

**Graffiti Eradication Services
Business Case Analysis
3/18/2011**

Preliminary

Current Service Model:

This service evaluation is focused on the eradication portion of the Anti-Graffiti program where PRNS provides graffiti removal services within the City of San José's through its Parks Division's Anti-Graffiti Unit staff. In Fiscal Year 2009-2010, the unit was responsible for the removal of approximately 147,786 graffiti tags which also translates into 1,520,517 squared feet (with an additional 180,000 square feet of graffiti eradication at City facilities performed by Public Work's Painter position). The priority of a tag removal is evaluated on a case-by-case basis and is determined by factors such as the size of the reported tag and the availability of equipment. Service details are provided and outlined below:

- **Anti-Graffiti Services Overview** - The City's Anti-Graffiti program focuses on three areas, including Community Involvement, Eradication, and Enforcement, with the objective of ensuring the timely eradication of graffiti, in coordination with enforcement activities that address the monitoring and prevention of gang-related activity. The program provides a 24 hour Hotline which is available for anyone noticing or experiencing gang or non-gang related graffiti within the boundaries of the City. Staff responds by evaluating the calls and distributing assignments for removal based on geography, complexity, volume, equipment availability, and removal priority. For the purposes of this business case analysis, this service delivery evaluation is focusing on the eradication component, with PRNS continuing to use in-house staff to facilitate community involvement and coordinate enforcement with the Police Department and the Planning, Building, and Code Enforcement department.
- **Staffing Structure & Program Costs** – At present, the City employs 21.13 FTE in the Anti-Graffiti Unit; however, the department will realize a reduction of staffing from 21.13 FTE to 17.13 in the 2011-12 fiscal year base budget, given the City Council's action to restore on a one-time basis 4.0 Anti-Graffiti FTE that were proposed for elimination when it adopted the FY 2010-11 Operating Budget. For the purposes of this business case analysis, the department is assuming that the reduced number of FTE will be available in 2011-12.

The proposed 2011-12 base budget costs for the graffiti program is approximately \$1.8 Million, which is made up of personal services, salary, fringe (including health, dental, unemployment, etc.), retirement costs, and non-personal funds. The overhead associated with the staffing costs is estimated to be \$338,000 per year. However, these costs do not result in direct expenditure reductions in the General Fund if contracted services are pursued.

Table A: Proposed 2011-12 Base Budget Costs

Classifications	FTE	Total Proposed Base Cost (Including Non-Personal Costs)	
Parks Facilities Supervisor	1.00	Salary	\$932,000
Senior Maintenance Worker	1.00	Retirement	\$266,000
Maintenance Assistant PT	1.50	Other Fringe	\$226,000
Maintenance Worker I	5.00	Non-Personal	\$344,000
Maintenance Worker II	3.00		
Community Activity Worker FT	3.00		
Community Activity Worker PT	0.63		
Office Specialist II	1.00		
Painter (General Services)	1.00		
TOTAL	17.13	TOTAL	\$1,768,000

The Anti-Graffiti Unit staff includes a Parks Facilities Supervisor and a Sr. Maintenance Worker who direct and supervise line staff. At the line level, graffiti removal is performed by staff in the Maintenance Worker I, Maintenance Worker II, and P/T Maintenance Assistant classifications. Those in the Maintenance Worker II classification and above may provide supervision of Santa Clara County's Sentencing Alternative Program. Participants in this program are citizens convicted of graffiti offenses who are sentenced by a court to perform graffiti eradication in-lieu of jail time. Their efforts supplement eradication services rendered by staff throughout the year.

- **Service Delivery Partners** – In addition to City staff and Sentencing Alternative Program resources, the Anti-Graffiti Program partners with VTA, Santa Clara County, Caltrans, Santa Clara County Valley Water District, Union Pacific Railroad, the San José Downtown Association, and utility companies that provide additional support in the graffiti removal efforts within our community. Typically, these support services include: allowing City staff to access the partner agencies' properties; lending of vehicles and equipment such as high-lift trucks to remove graffiti over bridges and overpasses; and, providing communication channels to locate and remove graffiti on their properties. In addition, the Unit relies on a network of volunteers to help in reporting and removal efforts, serving as key component of the long term success of the program.

