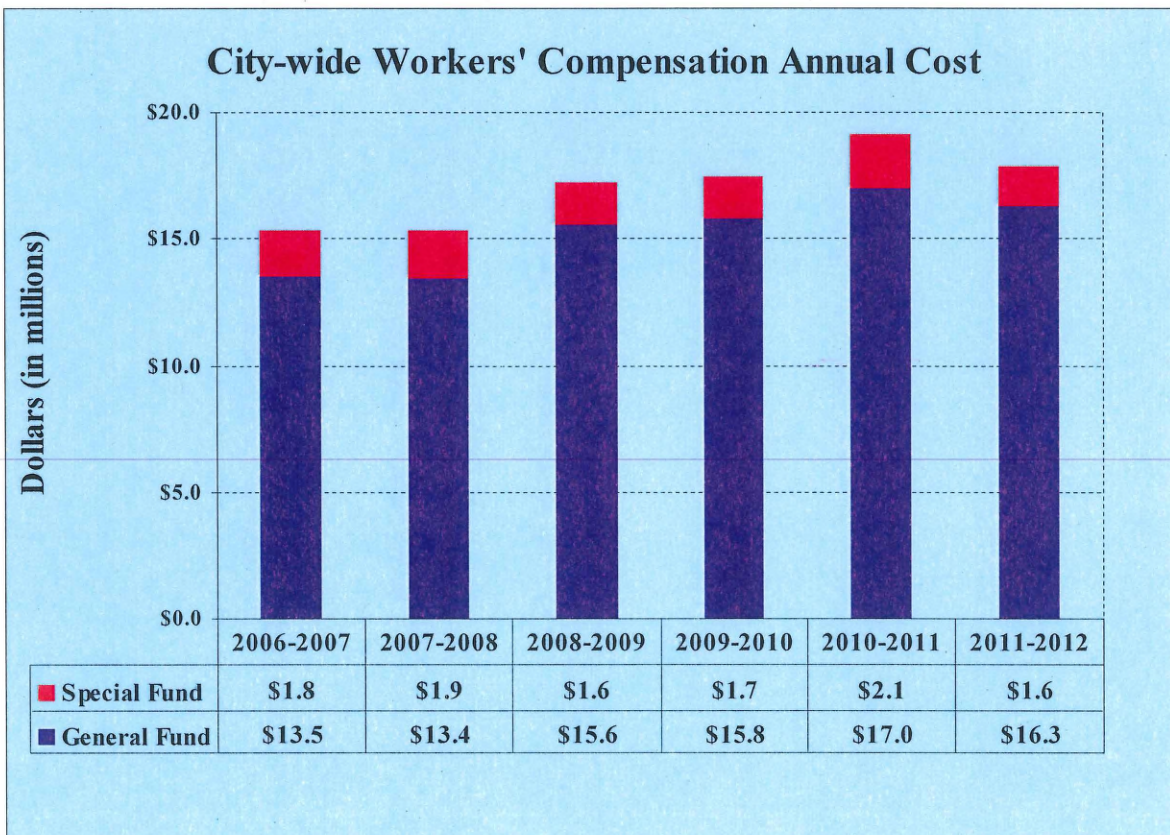
City Service Area
Strategic Support
OVERVIEW

Service Delivery Environment



- As the cost of medical insurance outpaces both revenues and the cost of living, the Human Resources Department continues to explore opportunities to minimize the impact on the City and its employees. Efforts will be focused on finding ways to minimize utilization that could be avoided through education and healthier lifestyles. One such effort is the Wellness Program. The Wellness Program is in the process of being integrated with health, safety, and workers' compensation to provide a comprehensive approach toward improving employees' health and controlling cost for the City.

- Workers' compensation costs are lower than prior years, from \$19.1 million in 2010-2011 to \$17.9 million in 2011-2012 (6.3% decrease). Workers' compensation costs are expected to increase approximately 10% annually due to medical inflation, increase in temporary disability, and permanent disability benefits. A major factor for preventing costs from increasing at this 10% rate is the City's proactive safety program which focuses on injury and illness prevention. The total number of claims in the last six years has been on a downward trend, from 1,177 in 2006-2007 to approximately 1,000 in 2011-2012 (15.0% decrease). The Human Resources Department continues to work collaboratively with departments to reduce risk, prevent claims, and decrease costs.



Service Delivery Environment

- ITD continues with its phased consolidation, reducing duplicative products and addressing information technology needs from a city-wide perspective. The foundation is now in place for the City to consider new technologies as possible alternatives to costly upgrades.
- The City continues to receive below market-rate bids (bids significantly below the Engineer's Estimate) for construction projects due to a competitive bidding environment. Although this trend appears to be gradually diminishing, realized savings can be redirected to other capital projects.
- Currently, the City's Standard Specifications for construction are undergoing revision and, as green construction becomes mandatory, the City will incorporate specifications that take advantage of emerging sustainable technologies.
- The City's building inventory expanded through the decade of investment. Many of the newer facilities are reaching the five and ten year thresholds when the facilities typically experience an increase in maintenance needs. While funding to address minor repairs and preventive maintenance for new facilities is added as they open, limited funding was available for ongoing maintenance needs due to General Fund shortfalls. Funding for older buildings, which have greater maintenance and repair needs, has also been limited. This has resulted in a reduction in the rate of completed preventive maintenance activities. Actions included in the 2012-2013 Budget will allow the Department of Public Works to bolster the preventive maintenance program to 80% for 2012-2013 and 40-50% thereafter.

CSA Priorities/Key Services

- Ensure a high degree of compliance through audits and reviews
- Explore further opportunities to maximize tax collections
- Provide compensation and payments to City employees and vendors in a timely manner
- Produce legally required, compliance, and regulatory information and financial reports
- Manage multi-billion dollar debt and investment portfolios
- Collect and deposit delinquent accounts receivables due to the City
- Bill and collect City utilities service fees for storm, sewer, water, and Recycle Plus
- Procure goods and services pursuant to City Policies and Initiatives (such as Green Vision) to support City operations in an open and competitive process
- Provide mail room services, surplus goods management, recycling services, and records management services in support of City policies and city-wide operations
- Provide workers' compensation, safety and loss control, and return to work services
- Provide city-wide employment services
- Continue with the consolidation of technology functions, focusing on the re-alignment of IT service delivery from an enterprise perspective, elimination of duplicative work efforts, and lower overall IT costs
- Provide secure and reliable network services
- Maintain enterprise systems such as the City's Financial Management System (FMS), the Integrated Billing System (IBS), and Oracle Human Resources/Payroll System and develop migration strategies for enterprise applications from monolithic systems to flexible integrated solutions
- Mitigate the City's information security risks

City Service Area
Strategic Support
OVERVIEW

CSA Priorities/Key Services

- Provide the primary point of contact for residents, businesses and employees through the Customer Contact Center
- Maintain City-owned facilities and equipment to ensure public and employee safety and maximize the functionality of the City's assets
- "Greening" the City facilities and the City fleet
- Manage the City's space needs and the use of City-owned properties
- Provide quality capital project delivery
- Ensure consistent and transparent construction procurement services
- Provide wage policy compliance
- Manage Retirement Plan assets and seek solutions to increase investment returns, reduce volatility, and reduce costs while mitigating risk
- Work with the Retirement Plans' actuaries to search for solutions to ensure the plans have adopted and implemented the most appropriate rates, assumptions, and methodologies to de-risk the plans, reduce volatility, reduce intergenerational shifting of liabilities, and minimize City and employee contributions
- Provide quality retirement planning and counseling

Budget Dollars at Work: Performance Goals

Strategic support functions are critical within any organization. Basic core services must be maintained at an effective level, with the adaptability to grow and improve in a timely manner upon economic recovery.

OUTCOME 1: A HIGH PERFORMING WORKFORCE THAT IS COMMITTED TO EXCEEDING INTERNAL AND EXTERNAL CUSTOMER EXPECTATIONS

Strategic Goals	CSA Performance Measures	2010-2011 Actual	2011-2012 Target	2011-2012 Estimate	2012-2013 Target	5-Year Goal
Align systems that develop and maintain a high-performing workforce	1. % of employees who agree or strongly agree they clearly understand the performance expectations of their job	82%	82%	82%	82%	82%
Develop and encourage supervisors and managers that support a high-performing workforce	1. % of employees who agree or strongly agree they receive timely, constructive feedback on performance and they are provided opportunities to make decisions regarding their job	43% / 78%	43% / 78%	43% / 78%	43% / 78%	43% / 78%
	2. % of employee performance appraisals completed on schedule	36%	60%	49%	80%	100%
Foster a shared vision with employees about the characteristics of a high-performing workforce	1. % of employees who agree or strongly agree they have the skills and knowledge they need to do jobs or there is a plan to obtain them	84%	84%	84%	84%	90%
	2. % of the public having contact with City employees who are satisfied or very satisfied with the customer service based on courtesy, timeliness, and competence	N/A*	N/A*	N/A*	N/A**	82%
	3. % of employees who agree or strongly agree they understand the City's vision and how their work contributes to a core service	N/A* / 84%	N/A* / 84%	N/A* / 84%	N/A**	N/A** / 84%
	4. % of employees who are satisfied or very satisfied with their job	58%	60%	58%	60%	70%
	5. % of employees who agree or strongly agree the City is a good employer	52%	60%	52%	60%	75%
	6. % of employees who rate their overall satisfaction with Human Resources as satisfied or very satisfied	45%	45%	45%	45%	45%
Provide the necessary & required safety & health services that ensure employee health, safety & well-being	1. Number of Workers' compensation claims per 100 FTEs	17.9	17.0	17.3	17.0	17.0

Changes to Performance Measures from 2011-2012 Adopted Budget: No

* These measures are normally captured through the biennial City-Wide Employee Survey. However, these measures were not included in the 2011 Employee Survey and therefore no data is available.

** Data for these measures is collected through the biennial City-Wide Employee Survey. The survey was last issued in 2010-2011 and was temporarily suspended. The Employee Survey will be reinstated in 2013-2014.

Budget Dollars at Work: Performance Goals

OUTCOME 1: A HIGH PERFORMING WORKFORCE THAT IS COMMITTED TO EXCEEDING INTERNAL AND EXTERNAL CUSTOMER EXPECTATIONS

- ✓ Over the next five years, 32% of the City workforce will be eligible for retirement, while 26% are likely to retire. Combined with a declining number of workers entering the workforce and few college graduates indicating an interest for careers in government, the organization is faced with a significant challenge. Strategies are being implemented to develop current employees and attract new talent so that the City's workforce can continue to deliver top-quality services while meeting changing customer demands.
- ✓ The Human Resources Department will continue to provide services that enhance the organization's ability to hire and retain a high-performing workforce. Objectives in this area include more focus on classification activities to ensure that duties and skill sets reflect the needs of the workplace and maintaining a streamlined process for conducting executive recruitments. As significant hiring challenges are anticipated in the next five years, the Department will work to ensure recruitment pools have the most qualified candidates available for selection by departments.
- ✓ In partnership with other City departments, the Human Resources Department will provide an integrated, proactive safety, wellness and risk reduction program that will lead to a reduction in the number of employee injuries and workers' compensation claims, as well as a decrease in healthcare utilization in order to mitigate future health premium increases.

Budget Dollars at Work: Performance Goals

OUTCOME 2: SAFE AND FUNCTIONAL PUBLIC INFRASTRUCTURE, FACILITIES AND EQUIPMENT

Strategic Goals	CSA Performance Measures	2010-2011 Actual	2011-2012 Target	2011-2012 Estimate	2012-2013 Target	5-Year Goal
Provide well-maintained facilities that meet customer needs	1. % of facilities with a condition assessment rating of good or better (3 or better on a 5-point scale)	80%	79%	80%	80%	80%
	2. % of customers who rate facility services as good or excellent based on timeliness of response and quality of work	89%	64%	87%	90%	90%
	3. % of facility health & safety concerns mitigated within 24 hours	100%	100%	100%	100%	100%
Provide and maintain equipment that meets customer needs	1. % of equipment that is available for use when needed: [*]					
	• Emergency Vehicles	100%	100%	100%	100%	100%
	• General Fleet	96%	95%	95%	95%	95%
	2. % of fleet in compliance with replacement cycle:					
	• Emergency Vehicles	98%	100%	100%	100%	100%
• General Fleet	91%	85%	91%	85%	85%	

Changes to Performance Measures from 2011-2012 Adopted Budget: No

* Although this performance measure accurately reflects availability of the fleet, it does not convey the impact of even a small percentage of downtime to end-users who have to continue to deliver services. Public Works will explore alternate means of conveying this information.

- ✓ The Public Works Department will continue to provide well-constructed facilities and infrastructure that meet the needs of San José residents and City staff. This goal will continue to be achieved through the plan, design, and construction of capital projects that are aligned with City Council priorities, the City’s Master Plans, and comply with the established engineering standards.
- ✓ Past economic challenges have limited the Department of Public Work’s ability to perform preventative maintenance for City facilities and fleet, leaving assets at significant risk. The department will continue to focus on addressing health and safety related corrective work at low staffing levels commensurate with funding levels. The Adopted 2012-2013 budget provides funding for facilities that will aid in addressing some of the preventive maintenance needs, with the expectation that this funding will help to prolong the life cycle of facility investments and, to some extent, reduce corrective work.
- ✓ Fleet Services continues to examine service delivery options, taking advantage of insourcing and outsourcing opportunities to most efficiently deliver services. Included in this effort are pilot projects with the Parks, Recreation and Neighborhood Services Department and other departments to study the cost effectiveness of leasing vehicles instead of purchasing them and outsourcing vehicle maintenance.
- ✓ The Public Works Department will continue to develop mid- and long-range plans for management of City facilities and fleet assets.
- ✓ Efforts will continue to support the development of capital improvement projects that can reduce maintenance and operations costs, extend the service life of City assets, and reduce the deferred maintenance infrastructure backlog.

City Service Area
Strategic Support
OVERVIEW

Budget Dollars at Work: Performance Goals

OUTCOME 3: EFFECTIVE USE OF TECHNOLOGY

Strategic Goals	CSA Performance Measures	2010-2011 Actual	2011-2012 Target	2011-2012 Estimate	2012-2013 Target	5-Year Goal
Deploy technology resources effectively	1. % of network services available 24/7:					
	-Converged City Network	100%	99.95%	99.86%	99.90%	99.95%
	-Telephones	99.86%	99.95%	99.80%	99.90%	99.95%
	-Enterprise Servers	99.51%	99.95%	99.86%	99.95%	99.95%
	2. % of time system is available during normal business hours:					
	-E-mail	99.70%	99.50%	99.50%	99.50%	99.50%
	-Financial Management System	99.80%	99.50%	99.50%	99.50%	99.50%
	-Human Resources/Payroll System	99.99%	99.50%	99.50%	99.50%	99.50%
	-Combined Availability	99.83%	99.50%	99.50%	99.50%	99.50%

Changes to Performance Measures from 2011-2012 Adopted Budget: No

- ✓ Information technology consolidation activities approved in 2010-2011 continue and have realized benefits including reductions to licensing costs and staffing efficiencies. Goals include:
 - Realignment of information technology service delivery from an enterprise perspective;
 - Provision of a framework for prioritizing information technology investments that offers the greatest benefit to the largest number of City staff and constituents;
 - Elimination of duplicative efforts through consolidation of roles and responsibilities and a more standardized approach to information technology service delivery;
 - Elimination of redundant business systems, databases, and hardware;
 - Improved reliability and security of systems and the network; and
 - Lower overall city-wide information technology costs.
- ✓ Hosted VoIP completed a pilot in July 2012, with city-wide implementation beginning in summer 2012.
- ✓ The Information Technology Department continues to explore alternative cost-effective and reliable solutions for e-mail services and office productivity applications such as Google Apps and Microsoft Office 365, which provide hosted applications, content storage, and e-mail services over the internet. Email is expected to be migrated to the cloud during 2012-2013.
- ✓ The next generation of municipal WiFi is being deployed in the downtown core during summer 2012.
- ✓ The Finance Department will continue to leverage its new banking relationship to ensure that state-of-the-art technologies are deployed city-wide to increase payment efficiencies and controls.

Budget Dollars at Work: Performance Goals

OUTCOME 4: SOUND FISCAL MANAGEMENT THAT FACILITATES MEETING THE NEEDS OF THE COMMUNITY

Strategic Goals	CSA Performance Measures	2010-2011 Actual	2011-2012 Target	2011-2012 Estimate	2012-2013 Target	5-Year Goal
Maintain City's bond ratings	1. City's bond ratings: (General Obligation Bond Rating) • Moody's • Standard & Poor's • Fitch	Aa1 AAA AA+	Aaa AAA AA+	Aa1 AA+ AA+	Aa1 AA+ AA+	Aa1 AA+ AA+
Improve and protect the financial management system and have it available to address short- and long-term needs	1. % of customers rating financial reporting services as good or better, based on accuracy, timeliness and customer focused processes	N/A*	N/A*	N/A*	N/A*	N/A*
Customers have the financial information they need to make informed decisions	1. % of customers who say they have the financial information they need to make informed decisions	N/A*	N/A*	N/A*	N/A*	N/A*

Changes to Performance Measures from 2011-2012 Adopted Budget: No

* Data was not collected. The Finance Department plans to include these measures in the biennial City-Wide Employee Survey, which will be reinstated in 2013-2014.

- ✓ The Finance Department will continue to ensure that the City's financial resources are protected and available to address the short- and long-term needs of the community. This goal is accomplished by proactively billing and collecting revenues due to the City, exploring opportunities through coordination with other governmental agencies, leveraging a third-party collection agency to maximize tax collections, facilitating timely and accurate disbursements, investing City funds in accordance with the Investment Policy, managing a multi-billion dollar debt portfolio within federal regulatory requirements, providing accurate and timely financial reports, effectively and efficiently procuring goods and services, and maximizing revenue from the sale of surplus property.
- ✓ Efforts will continue to provide oversight and monitoring of financial internal controls, prepare the City's Comprehensive Annual Financial Report, process payroll and accounts payable transactions in a timely manner, provide Financial Management System (FMS) reports and tools to City staff, as well as maintain and reconcile the City's general ledger.
- ✓ As the City continues to adapt to the financial strains of the current economy, and the opportunities and challenges presented, the Finance Department will continue to respond to the financial modeling and analysis needs of the City.
- ✓ The City's general credit rating is rated Aa1/AA+/AA+ by all three leading national rating agencies (the highest for a large California city with a population over 250,000). The Finance Department will continue efforts to maintain favorable bond ratings.
- ✓ Retirement Services will continue to seek solutions to increase returns, reduce volatility, and reduce costs while improving risk management and analytics; work with the Plans' actuaries to search for solutions to ensure the plans have adopted and implemented the most appropriate rates, assumptions, and methodologies to de-risk the plans, reduce volatility, reduce intergenerational shifting of liabilities, and minimize City contributions; and provide quality customer service to members.

City Service Area

Strategic Support

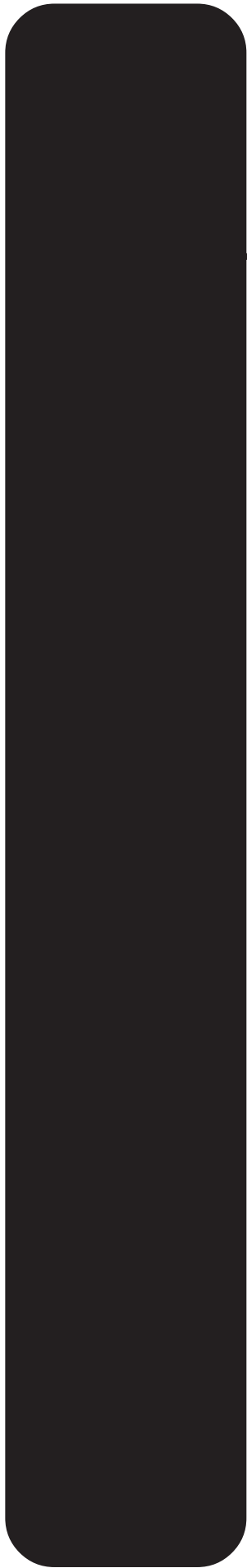
ADOPTED BUDGET CHANGES

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
FINANCE DEPARTMENT			
• Vendor-Direct Purchasing Model Implementation	(2.50)	(268,118)	(20,618)
• Special Accounting Services Reorganization	(2.00)	(243,421)	(8,424)
• Environmental Services Procurement Staffing	2.00	208,376	0
• Medical Marijuana Program	2.00	206,725	206,725
• Accounting Division Staffing	1.00	114,657	114,657
• Insurance Subrogation Staffing	0.50	49,857	39,287
<i>Subtotal</i>	1.00	68,076	331,627
HUMAN RESOURCES DEPARTMENT			
• Health and Safety Division Management	(1.00)	(243,783)	(243,783)
• Benefits Division Staffing Realignment	0.00	(76,170)	0
• Deferred Compensation Clerical Staffing	(0.25)	(42,592)	(42,592)
• Human Resources Department Leadership	0.00	0	0
• Employment Services Division Staffing	3.00	305,131	305,131
• Rebudget: Employment Services		50,000	50,000
<i>Subtotal</i>	1.75	(7,414)	68,756
INFORMATION TECHNOLOGY DEPARTMENT			
• Contact Center Staffing Reorganization	(2.00)	(206,911)	(12,163)
• Telecommunications Service Delivery Efficiencies	(0.50)	(180,044)	(180,044)
• Windows Server Licensing		250,000	250,000
• Hosted E-mail Subscription	(1.00)	215,000	215,000
• Information Technology Security Compliance		175,000	175,000
• Information Technology Department Management Staffing	1.00	165,022	71,069
• Software Centralization		150,000	150,000
• Help Desk Management Staffing	1.00	126,219	126,219
• Rebudget: Data Storage		350,000	350,000
• Rebudget: VoIP Expansion		50,000	50,000
<i>Subtotal</i>	(1.50)	1,094,286	1,195,081
PUBLIC WORKS DEPARTMENT			
• City-wide Radio Trunking Project Staffing	0.00	0	(67,387)
• Deferred Facility Infrastructure and Preventative Maintenance	1.00	1,800,000	1,800,000
• Right-Sizing of Public Works Capital Improvement Program	0.86	207,687	0
• Trash Capture Device Installation		220,000	0
• Police Administration Building/Police Communications Center Critical Lighting Maintenance		200,000	200,000
• Community Center and Library Facilities Maintenance		186,200	186,200
• Environmental Innovation Center Construction Support		96,142	0
• Facilities and Fleet Information Systems Staffing	0.00	53,262	15,862
• Police Administration Building/Police Communications Center Custodial Services		50,000	50,000
• City Hall Public Access Defibrillators		22,000	22,000
• Public Works Department Fiscal Section Staffing	0.00	8,174	1,530

City Service Area
Strategic Support
ADOPTED BUDGET CHANGES

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
PUBLIC WORKS DEPARTMENT			
• Convention Center Expansion/Renovation Project		5,000	0
• Rebudget: Sewage Geographic Information System Program		100,000	0
<i>Subtotal</i>	1.86	2,948,465	2,208,205
RETIREMENT SERVICES DEPARTMENT			
• Retirement Services Assistant Director	1.00	187,970	0
• Retirement Services Accounting Staffing	1.00	132,408	0
<i>Subtotal</i>	2.00	320,378	0
<i>Subtotal Departments</i>	5.11	4,423,791	3,803,669
CITY-WIDE EXPENSES			
• Business Tax System Replacement		1,500,000	1,500,000
• Cultural Facilities Capital Maintenance Cost Sharing		139,000	139,000
• Deferred City Facilities Security and Maintenance		64,000	64,000
• Financial Management System Business Process Mapping		450,000	450,000
• Fire Hydrant Program		65,000	65,000
• Hellyer-Piercy Deferral Assessment Agreement Program		140,000	140,000
• Mayor and City Council Travel		10,000	10,000
• Miscellaneous Rebudgets		17,791,710	17,791,710
GENERAL FUND CAPITAL, TRANSFERS AND RESERVES			
• Capital Contributions: Police Communications Emergency Uninterrupted Power Supply		2,500,000	2,500,000
• Capital Contributions: Police Administration Building/ Emergency Communications Center Backup Generator Replacements		500,000	500,000
• Capital Contributions: Police Administration Building Critical Repairs		300,000	300,000
• Capital Contributions: San José Municipal Stadium		85,000	85,000
• Capital Contributions: Rebudgets		1,731,000	1,731,000
• Transfers to Other Funds: Redevelopment Obligation Retirement Fund		(500,000)	(500,000)
• Transfers to Other Funds: Fiber Optics Development Fund Loan Repayment		2,200,000	2,200,000
• Earmarked Reserves: Deferred Infrastructure and Maintenance Reserve Elimination		(600,000)	(600,000)
• Earmarked Reserves: Fiscal Reform Plan Implementation		(50,000)	(50,000)
• Earmarked Reserves: 2013-2014 Future Deficit		22,500,000	22,500,000
• Earmarked Reserves: Rebudgets		18,239,848	18,239,848
<i>Subtotal Other Changes</i>	0.00	67,065,558	67,065,558
Total Adopted Budget Changes	5.11	71,489,349	70,869,227

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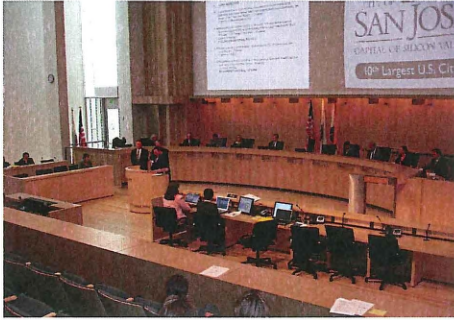
2012-2013

OPERATING BUDGET

**STRATEGIC SUPPORT
CSA**

**MAYOR,
CITY COUNCIL
AND
APPOINTEES**

Strategic Support Mayor, City Council and Appointees



***Mission:** The Mayor and City Council serve as the policy body that provides direction to the City Manager and all Council Appointees in the delivery of City services. Council Appointees support and advance the collective work of the City organization through leadership, communication, and coordination*

Mayor and City Council

- Office of the Mayor
- City Council
- Council General

Office of the City Attorney

- Legal Representation
- Legal Transactions

Office of the City Auditor

- Audit Services

Office of the City Clerk

- Facilitate the City's Legislative Process

Office of the City Manager

- Analyze, Develop, and Recommend Public Policy
- Lead and Advance the Organization
- Manage and Coordinate City-Wide Service Delivery

Office of the Independent Police Auditor

- Core Service aligned to the Public Safety CSA

Mayor, City Council and Appointees

Expected 2012-2013 Service Delivery

- Provide strategic leadership that supports the Mayor and City Council and challenges the organization to deliver high quality, cost-effective services that meet the needs of the community.
- Support the City Council's setting of priorities among ordinances and other initiatives, as well as monitor and report progress on the development and implementation of these priorities.
- Engage the workforce in adapting to the City's economic environment and community service priorities through ongoing structured dialogue and communication.
- The continued implementation of the Fiscal Reform Plan approved in May 2011, will be a key priority during 2012-2013. The City Manager's Office will coordinate this multi-year effort to achieve critical reforms designed to generate both cost savings and additional revenues.
- Manage day-to-day operation of the City organization to execute the City Council's policy direction and ensure that the community receives customer-focused, results-driven services.
- Determine policy through adoption of ordinances, resolutions, and motions subject to provisions of the City Charter and State Constitution.
- Serve as legal counsel to the City and advocate, defend, and prosecute legal matters on behalf of the City.
- Maintain Sunshine/Open Government Reforms to provide more transparent legislative services.
- Conduct program performance audits identifying ways to increase the economy, efficiency, effectiveness, and accountability of City government and provide independent, reliable, accurate, and timely information to the City Council and other stakeholders.
- Create and distribute agenda packets, synopses, and minutes for all City Council meetings and City Council Rules and Open Government Committee meetings; prepare and distribute minutes for all other Council Committees.
- Maintain compliance with open government, campaign finance, lobbyist registration, statements of economic interest, and other public disclosure requirements.
- Conduct elections for City Council primaries, Retirement Boards, Civil Service Commission, City Charter amendments, potential issuance of bonds, and ballot measures in accordance with the City Charter and the State of California elections code.

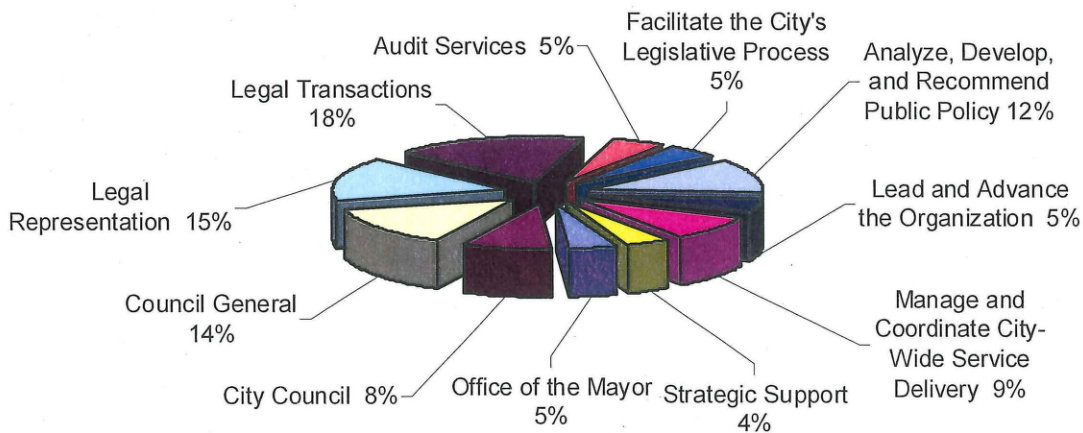
Mayor, City Council and Appointees

2012-2013 Budget Impact

- ❑ Continues 1.0 Assistant to the City Manager position in the City Manager's Office through 2012-2013 to support the Medical Marijuana Program (55%) and to provide assistance in managing cardrooms as well as supporting the Public Safety CSA (45%).
- ❑ Adds one-time funding for the equivalent of 2.0 Senior Executive Analysts in the Office of Employee Relations to ensure sufficient support for Fiscal Reform Plan efforts, including Retirement Reform and the ballot measure related to City pensions.
- ❑ Adds 1.0 Chief Deputy City Attorney to provide legal representation services with costs of the position to be offset with savings in outside counsel fees beginning in 2013-2014.
- ❑ Restores a Senior Deputy City Attorney, Legal Analyst II, 0.5 Deputy City Attorney and 0.5 Legal Administrative Assistant in the Attorney's Office through June 30, 2013 to provide legal services on issues related to medical marijuana.
- ❑ Restores a Senior Deputy City Attorney and Legal Analyst II in the City Attorney's Office through June 30, 2013. These positions will be available to assist with legal support related to the Successor Agency for the San Jose Redevelopment Agency and the Oversight Board, increased legal transactional services to General Fund departments, and Fiscal Reform, as needed and appropriate.
- ❑ Increases the non-personal/equipment allocation by \$200,000 in the City Attorney's Office to provide ongoing funding for outside counsel legal services related to labor litigation, advice to the City on Retirement Board issues, certain Public Records Act requests, and other matters as necessary.
- ❑ Adds 2.0 Program Performance Auditors in the City Auditor's Office which will result in additional program performance audits being conducted and audit benefits being identified.
- ❑ Adds 1.0 Analyst II and 1.0 Staff Technician through June 30, 2013 in the Office of the City Clerk for compliance monitoring, review and audit functions, and restoration of various services for the Mayor and City Council offices.

2012-2013 Total Operations by Core Service

CSA Dollars by Core Service \$40,900,522



Strategic Support
Mayor, City Council and Appointees
BUDGET SUMMARY

Mayor, City Council and Appointees Budget Summary

	2010-2011 Actual 1	2011-2012 Adopted 2	2012-2013 Forecast 3	2012-2013 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
<i>Mayor and City Council</i>					
Office of the Mayor	\$ 1,376,010	\$ 1,769,977	\$ 1,353,533	\$ 1,834,619	3.7%
City Council	3,807,018	3,204,720	2,472,280	3,373,823	5.3%
Council General	2,376,333	5,344,127	5,551,670	5,813,917	8.8%
<i>Office of the City Attorney</i>					
Legal Representation	6,054,646	5,389,687	5,502,474	6,214,347	15.3%
Legal Transactions	5,884,505	6,618,102	6,112,622	7,312,867	10.5%
Strategic Support	1,391,864	1,174,260	1,119,652	1,119,652	(4.7%)
<i>Office of the City Auditor</i>					
Audit Services	1,792,840	1,885,189	1,892,222	1,999,022	6.0%
Strategic Support	2,814	116,045	118,457	118,457	2.1%
<i>Office of the City Clerk</i>					
Facilitate the City's Legislative Process	3,772,660	2,251,203	1,758,542	1,984,542	(11.8%)
Strategic Support	106,978	92,295	84,668	84,668	(8.3%)
<i>Office of the City Manager</i>					
Analyze, Develop, and Recommend Public Policy	4,186,622	4,637,115	4,900,107	4,900,107	5.7%
Lead and Advance the Organization	1,565,605	1,432,487	1,798,865	2,138,865	49.3%
Manage and Coordinate City-Wide Service Delivery	4,468,332	3,931,218	3,858,573	3,617,313	(8.0%)
Strategic Support	229,251	364,471	388,323	388,323	6.5%
<i>Office of the Independent Police Auditor*</i>					
Total	\$ 37,015,478	\$ 38,210,896	\$ 36,911,988	\$ 40,900,522	7.0%
Authorized Positions	182.75	158.75	152.25	160.50	1.1%

* The Office of the Independent Police Auditor Core Service is aligned to the Public Safety CSA. Please refer to that section of this document for budget summary information.

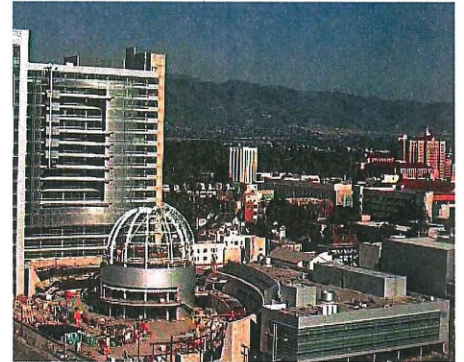
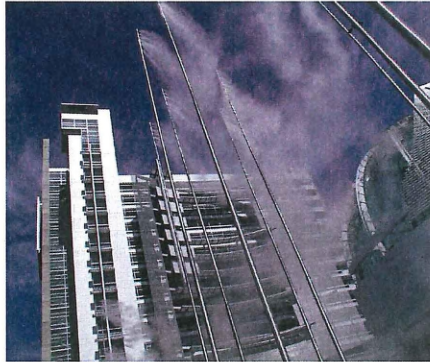
Strategic Support
Mayor, City Council and Appointees
ADOPTED BUDGET CHANGES

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
MAYOR AND CITY COUNCIL			
• Rebudget: City Council 2011-2012 Expenditure Savings		901,543	901,543
• Rebudget: Office of the Mayor 2011-2012 Expenditure Savings		481,086	481,086
• Rebudget: Council General 2011-2012 Expenditure Savings		262,247	262,247
<i>Subtotal</i>	0.00	1,644,876	1,644,876
OFFICE OF THE CITY ATTORNEY			
• Medical Marijuana Program	3.00	556,301	556,301
• Environmental Services and Public Works Capital Projects Legal Staffing	2.00	368,465	0
• Legal Support Staffing	2.00	328,467	328,467
• Litigation Support Staffing	1.00	283,000	283,000
• Outside Legal Counsel		200,000	200,000
• Workers' Compensation Legal Staffing	1.00	148,145	148,145
• Sewer Program Legal Support Technical Correction	0.00	27,740	0
• Retirement Services	0.00	0	55,848
• Housing Funding Shift Technical Correction	0.00	0	0
<i>Subtotal</i>	9.00	1,912,118	1,571,761
OFFICE OF THE CITY AUDITOR			
• Environmental Services City Auditor Services	1.00	106,800	0
• City Auditor Staffing	1.00	0	0
<i>Subtotal</i>	2.00	106,800	0
OFFICE OF THE CITY CLERK			
• City Clerk Staffing	2.00	226,000	226,000
<i>Subtotal</i>	2.00	226,000	226,000
OFFICE OF THE CITY MANAGER			
• Office of Employee Relations Fiscal Reform Staffing		290,000	290,000
• Gaming Unit Oversight/Public Safety City Service Area Staffing	0.55	108,812	108,812
• Medical Marijuana Program	0.45	89,028	89,028
• Ballot Polling Measure		50,000	50,000
• Civic Center Television Upgrade		23,000	23,000
• Neighborhood Services Team Reorganization	(5.75)	(462,100)	(462,100)
<i>Subtotal</i>	(4.75)	98,740	98,740
OFFICE OF THE INDEPENDENT POLICE AUDITOR*			
Total Adopted Budget Changes	8.25	3,988,534	3,541,377

* The Office of the Independent Police Auditor core service is aligned to the Public Safety CSA. Please refer to that section of the document for budget summary information.

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Strategic Support
Mayor and City Council



***Mission:** The Mayor and City Council serve as the policy body that provides direction to the City Manager and all Council Appointees in the delivery of City services*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police Auditor

BUDGET PROGRAMS

- Office of the Mayor
- City Council
- Council General

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Strategic Support
Office of the City Attorney



***Mission:** The Office of the City Attorney is committed to providing excellent legal services, consistent with the highest professional and ethical standards, to the City, with the goal of protecting and advancing its interests in serving the people of San José*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police Auditor

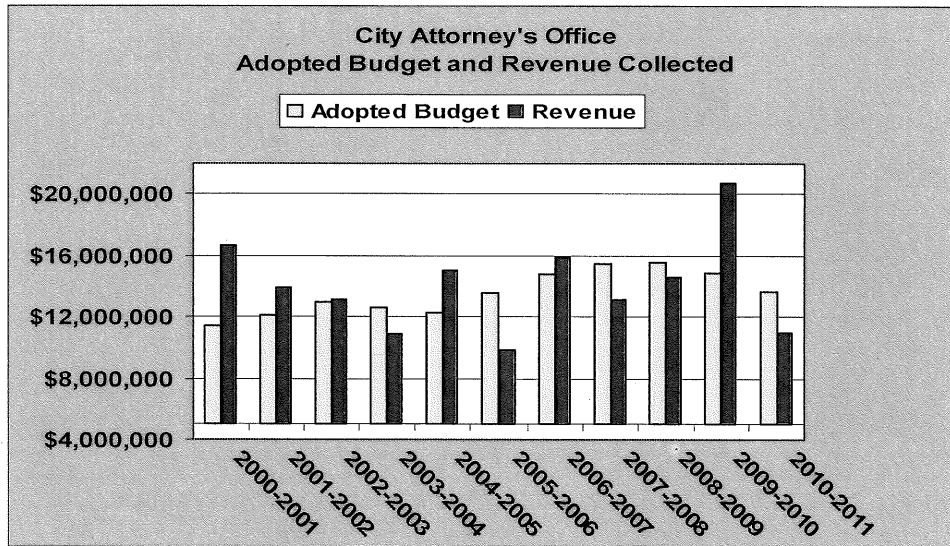
CSA OUTCOMES

- City Business is Conducted Lawfully
- City's Interests are Protected and Advanced

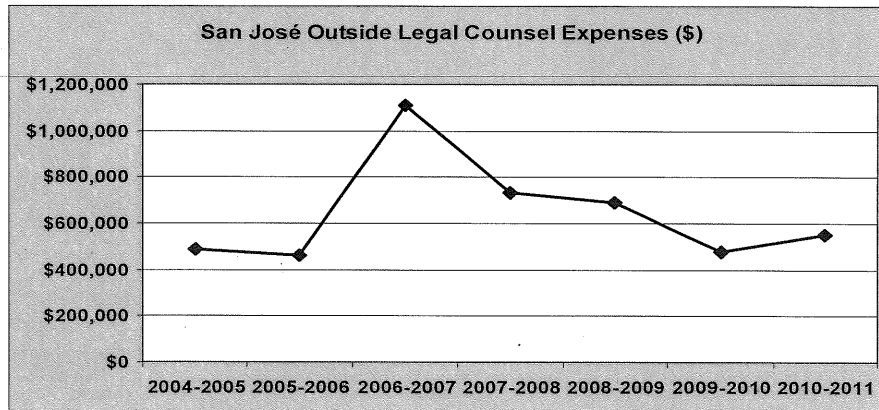
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

- The 2012 client survey results indicate that 88% of the respondents were satisfied with the overall legal services provided by the Office.
- Annual revenue collections have averaged \$14.1 million over the past 11 years; however, plaintiff cases handled by the Office in 2010-2011 generated only \$10.9 million. Forecasting revenues on an annual basis is difficult due to the varying nature of cases. Reduced staffing has also limited the Office's ability to proactively pursue all collection matters which may have partially contributed to the decreased revenue.



- Legal services are primarily provided by in-house lawyers. Limiting the use of costly outside legal counsel has historically resulted in significant budgetary savings to the City. However, the need for outside counsel services is steadily rising as a result of decreased staffing, increased volume of employment and labor related matters, and conflicts of interest. The Office spent \$551,876 for outside counsel services in 2010-2011, a 33% increase from the prior year, a trend that will continue with even higher costs projected for 2011-2012. The increase in outside counsel expense was mainly due to specialized legal services to support the Airport Department, the Elections Commission, and to assist the City Manager and the Office of Employee Relations with employment, labor, and pension matters.

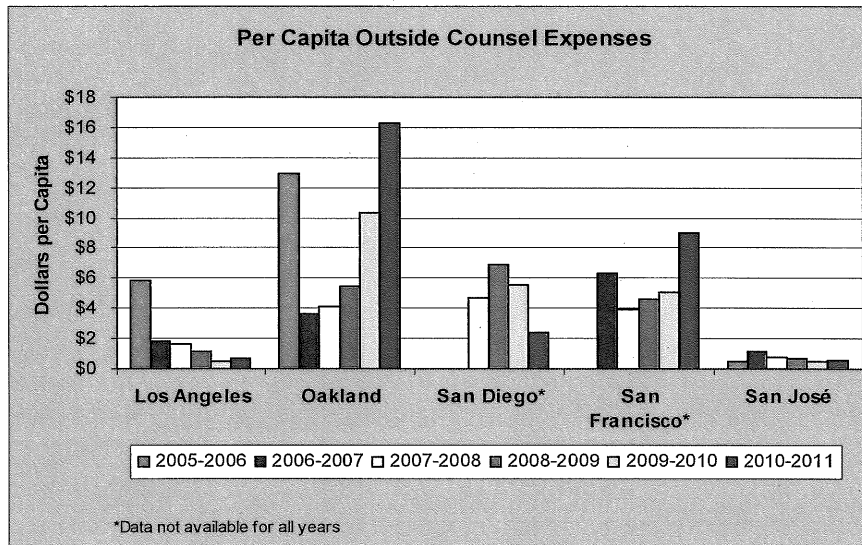


2006-2007 includes large expenditures for work on the Airport expansion project.

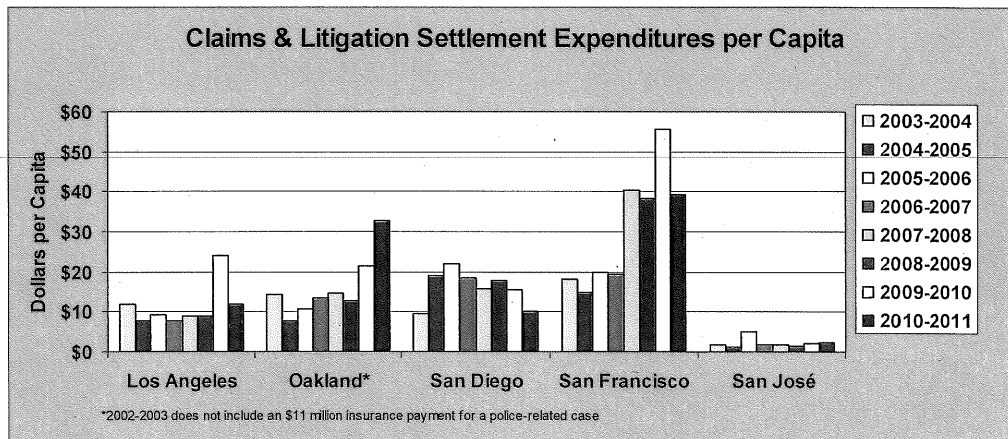
Service Delivery Accomplishments

- Although the cost for outside counsel services increased to \$551,876 in 2010-2011, this expenditure level is still significantly less than other major cities in California. The cities of Los Angeles, Oakland, San Diego, and San Francisco spent \$2.6 million, \$6.4 million, \$3.2 million, and \$7.3 million respectively, for outside counsel services during 2010-2011.

Note: During the last few years, the City of Los Angeles has been increasing its capacity to perform legal work in-house which has steadily reduced outside counsel expenditures. In contrast, the City of Oakland has been reducing in-house legal staff and increasing the use of outside counsel, resulting in higher overall costs for legal services.



- The City of San José pays considerably less for Claims and Litigation settlements than other large cities in California. Over the last nine years, San José paid on average \$2.0 million in annual settlement costs. The next lowest average annual payout was \$6.4 million by the City of Oakland. Over the same period, the cities of Los Angeles, San Diego, and San Francisco paid out annual averages of \$44.6 million, \$20.0 million, and \$24.3 million respectively.



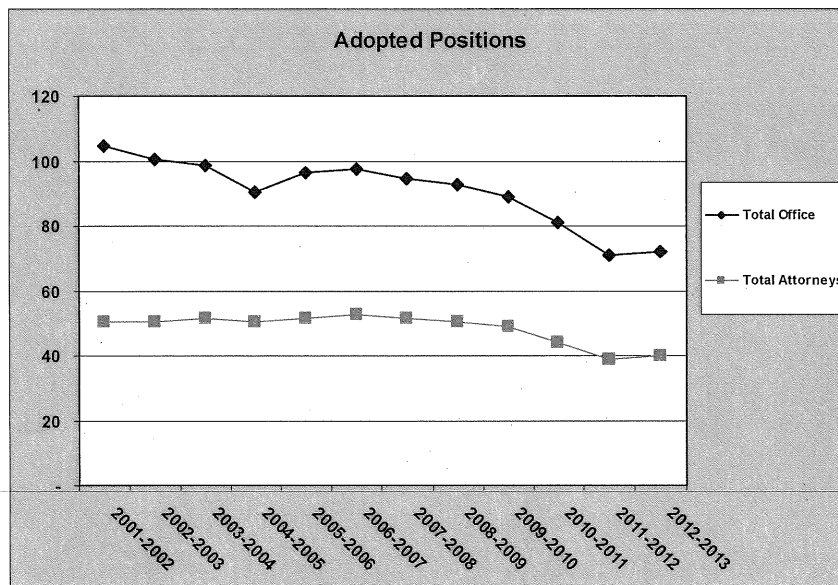
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

- An unpaid internship program for law students and attorneys newly admitted to the California State Bar benefits both the volunteers and the Office. The interns and new attorneys are given an opportunity to gain practical experience, and the support provided to the Office assists with handling the high volume of work.
- Although the former San Jose Redevelopment Agency was dissolved in 2011-2012, the Office continues to provide legal services to support the Successor Agency of the San Jose Redevelopment Agency and to the Oversight Board in providing ongoing dissolution activities.
- The Office is handling an increasing number of *Pitches* Motions, with over 120 cases in 2010-2011.

Service Delivery Environment

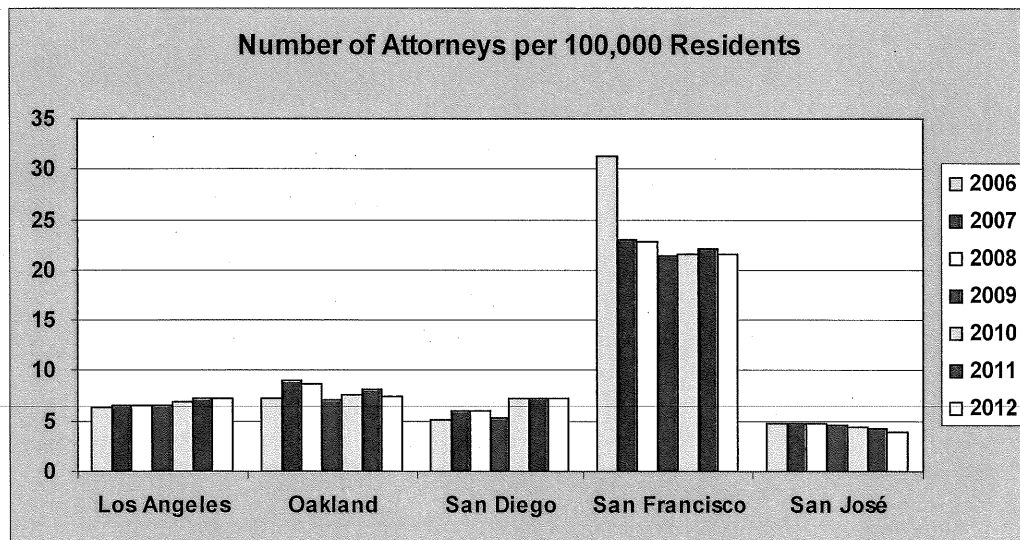
- The City Charter establishes the duties of the City Attorney's Office to represent the City, its Council, boards and commissions, and employees in all actions, and to provide advice to the same parties in all matters pertaining to their powers and duties. These are the Office's core services, and fulfilling these legal obligations to the clients requires a level of staffing higher than the existing model.
- General Fund budget reduction actions implemented over the past eleven years have decreased Office resources to bare minimum levels. These reductions occurred while demand for legal services has remained constant, with increases in demand for some practice areas. The Office will continue to rebalance workloads and assignments to meet high priority legal services demands.



- No budget reduction actions are included for 2012-2013, and 1.0 Chief Deputy City Attorney is added. While this provides relief from further staff reductions, the Office still does not have adequate staff to fully meet the current legal services demand. The City Attorney's Office staffing level has dropped 19% since 2009-2010, from 89 positions to 72 positions budgeted for 2012-2013. As a result of the staff reductions, it was necessary for the Office to reduce legal services, which increased the City's risk exposures for some areas.
- A number of retirements and resignations from City employment in 2011-2012 resulted in a significant loss of specialized legal expertise and created major disruptions to the Office workflow. Recruitments to fill these vacant positions have already begun or will begin soon.

Service Delivery Environment

- Higher claims and litigation costs and settlement payments may occur. The Office no longer has adequate staff to proactively defend all lawsuits, which may affect the City’s settlement positions. The lack of staff may also affect the City’s ability to strategically prepare for trial and pretrial motions, and necessitates using outside counsel to handle litigation matters traditionally handled in-house at a higher cost to the City.
- Transactional legal services were reduced last year and these reductions will continue for 2012-2013:
 - Elimination of review of consultant contracts under \$100,000. City staff was directed to use pre-approved forms with no customizations or deviation.
 - Reduced advice and counsel to the clients.
 - Limited review and preparation of memoranda and other legal documents.
 - Elimination of legal ethics team. Serious ethics issues are reviewed as needed.
 - City staff training is limited to areas where changes in the law significantly alter city operations.
- A decrease in revenue from settlements will continue to result as legal collection actions will be initiated only for cases with outstanding debt over \$100,000.
- Reduction in City-initiated litigation will result in limited code and animal services enforcement, with legal support for only serious health and public safety cases.
- Comparing staffing levels of city attorney offices in other large California cities, the attorney per capita ratio for the San José City Attorney’s Office continues to be the lowest among the cities of Los Angeles, Oakland, and San Diego. San Francisco, as a city and a county, has many more attorneys than other California cities.

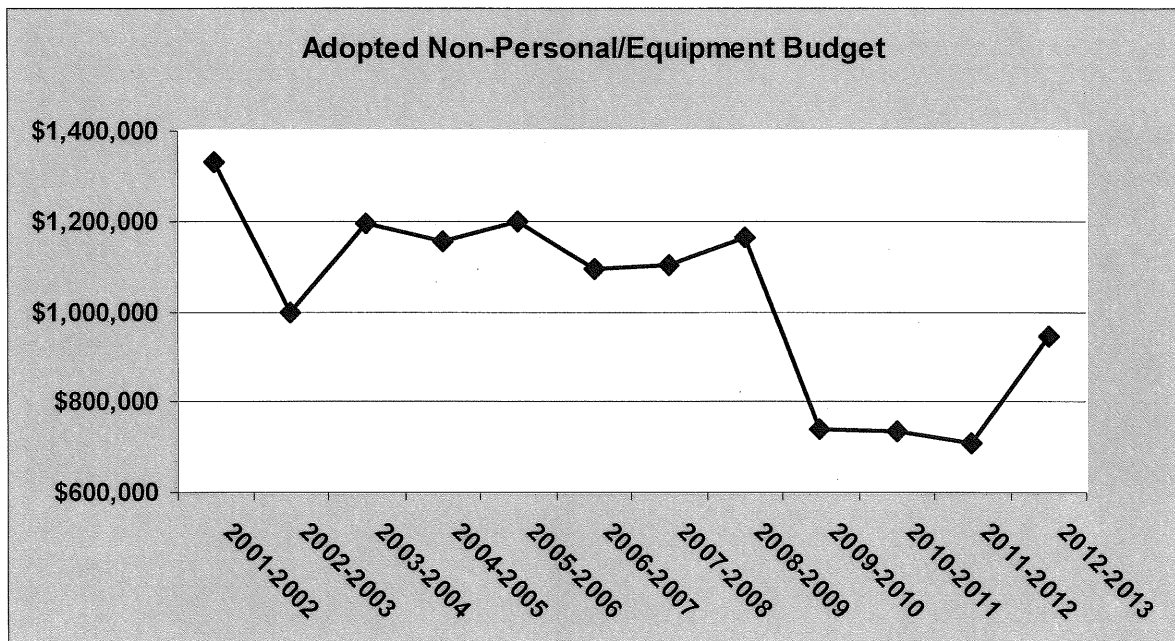


- In 2011-2012, the Office had 39 attorneys, 6 fewer than the prior year, and 14 fewer attorneys than in 2006-2007. This 26% decrease in attorney positions over a 5-year period presented significant challenges for the Office in meeting the legal services demand. At some point in the very near future, the Office will need to work with the Mayor’s Office and City Council to restore attorney positions, to enable the efficient and effective delivery of legal services, and reduce reliance on costly outside counsel.

Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Environment

- The Office has eliminated 13 support staff positions since 2006-2007, a 29% decrease over the past five years. These reductions impacted daily operations, requiring the Office to initiate reassignments, modify processes, and reduce services internally. Restoring legal support staff positions is essential for the Office to strengthen its daily operations, and will allow attorneys to focus their efforts on performing legal work instead of administrative tasks. Analyst support for discovery, the preparation of administrative records, and public records act requests remains a critical need for the Office.
- Labor and employment legal issues are rising, including the number of employee and union grievances handled by the Office. The number of employee disciplinary matters handled by the Office has increased substantially over the past three years.
- The Non-Personal/Equipment appropriation will increase by \$200,000 in 2012-2013, providing additional ongoing funding for outside counsel legal services related to labor litigation, advice to the City on Retirement Board issues, certain Public Records Act requests, and for other matters as necessary. The Office will continue to use outside expertise as efficiently as possible in order to manage costs.



- The Office will continue to seek opportunities to streamline processes and will work with the Mayor, City Council, and other Council Appointees to identify areas where legal services can be modified so that the Office can control the legal workload, taking into consideration the reduced staffing level.

Budget Dollars at Work: Performance Goals

OUTCOME 1: CITY BUSINESS IS CONDUCTED LAWFULLY

- ✓ Provide legal counsel at all City Council and Council Committee meetings, and certain meetings of major boards and commissions as necessary. For 2011-2012, the number of meetings staffed was significantly reduced, and the reductions will continue for 2012-2013. The Office continues to provide staffing at all Planning Commission, Civil Service Commission, and Appeals Hearing Board Commission meetings.

Budget Dollars at Work: Performance Goals

OUTCOME 1: CITY BUSINESS IS CONDUCTED LAWFULLY

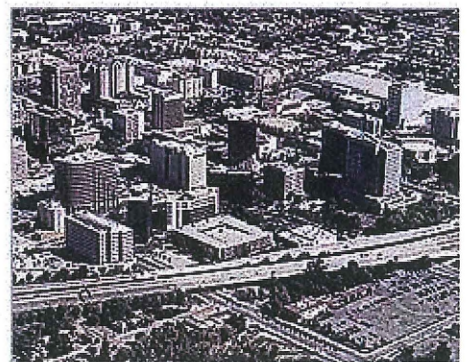
- ✓ Perform legal research as necessary.
- ✓ Disruption in the municipal bond market continues to require extensive legal services to resolve financial issues that impact the City.
- ✓ Prepare and review certain legal documents including ordinances, resolutions, permits, contracts, and other legal documents. The level of these services decreased in 2011-2012, with the City Attorney's Office implementing a change wherein the Office no longer approves agreements under \$100,000 as long as city staff uses a standard pre-approved form template. This service level will continue for 2012-2013.
- ✓ Perform legislative analyses as time permits.
- ✓ Provide oral and written legal advice and opinions on a more limited basis.
- ✓ Provide legal services to assist staff in addressing the fiscal challenges faced by the City, including analysis and implementation of revenue sources (e.g. taxes, assessments, and fees).
- ✓ Significant legal resources will be necessary to implement the City's economic development strategy.
- ✓ Continued efforts at collaboration with third party partners for the provision of City services and operation of City facilities will require extensive legal work in negotiating and drafting agreements.
- ✓ Adoption and implementation of the Water Pollution Control Capital Program and the Sanitary Sewer System Capital Program will require significant planning and construction related legal services.
- ✓ Continue to monitor and coordinate with State and federal entities to prepare for actions that will allow implementation of future medical marijuana regulations.
- ✓ Respond, review, and coordinate complex Public Records Act requests.

OUTCOME 2: CITY'S INTERESTS ARE PROJECTED AND ADVANCED

- ✓ Initiate and defend lawsuits and other legal actions involving the City. Some high exposure and complex cases may need to be outsourced to outside counsel.
- ✓ Seek monetary damages on behalf of the City for matters where the debt is over \$100,000.
- ✓ Provide legal representation at administrative hearings as staffing allows.
- ✓ Prosecute select municipal code violations to address serious health and safety concerns.
- ✓ Investigate and respond to claims filed against the City.
- ✓ Conduct and coordinate confidential internal City investigations.
- ✓ Continue to monitor and coordinate with State and federal entities to prepare for actions that will allow implementation of future medical marijuana regulations.
- ✓ Considerable resources are dedicated to responding to increasingly complex discovery and public records requests involving electronic data. The enormous volume and fragmented manner in which data is stored city-wide have presented substantial challenges.

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Strategic Support
Office of the City Auditor



***Mission:** To independently assess and report on
City operations and services*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police
Auditor

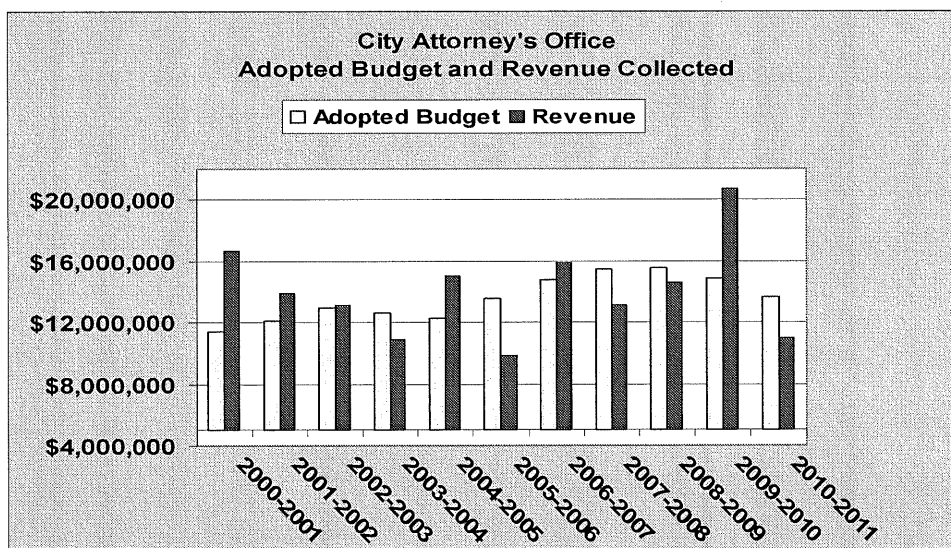
CSA OUTCOMES

- Identify Ways to Increase the Economy, Efficiency, Effectiveness, and Accountability of City Government
- Provide Independent, Reliable, Accurate, and Timely Information to the City Council and Other Stakeholders

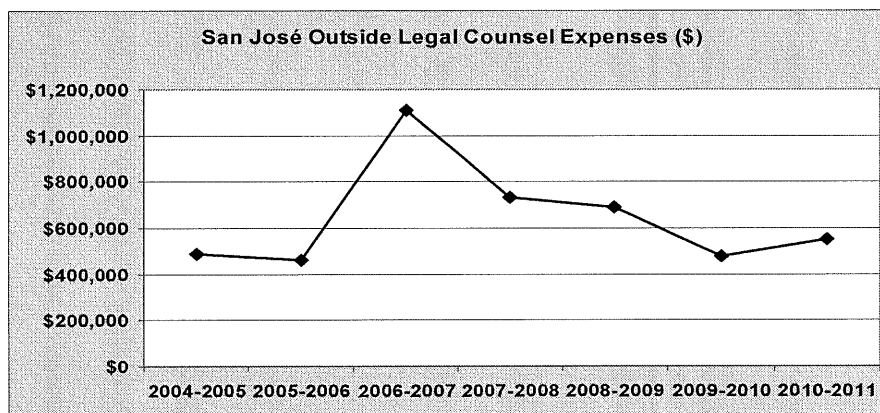
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

- The 2012 client survey results indicate that 88% of the respondents were satisfied with the overall legal services provided by the Office.
- Annual revenue collections have averaged \$14.1 million over the past 11 years; however, plaintiff cases handled by the Office in 2010-2011 generated only \$10.9 million. Forecasting revenues on an annual basis is difficult due to the varying nature of cases. Reduced staffing has also limited the Office's ability to proactively pursue all collection matters which may have partially contributed to the decreased revenue.



- Legal services are primarily provided by in-house lawyers. Limiting the use of costly outside legal counsel has historically resulted in significant budgetary savings to the City. However, the need for outside counsel services is steadily rising as a result of decreased staffing, increased volume of employment and labor related matters, and conflicts of interest. The Office spent \$551,876 for outside counsel services in 2010-2011, a 33% increase from the prior year, a trend that will continue with even higher costs projected for 2011-2012. The increase in outside counsel expense was mainly due to specialized legal services to support the Airport Department, the Elections Commission, and to assist the City Manager and the Office of Employee Relations with employment, labor, and pension matters.

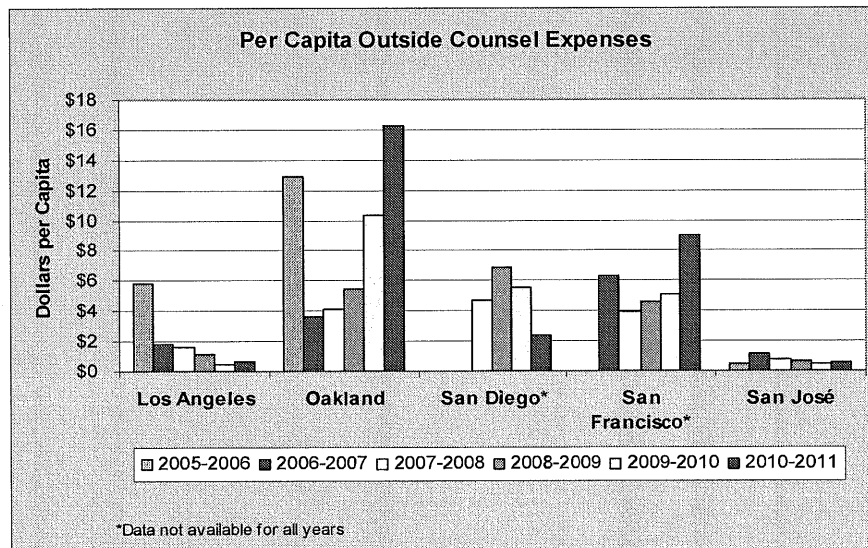


2006-2007 includes large expenditures for work on the Airport expansion project.

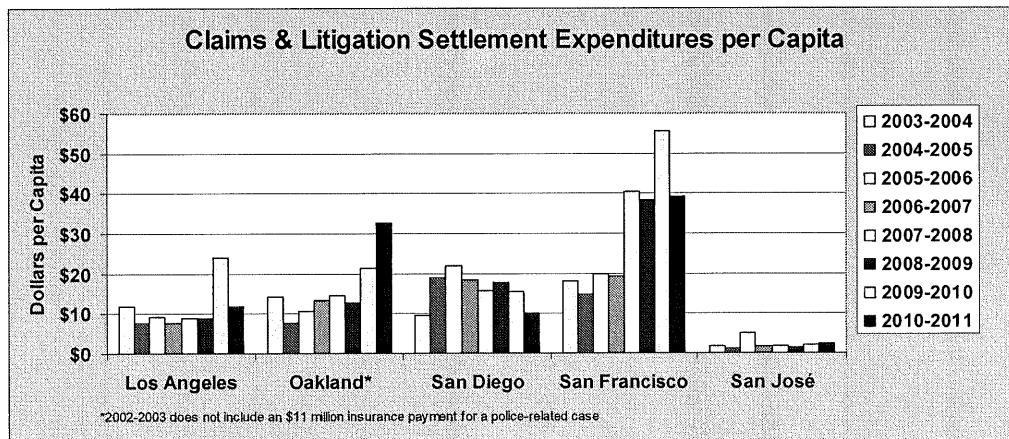
Service Delivery Accomplishments

- Although the cost for outside counsel services increased to \$551,876 in 2010-2011, this expenditure level is still significantly less than other major cities in California. The cities of Los Angeles, Oakland, San Diego, and San Francisco spent \$2.6 million, \$6.4 million, \$3.2 million, and \$7.3 million respectively, for outside counsel services during 2010-2011.

Note: During the last few years, the City of Los Angeles has been increasing its capacity to perform legal work in-house which has steadily reduced outside counsel expenditures. In contrast, the City of Oakland has been reducing in-house legal staff and increasing the use of outside counsel, resulting in higher overall costs for legal services.



- The City of San José pays considerably less for Claims and Litigation settlements than other large cities in California. Over the last nine years, San José paid on average \$2.0 million in annual settlement costs. The next lowest average annual payout was \$6.4 million by the City of Oakland. Over the same period, the cities of Los Angeles, San Diego, and San Francisco paid out annual averages of \$44.6 million, \$20.0 million, and \$24.3 million respectively.



- Although settlement costs are generally low, the City's financial exposure for claims and litigation is significant. For example, in a September 2011 review of cases requiring substantial legal attention, amounts claimed by the plaintiffs exceeded \$48 million for 10 cases alone. The City should consider purchasing a General Liability excess insurance policy to reduce its financial exposure.

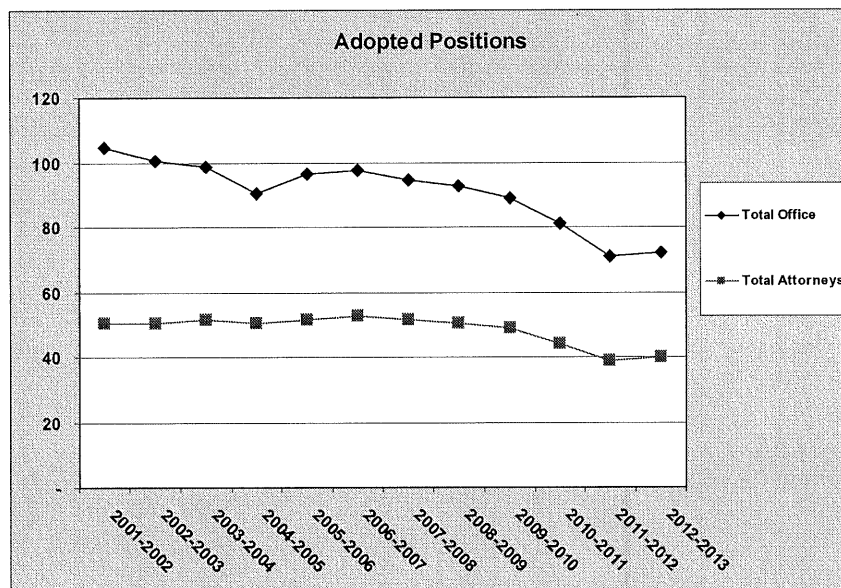
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

- An unpaid internship program for law students and attorneys newly admitted to the California State Bar benefits both the volunteers and the Office. The interns and new attorneys are given an opportunity to gain practical experience, and the support provided to the Office assists with handling the high volume of work.
- Although the former San Jose Redevelopment Agency was dissolved in 2011-2012, the Office continues to provide legal services to support the Successor Agency of the San Jose Redevelopment Agency and to the Oversight Board in providing ongoing dissolution activities.
- The Office is handling an increasing number of *Pitchess* Motions, with over 120 cases in 2010-2011.

Service Delivery Environment

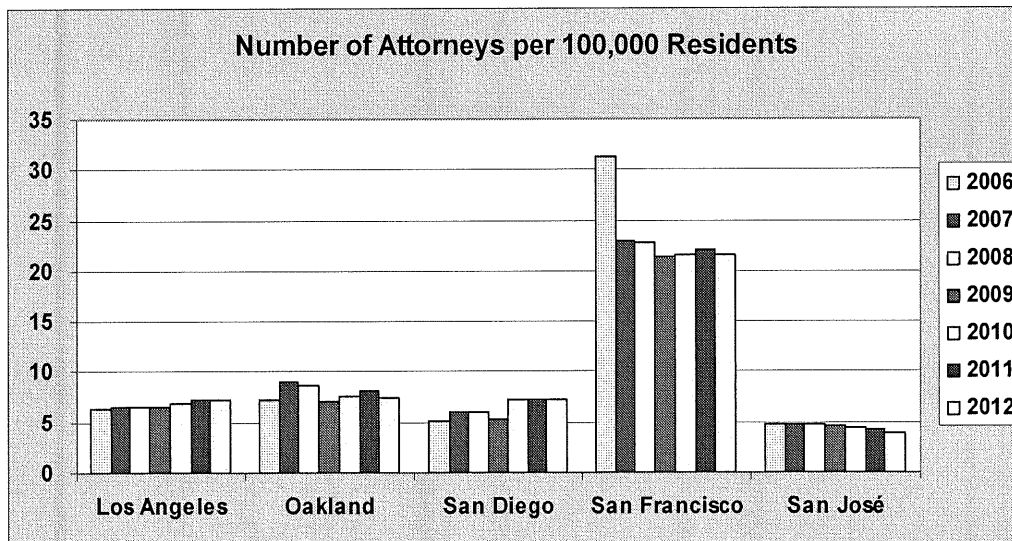
- The City Charter establishes the duties of the City Attorney's Office to represent the City, its Council, boards and commissions, and employees in all actions, and to provide advice to the same parties in all matters pertaining to their powers and duties. These are the Office's core services, and fulfilling these legal obligations to the clients requires a level of staffing higher than the existing model.
- General Fund budget reduction actions implemented over the past eleven years have decreased Office resources to bare minimum levels. These reductions occurred while demand for legal services has remained constant, with increases in demand for some practice areas. The Office will continue to rebalance workloads and assignments to meet high priority legal services demands.



- No budget reduction actions are included for 2012-2013, and 1.0 Chief Deputy City Attorney is added. While this provides relief from further staff reductions, the Office still does not have adequate staff to fully meet the current legal services demand. The City Attorney's Office staffing level has dropped 19% since 2009-2010, from 89 positions to 72 positions budgeted for 2012-2013. As a result of the staff reductions, it was necessary for the Office to reduce legal services, which increased the City's risk exposures for some areas.
- A number of retirements and resignations from City employment in 2011-2012 resulted in a significant loss of specialized legal expertise and created major disruptions to the Office workflow. Recruitments to fill these vacant positions have already begun or will begin soon.

Service Delivery Environment

- Higher claims and litigation costs and settlement payments may occur. The Office no longer has adequate staff to proactively defend all lawsuits, which may affect the City’s settlement positions. The lack of staff may also affect the City’s ability to strategically prepare for trial and pretrial motions, and necessitates using outside counsel to handle litigation matters traditionally handled in-house at a higher cost to the City.
- Transactional legal services were reduced last year and these reductions will continue for 2012-2013:
 - Elimination of review of consultant contracts under \$100,000. City staff was directed to use pre-approved forms with no customizations or deviation.
 - Reduced advice and counsel to the clients.
 - Limited review and preparation of memoranda and other legal documents.
 - Elimination of legal ethics team. Serious ethics issues are reviewed as needed.
 - City staff training is limited to areas where changes in the law significantly alter city operations.
- A decrease in revenue from settlements will continue to result as legal collection actions will be initiated only for cases with outstanding debt over \$100,000.
- Reduction in City-initiated litigation will result in limited code and animal services enforcement, with legal support for only serious health and public safety cases.
- Comparing staffing levels of city attorney offices in other large California cities, the attorney per capita ratio for the San José City Attorney’s Office continues to be the lowest among the cities of Los Angeles, Oakland, and San Diego. San Francisco, as a city and a county, has many more attorneys than other California cities.

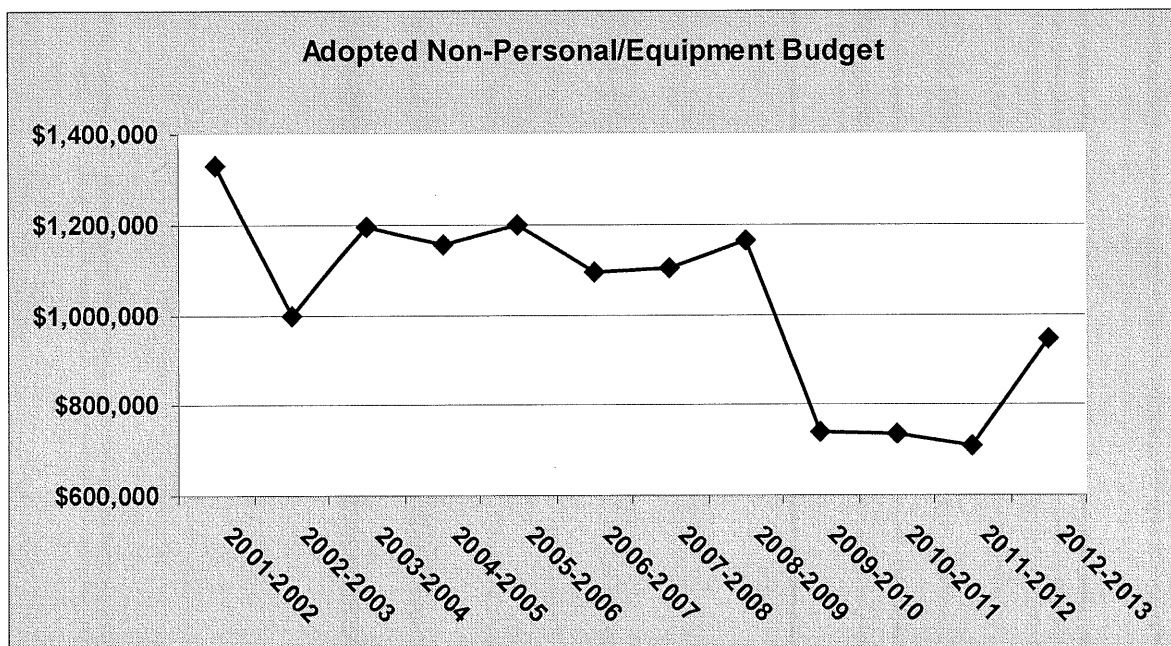


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Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Environment

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Budget Dollars at Work: Performance Goals

OUTCOME 1: CITY BUSINESS IS CONDUCTED LAWFULLY

- ✓ Provide legal counsel at all City Council and Council Committee meetings, and certain meetings of major boards and commissions as necessary. For 2011-2012, the number of meetings staffed was significantly reduced, and the reductions will continue for 2012-2013. The Office continues to provide staffing at all Planning Commission, Civil Service Commission, and Appeals Hearing Board Commission meetings.

Budget Dollars at Work: Performance Goals

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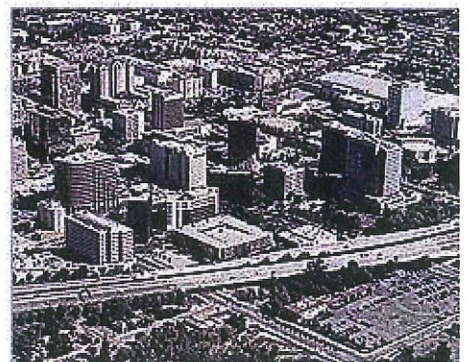
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OUTCOME 2: CITY'S INTERESTS ARE PROJECTED AND ADVANCED

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Strategic Support
Office of the City Auditor



***Mission:** To independently assess and report on
City operations and services*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police
Auditor

CSA OUTCOMES

- Identify Ways to Increase the Economy, Efficiency, Effectiveness, and Accountability of City Government
- Provide Independent, Reliable, Accurate, and Timely Information to the City Council and Other Stakeholders

Strategic Support
Office of the City Auditor
OVERVIEW

Service Delivery Accomplishments

- Since the City Auditor's Office began conducting program performance audits in May 1985, the Office has identified program efficiencies, revenue enhancements, and cost savings. In 2011-2012, the City Auditor's Office identified approximately \$2.3 million in cost savings and revenue enhancements, achieving a ratio of about \$1.30 in monetary benefits to every \$1 of audit costs (Target: \$4 to \$1).
- During 2011-2012, the Office issued 16 audit reports, or approximately 1.8 audits per auditor (Target: 1.5 audits per auditor). Reports issued by the City Auditor's Office during 2011-2012 included:
 - Audit of Traffic Citation Revenue
 - Audit of Recovery Act Funding
 - Review of Airport Public Safety Level of Service
 - Audit of Annual Form 700 Filers
 - 2010-2011 Annual Performance Audit of Team San José's Management of the City's Convention and Cultural Facilities
 - Audit of Office Supply Purchases
 - Service Efforts and Accomplishments Report 2010-2011
 - Santa Clara County Cities Association Expenditure Review
 - Audit of Information Technology General Controls
 - Audit of Police Department Secondary Employment
 - Review of Fire Department Performance Measures
- The Office issued monthly audit status reports and semi-annual follow-up reports on outstanding audit recommendations to the Public Safety, Finance, and Strategic Support Committee.
- In addition, the Office provided oversight of external auditors regarding:
 - City of San José 2011 Annual Financial Audit, Single Audit, and related financial audits
 - Audits of Parks and Recreation bonds, Library bonds, Public Safety bonds, and Parcel Tax funds
 - Semi-Annual Reviews for Compliance with the City's Investment Policy

Service Delivery Environment

- In light of the budget concerns facing the City, the City Auditor's Office will continue its focus on searching for revenues and cost-savings opportunities, and will work with the City Manager's Office to target areas for audit that are likely to yield the most benefit.
- Since 2008-2009, Auditor's Office staffing has dropped by nearly one-third with the flattening of the audit organization by removing a supervisory layer (2008-2009), reduction in Program Performance Auditors (3.0 positions in 2009-2010 and 2010-2011), and the elimination of an additional 2.0 Program Performance Auditor positions in 2011-2012. This impacted the number of programs reviewed and audit reports issued. With the addition of 2.0 positions in 2012-2013, the Office will be better positioned to meet the demand for audit services and provide better audit coverage.

Budget Dollars at Work: Performance Goals

OUTCOME 1: IDENTIFY WAYS TO INCREASE THE ECONOMY, EFFICIENCY, EFFECTIVENESS, AND ACCOUNTABILITY OF CITY GOVERNMENT

- ✓ Conduct performance audits, special audits, and reviews that identify ways to increase the economy, efficiency, and effectiveness of City government. The Office's 2012-2013 Audit Workplan will target City Council and other City Appointee concerns and areas identified in the City Auditor's City-Wide Risk Assessment model. Given the current economic situation, the emphasis will be on ways to reduce costs or increase revenues city-wide.
- ✓ Provide training to City employees on how to incorporate risk analysis and internal controls into their management strategies as well as how to use performance measures to improve service delivery and drive decision making.

OUTCOME 2: PROVIDE INDEPENDENT, RELIABLE, ACCURATE, AND TIMELY INFORMATION TO THE CITY COUNCIL AND OTHER STAKEHOLDERS

- ✓ Prepare audit reports and memoranda that provide independent, reliable, accurate, and timely information to the City Council. The 2011-2012 Audit Workplan was approved by the City Council in August 2011. The 2012-2013 Proposed Audit Workplan will be submitted to the Rules Committee in August 2012.
- ✓ Performance reporting. In December 2011, the Office published the City's fourth annual *Service Efforts and Accomplishments Report: 2010-11 Annual Report on City Government Performance*. The Office will continue this project in 2012-2013 and will continue to work with City staff on audit projects designed to improve the City's performance management and reporting systems as outlined in the 2009 report *Performance Management and Reporting in San Jose: A Proposal for Improvement*.
- ✓ Conduct recommendation follow-up. The Office prepares a status report of all open audit recommendations as of June 30 and December 31 each year. Through December 2011, approximately 83% of the 606 recommendations made in the last ten years have been implemented.
- ✓ Continue to improve the website. The Office's website includes copies of audit reports issued by the Office since 1985 and links to the City Council Committee archive video of the hearings where available. The website receives over 6,000 visits per month. The Office will continue to ensure that information on the site is current and relevant.

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Strategic Support
Office of the City Clerk



***Mission:** Provide strategic support services and leadership to maximize public access to municipal government*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police Auditor

CSA OUTCOME

- The Municipal Legislative Process is Accessible and Open to the Community

Strategic Support
Office of the City Clerk
OVERVIEW

Service Delivery Accomplishments

The Office of the City Clerk continues to ensure that mandated services are provided in the most cost effective manner possible to cope with the City's fiscal environment. In 2011-2012, the Office:

- Conducted elections for the Mayor, City Council Members, and ballot measures; worked with proponents of referenda and initiatives in accordance with the City Charter and the State Elections Code and maintained compliance with open government, campaign finance, lobbyist registration, statements of economic interest, and other public disclosure requirements.
- Prepared and distributed Agenda packets, synopses, and action minutes of City Council and Rules and Open Government Committee meetings and posted them on the City's website. Prepared and distributed minutes for other City Council Committees and other City entities such as the Successor Agency to the Redevelopment Agency (SARA), the Oversight Board, and the Financing Authority. Both City Council and City Council Committee meetings were web-cast live, indexed, and archived for on-demand replay.
- Provided access to the City's legislative records and documents. Requests for the City's legislative records and related public documents were received and fulfilled under provisions of the California Public Records Act. The Municipal Code, City Charter, and Council Policy Manual were updated and posted on the City's website and all documents presented to the City Council were indexed for storage and retrieval and made available to the public.
- Provided fiscal, grant, budget, human resources, payroll, administrative, and technical support services to the Mayor's Office, City Council Offices, and for the City's Boards, Commissions, and Committees.
- Reviewed and executed all City contracts for administrative compliance and made them available for review.
- Provided transparent legislative services in accordance with Sunshine/Open Government Reforms, transitioning from more traditional labor and paper-intensive processes to online systems.
- Conducted employee elections to nominate employee representatives for appointment by the City Council to the Retirement Boards and Civil Service Commission. Conducted recruitment efforts and supported the City Council's selection of additional public members for the Retirement Boards; thus assisting in the implementation of governance reforms.
- Provided support for City Council appointments to Boards, Commissions, and Committees including orientation and training to new Commissions and Commissioners. Provided direct support to the Project Diversity Screening Committee and the Civil Service, Elections, 2011 Redistricting, and City Council Salary Setting Commissions.

Service Delivery Environment

The Office of the City Clerk continues to see heavy volumes of workload in all areas of Office operations. As the Office of the City Clerk plans for the next five years, the overarching issue remains enhancing the use of technology to improve and expedite service. Specific examples of trends, issues, and opportunities include:

- Continued work on new Open Government policies and procedures based on initiatives such as the "Reed Reforms" and recommendations from the Sunshine Reform Task Force, including disclosure requirements (calendars, outside income, and fundraising) for the Mayor and City Council members.
- The Office's need for an improved, less labor intensive process for creating and disseminating City Council meeting agendas and memoranda, as well as the need for improved technology to enhance the public's access to the City's legislative process and records.
- The increased demand for access to a wide variety of public records including the community's rising expectation of online access to candidate and committee campaign disclosure statements and activity reports by lobbyists.

Service Delivery Environment

- Broadening of administrative services performed by the Office of the City Clerk while reducing the number of staff. The Office provides administrative support, agendas, minutes, records management, human resources, and other support services for SARA and the Oversight Board in addition to the administrative services already performed for the Mayor and City Council.

Budget Dollars at Work: Performance Goals

OUTCOME: THE MUNICIPAL LEGISLATIVE PROCESS IS ACCESSIBLE AND OPEN TO THE COMMUNITY

The Office of the City Clerk has three strategic goals and objectives:

- ✓ Deploy technology resources effectively;
- ✓ Increase efficiency of service delivery; and
- ✓ Maintain high levels of customer service.

The Office of the City Clerk will provide services directly related to its outcome:

- ✓ Successfully conducting municipal elections for Mayor, City Council members, and ballot measures;
- ✓ Creating and distributing agenda packets, synopses, and minutes for all City Council meetings and City Council Rules and Open Government Committee meetings; preparing and distributing minutes for all other Council Committees;
- ✓ Posting all changes to the San José Municipal Code and the City Council Policy Manual on the web and publishing and distributing hard-copy supplements;
- ✓ Creating and maintaining a legislative history of City Council, Successor Agency, the Oversight Board, and related entities' actions; and indexing and filing all public records such that the records can be retrieved in a timely manner and the history is readily available;
- ✓ Conducting the recruitment, application, and selection processes for boards and commissions through the Project Diversity Screening Committee and directing City Council interview and appointment; and facilitating the City Council's appointment of public members to the Retirement Boards and the Civil Service Commission;
- ✓ Conducting employee and retiree elections for the employee and retiree members, as applicable of both Retirement Boards and the Civil Service Commission;
- ✓ Providing administrative support services to the Elections Commission, Civil Service Commission, Council Salary Setting Commission, and the Project Diversity Screening Committee;
- ✓ Researching City Council actions and records from the adoption of the City Charter to the present;
- ✓ Providing administrative support for fiscal management, human resources administration, budgeting, grant administration, and procurements for the Mayor and City Council Offices, the Successor Agency, and Oversight Board; and
- ✓ Accepting and making available all Statements of Economic Interests campaign finance disclosure forms, lobbyist registration and reporting forms, and all disclosures required of the Mayor and City Council members (calendars, fundraising solicitations, and outside income disclosure).

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Strategic Support **Office of the City Manager**



***Mission:** Provide strategic leadership that supports the Mayor and the City Council and motivates and challenges the organization to deliver high quality services that meet the community's needs*

Primary Partners

Mayor and City Council
Office of the City Attorney
Office of the City Auditor
Office of the City Clerk
Office of the City Manager
Office of the Independent Police Auditor

CSA OUTCOMES

- The Community Receives Customer-Focused, Results-Driven Services
- The Mayor and Council are Effectively Supported in Making Public Policy Decisions
- Employees Understand, are Committed to, and Accountable for the City's Vision, and Have the Capacity to Achieve It

Strategic Support
Office of the City Manager
OVERVIEW

Service Delivery Accomplishments

A key focus over the past year for the Office of the City Manager was to provide the leadership necessary to manage transitions and support the organizational changes involved in implementing the 2011-2012 budget actions, which significantly reduced services and eliminated 440 positions from the 2010-2011 Adopted Budget while ensuring that ongoing services continue to be delivered with the highest standards of quality and customer service. Following final City Council adoption of the 2011-2012 budget, the City Manager's Office continued to provide focused leadership and support throughout the process of employee layoffs, transitions related to bumping, communication of service changes, and realignment of service expectations to available resources. The City Manager's Office ensured that these changes were managed responsibly, while the City continued to provide critical day-to-day and strategically-focused services to the community. The City Manager's Office is consistently called upon to lead and/or manage unanticipated issues and projects of significant complexity.

- Development of the 2012-2013 budget, strategically investing in the most critical service needs while ensuring fiscal stability. As directed in the Mayor's March Budget Message approved by the City Council, the 2012-2013 Adopted Budget incorporates a two-year approach to balancing the budget with the \$9.0 million projected surplus in 2012-2013 along with \$13.5 million of one-time funds reserved in 2012-2013 to address the projected shortfall of \$22.5 million in 2013-2014. Actions in this budget avoided adding or restoring services that cannot be maintained on an ongoing basis. The major actions included focus on continuing services funded on a one-time basis in 2011-2012, opening new facilities (4 libraries, 1 community center), addressing the most immediate and critical of the City's unmet/deferred infrastructure needs, addressing essential operational needs that pose a risk to the City, and implementing more effective service delivery models.
- In May 2011, the City Council approved a Fiscal Reform Plan that provided direction to achieve cost savings and pursue revenues in order to restore City services to January 1, 2011 levels. Once the plan was approved by the City Council, the City Administration immediately embarked on the implementation of the plan, most of which required negotiations with the City's 11 bargaining units.

Per City Council direction, the City Administration began retirement negotiations and negotiations over sick leave payout to begin the steps towards achieving the savings for these items as contained in the Fiscal Reform Plan. After eight months of negotiations with the City's bargaining units, on March 6, 2012, the City Council approved a pension modification ballot measure (Measure B) for the June 2012 election. In addition, the City concluded the negotiation process with the bargaining units over items outside of the ballot measure, including a second tier pension benefit and a healthcare lowest cost plan. On June 5, 2012, Measure B was overwhelmingly passed by voters. On June 12, 2012, the City Council approved the implementation of a second tier retirement benefit for new employees in the Federated City Employees' Retirement System and approved a new low cost healthcare plan. Sick leave payout was eliminated for four bargaining units as of January 2012 and the City is still in negotiations/mediation with other bargaining units over sick leave payout. By continuing on the path to implementing the Fiscal Reform Plan, the City will not only preserve essential City services and jobs, but hopes to be able to build capacity within the organization to restore some of those services and jobs we have had to eliminate in the past few years.

- The City Administration continued to spearhead a workload prioritization effort to address the significant backlog of pending ordinances and policies created due to a high number of position eliminations. Working in collaboration with the City Attorney's Office, the City Administration was able to facilitate Council consideration and prioritization of the pending ordinances and policies in August 2011 and February 2012. The prioritization effort has helped staff focus on the priorities and successfully advance them with the available resources.

Service Delivery Accomplishments

- The City Manager's Office continued engaging the City's senior, executive, and mid-level managers ensuring open dialogue and expectation-setting, providing support for managers in navigating the challenges in the difficult budget environment and significant downsizing and bumping. Engagement included weekly meetings with all Department heads, senior staff planning retreats, interactive sessions with the Department senior leadership teams (150+ people), and interactive sessions with managers and supervisors (400+ people).
- Despite significantly diminished budgets and resources, the City Manager's Office created opportunities for employee development through programs like *Employee Mentoring*, a newly revamped *Leadership and Supervision Academy*, and through participation in collaborative regional efforts like the *County Leadership Academy*. The Administration also continued to foster innovation, encourage continuous improvement, and engage employees through *e-ideas*, a transparent web-based employee suggestion program. Through June 2012, e-ideas generated over 100 ideas, of which some have already been implemented and several more are under consideration.
- As the significance of ongoing organizational change resulted in both the prospect and reality of turnover in key leadership positions, the City Manager's Office ensured that transitions were handled strategically and with minimal disruption. Efforts to fill key leadership positions in the Environmental Services, Finance, Human Resources, Information Technology, Library, Parks, Recreation and Neighborhood Services, and Retirement Services Departments were initiated in 2011-2012 and will continue in 2012-2013.
- In April 2011, the City awarded a design-build contract to Hunt Construction for the San Jose McEnery Convention Center Expansion and Renovation Project. In 2011-2012, the design was completed and a guaranteed maximum price contract was negotiated equal to the project's budget. Concurrent with design and contract negotiation, construction task orders were released for the demolition of the old Martin Luther King Jr. Library and the foundations for the new building. In addition, task orders for long lead time items such as structural steel and movable walls were issued. The project is currently tracking on-time and on-budget. The City Manager's Office, specifically the Office of Economic Development, has guided the ongoing relationship with Team San José through this critical period.
- On March 20, 2012, the City Council approved the 2011 Annual Green Vision Report and the 2012 Work Plan priorities and implementation framework. Progress on the Green Vision to date includes: 7,000 total clean tech jobs in San José; completion of 49 energy audits and 26 energy projects on municipal buildings; installation of 3,274 solar photovoltaic (PV) systems throughout San José with a total capacity of 44.4 MW; 5.4 million square feet of certified green buildings completed to date including 17 municipal buildings totaling 1.4 million square feet; continuing to have the highest diversion rates in the nation including a 71% overall diversion rate of solid waste from landfills; over 10 miles of new recycled water pipes and construction of the Advanced Water Treatment Facility; adoption of the General Plan Update; City fleet greenhouse gas emissions have been reduced by 32% compared to 2003 baseline; planted 2,148 new trees in 2011; awarded a contract for 2,100 smart light emitting diode (LED) streetlights; and received over \$5.4 million in grant funding for trails and on-street bike and pedestrian improvements.
- Intergovernmental Relations provided in a timely manner the necessary information to assist City officials and Departments in evaluating policy issues as they developed to allow decision makers the maximum opportunity to be informed, involved, and influence the outcome and development of policy prior to policy adoption. Examples included the Governor's proposal to eliminate Redevelopment Agencies, threats to COPS funding, and the Enterprise Zone Program. Council adopted the 2012 Legislative Guiding Principles and Legislative Priorities which provided the City's lobbyists with direction in Sacramento and in Washington, D.C. The City also participated in a range of State level hearings to provide insight into policy issues affecting San José priorities.

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Service Delivery Accomplishments

- Public-Private Partnerships play an increasingly strategic role in sustaining and improving service delivery for San José residents and businesses. The City Manager's Office has taken a leading role in developing partnerships with corporations, banks, and foundations to pursue city-wide undertakings related to entrepreneurship and small business, youth programs, veteran services, workforce development, and neighborhood enhancement. This has ranged from the social media-based Shop San José initiative to engaging IBM Corporation in a critical review of City service efficiencies. In addition, the City Manager's Office continues to provide oversight and guidance for the Non-Profit Strategic Engagement Platform relating to the approximate \$30 million of financial assistance provided to community-based organizations.
- Through June 2012, the City has been successful in utilizing more than \$90 million in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to support a wide variety of projects, such as repaving 15 miles of the worst arterial streets in the City, investing in energy efficiency and renewable energy, providing affordable housing, and offering job training and support services to youths and adults. In the process, San José Recovery Act projects have created over 1,100 direct jobs over the past three years.
- On June 22, 2010, the City Council approved direction for the Administration to review and continue to develop a Medical Marijuana Regulation Program. During 2011-2012, the Administration continued efforts on a Medical Marijuana Regulation Program and reported back to the City Council and the community through numerous City Council Meetings and external communications. On February 14, 2012, the City Council repealed the Medical Marijuana Regulatory Ordinance, which had been previously suspended on October 28, 2011, when a petition for a referendum was filed. The Medical Marijuana Land Use Ordinance (Title 20) is suspended and not in effect, however staff has and will continue efforts to collect the Marijuana Business Tax from collectives still operating in San José. During 2011-2012, \$3.6 million in Marijuana Business Tax is estimated to be collected.
- In June 2012, the City Council approved the implementation of an alternative service delivery model for the Airport Parking and Traffic Control service. As part of the 2012-2013 Adopted Operating Budget, savings for the Airport resulting from the outsourcing of these services totaled \$1.0 million. Additionally, with the adoption of this budget, the City Council approved a team based parks maintenance model, which will enhance the efficiency of maintaining the City's parks, and civilianized 3.0 positions in the Police Department.

Service Delivery Environment

- During 2011-2012, the Administration led the organization through the impacts of the significant additional service reductions and new service delivery models approved as part of the 2011-2012 budget. This included working closely with departments to stabilize operations and staffing while ensuring that ongoing services continued to be delivered with the highest achievable quality and customer service. In addition, General Fund budget adjustments were made to strategically position the City to address budget challenges anticipated in upcoming years.
- The City continues to be engaged with the City's 11 bargaining units to allow staff to continue to resolve labor/employment issues at the lowest level possible. The City will continue to pursue implementation of the Fiscal Reform Plan. City Council commitment is critical to control ongoing personnel related costs to fix the structural deficit, and meet the service needs of the community.

Service Delivery Environment

- The Administration is actively managing the City's budget to ensure the continued fiscal health of the City given the current budget environment. Although the City was able to balance the 2012-2013 Adopted Budget with a \$9 million surplus and set aside a \$22.5 million reserve to address the currently projected 2013-2014 shortfall, the continued slow recovery from the deep recession requires that the Administration closely monitor 2012-2013 revenues and expenditures while preparing for the 2013-2014 budget. It is important to note that the currently projected 2013-2014 shortfall does not take into account costs associated with restoring key services to January 1, 2011 levels; costs associated with the significant backlog of unmet/deferred infrastructure needs; increased General Fund payments to the Successor Agency of the former San Jose Redevelopment Agency; future changes in retirement costs; salary increases, with the exception of salary steps for eligible non-management employees and management performance pay; changes in the economic environment; and potential savings from Measure B
- Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved pursuant to AB X1 26. As specified in the legislation, Successor Agencies are charged with winding down operations and overseeing the dissolution process. On January 24, 2012, the City Council adopted Resolution No. 76128 documenting its decision to serve as the Successor Agency to the former Redevelopment Agency and the City Manager to serve as the Executive Director. In this capacity, the City Manager's Office provides leadership and direction, managing the multi-departmental transition team, and navigating through the complexities in dissolving an Agency. This transition team provides policy direction and recommendations while ensuring compliance with the applicable laws, timeliness of actions necessary set forth by the legislation, and balancing the implications to the City as the Successor Agency.
- With the dissolution of the Redevelopment Agency, the City Council approved Strong Neighborhoods business plan goals of clean safe and engaged neighborhoods were continued in a more limited fashion. In coordination with the Mayor's Gang Prevention Taskforce and the Housing Department, the restructured neighborhood team focused on stabilizing a small number of neighborhoods in crisis and supporting resident leaders across the city to take action to improve their communities. The new Neighborhood Services Team provided support to 148 NeighborWalk and other community clean-up and service events and, with grant funding, also worked with neighbors on criminal records clearance, creek clean-ups, and energy retrofits. City-wide the team awarded 69 neighborhoods Community Action and Pride (CAP) grants, worked to involve over 80 different neighborhoods in a priority setting exercise for the City budget, and continued support to the Neighborhoods Commission. Actions approved in this budget restructure resources to facilitate this new multi-departmental team to maximize support and leverage resources to the fullest extent.

Budget Dollars at Work: Performance Goals

This section organizes the key goals and objectives of the City Manager's Office based on three outcomes. These priorities guide the efforts of City Service Areas (CSAs) and departments in providing services.

OUTCOME 1: THE COMMUNITY RECEIVES CUSTOMER-FOCUSED, RESULTS-DRIVEN SERVICES

- ✓ Continue to focus on providing leadership necessary for organizational service changes that are transitioning the City into a smaller, more focused, more efficient, and more sustainable organization in the future.
- ✓ Continue to implement an aggressive communication plan for community outreach on organizational and service delivery changes.

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Budget Dollars at Work: Performance Goals

OUTCOME 1: THE COMMUNITY RECEIVES CUSTOMER-FOCUSED, RESULTS-DRIVEN SERVICES

- ✓ Continue organizational improvement efforts to change the way we do business, streamline processes, increase employee empowerment, and achieve results in an environment of constant change, increasing complexity, and constrained financial resources.
- ✓ Continue to work closely with the community, community-based agencies, faith-based organizations, law enforcement agencies, the County, State, and federal agencies, and youth on public safety issues.
- ✓ Continue to work with regional governance partners on Bay Area interagency issues.
- ✓ Continue to pursue public-private partnerships both directly with community and corporate partners as well as convening City departments and offices to confront and overcome obstacles to partnership development in a manner that facilitates future partnerships.

OUTCOME 2: THE MAYOR AND CITY COUNCIL ARE EFFECTIVELY SUPPORTED IN MAKING PUBLIC POLICY DECISIONS

- ✓ Bring forward a balanced budget for the General Fund and all other City funds that reflect City Council and community goals and help ensure fiscal stability.
- ✓ Expanding on the concepts in the Fiscal Reform Plan, begin efforts to map out additional long-term approaches to ensure sustainability of the City's services and infrastructure. Once the City's financial position stabilizes, it will be critical to ensure that policies are in place to manage growth and balance the following competing demands for resources: growth and expansion of services; employee compensation changes; short- and long-term infrastructure needs; addition of new services/programs; and financial reserves.
- ✓ Continue early budget engagement efforts in future budget cycles. January and February 2012, marked the sixth year of the Policy Priority Setting Sessions for the Community and the City Council.
- ✓ Continue to support the City Council on Sunshine Reform implementation.
- ✓ Continue to strengthen the City-County Partnership by meeting regularly with the County Executive, supporting meetings between key City and County elected officials, and focusing attention on possible shared services between the organizations.
- ✓ Aggressively implement the Economic Strategy, including priority strategic goals and workplan actions identified by the City Council.
- ✓ Continue to engage the City Council in prioritizing Policies and Ordinances.
- ✓ Implement streamlined approaches for agenda management, including paperless distribution and use of technology and online agenda management services, as well as timely City Council Referral reports that support the ability to monitor and pace organization workload, reevaluate priorities periodically, and focus resources strategically.

Budget Dollars at Work: Performance Goals

OUTCOME 2: THE MAYOR AND CITY COUNCIL ARE EFFECTIVELY SUPPORTED IN MAKING PUBLIC POLICY DECISIONS

- ✓ Continue investment in intergovernmental relations with the key focus on advocacy for the City's needs at the regional, State, and federal levels and working with the Regional Influence Team to make San José's voice heard.

OUTCOME 3: EMPLOYEES UNDERSTAND, ARE COMMITTED TO, AND ACCOUNTABLE FOR, THE CITY'S VISION, AND HAVE THE CAPACITY TO ACHIEVE IT

- ✓ Continue to engage the City Council on Green Vision implementation, including policy, advocacy and funding priorities. Recognizing the opportunity to seize a global market opportunity and ensuring San José's position as a model 21st century city, the City Council, in October 2007, adopted San José's Green Vision, a bold roadmap that is intended to model how innovation and environmental responsibility can strengthen economic opportunity and can, in fact, be a vital catalyst for spurring prosperity. Thus, success of the Green Vision will be measured by a triple bottom line: how it strengthens the regional economy, how it creates a more sustainable community, and how it enhances the quality of life for residents.
- ✓ Continue to make pursuing grants and partnerships a top priority given the significantly limited funding available for infrastructure and Green Vision initiatives.
- ✓ Continuing to pace the organization has become more important in day-to-day operations as the City Manager provides strategic leadership for the organization, supports the City Council, and motivates the workforce to deliver high quality services in an environment of increasing demands and decreasing resources. During 2012-2013, the City Manager will continue to provide the leadership and strategically target efforts to challenge the organization to continue developing innovative ways to deliver services, streamline operations, be more efficient, and eliminate redundancies.
- ✓ Continue to foster constructive and professional working relationships with the City's employee labor unions, especially during the difficult conversations in a concession environment.
- ✓ Continue to work with employees to develop the organization's capacity in civic engagement and make a difference in the civic life of our community.
- ✓ In this difficult fiscal environment, it is imperative that communication continues between the City Manager and employees. This will occur through ongoing meetings with employee groups and communication to employees via StraightTalk meetings, Coffee Talk with the City Manager, field visits, e-mail notifications, and video streaming.
- ✓ To the extent possible with extremely limited resources, continue to promote and develop organizational effectiveness throughout the City workforce. This will include focused efforts to support professional development and participation in issues of city-wide importance.

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