New Service Model Concept:

This business case analysis evaluates moving from the current service delivery model above, to a contracted services model to provide graffiti eradication (removal) services. Under the new model, PRNS would continue to use in-house staff to facilitate community involvement and coordinate enforcement with the Police Department and the City's Planning, Building, and Code Enforcement department. In-house staff will continue to manage its current network of business and community partnerships and supervise participants in the County of Santa Clara's Sentencing Alternative Program.

PRNS evaluated this new service model by comparing the cost of service and the quality of service with the current City service model. To evaluate the cost of service, PRNS assessed the service costs rendered to other agencies within and outside of California (including California cities of Long Beach, Santa Cruz, and the city of Tucson, Arizona). A common method of pricing in this industry is a per square footage fee based on the type of eradication performed. For example, painting over the graffiti, including an exact paint match with the original color, could range from \$0.20 to \$0.40 per square foot. Table B. below outlines an estimated cost to outsource this service based on this methodology. Due the potential fluctuations of this type of pricing arrangement, many municipalities that contract this type of work also set a per month maximum price to assist with budget predictability.

Based on information received from other municipalities regarding their service delivery methods for graffiti removal, PRNS estimates that the City's annual eradication volume (based on volume of paint used and surfaces cleaned) amounts to approximately 1.52 million square feet eradicated by PRNS staff and 180,000 square feet eradicated by Public Work's Painter position (at City facilities). Considering actual costs of comparable agencies [City of Long Beach and City of Tucson, PRNS estimates the total cost for eradication will total approximately \$1,084 million per year, including \$595,000 for vendor contract costs and \$489,000 for retained program management costs and volunteer supplies to oversee community involvement, eradication, and enforcement.

Projected On-going Annual Savings & FY2011-2012 Budgetary Savings

To calculate the ongoing savings, PRNS compared its personal and non-personal 2011-12 Base Budget costs with estimated service costs derived from current City contracts and/or contract rates obtained from other comparable agencies. In addition, contract administration expenses were included in the estimated annual contract costs with the assumption that 3.75 staff will be retained to oversee the contract and other elements of the graffiti program.

As Table B. below illustrates, it is estimated that the new model would result in on-going cost savings of \$684,000. The personal costs shown here include approximately \$266,000 in 2011-2012 Retirement costs. However, it is important to note due to the City's Federated Retirement plan pension obligations for 2011-2012 fiscal year, the Year 1 savings is estimated to be \$418,000. Transition costs will include unemployment and other minor costs such as badging. Several factors affect the cost of unemployment that are unknown at this time. These costs will be identified as part of the overall 2011-2012 budget process.

Table B: Graffiti Eradication Services – Projected Ongoing Annual Savings

City Provided Service		
Service/ Position (2011-12 Base)	# FTE	Budget
Staff Costs ^{1, 2}	17.13	\$1,427,000
Non-Personnel Costs	n/a	\$344,000
Total In-House Costs	17.13	\$1,768,000
Contractor Provided Services		
Contracted Services Cost		\$595,000
Program Management Costs ¹		
1.00 Parks Facilities Supervisor		
2.00 Community Activity Worker		
0.75 Recreation Leader PT (ADD)	3.75	\$326,000
Non-Personnel Costs	n/a	\$162,000
Total Contract/Admin Costs	3.75 FTE	\$1,084,000
Projected Ongoing Annual Savings		\$684,000

¹: As noted above the overhead associated with the staffing costs is estimated to be \$338,000 per year. If overhead costs are added to the City's salary expenses, the savings will increase to \$1,022,000.

To evaluate the quality of services, PRNS surveyed other agencies that have already successfully employed contracted service models for graffiti eradication. After conducting an evaluation of our operational circumstances relative to other regional municipalities' recent experiences in contracting-out graffiti services (cities of Long Beach, Santa Cruz, and the City of Tucson, Arizona), our conclusion is that the City can maintain the same levels of service currently provided by City staff and realize cost savings. In all circumstances, the agencies surveyed indicated a high level of satisfaction with the services being received and an ability to realize the savings they had initially envisioned through vendor service provision. Consequently, our conclusion is that the City can maintain the same level of service currently provided by City staff and realize an estimated savings of \$684,000 in ongoing savings per year.

The initial benchmark research has also identified several potential service enhancements that are available through a contractual arrangement with vendors specializing in graffiti eradication. These include, but are not limited to paint matching for the majority of eradications, customer mobile applications for reporting and work completion feedback, and comprehensive database to monitor and track incidents with associated photographs to support the enforcement arm of the anti-graffiti program.

Service Delivery Evaluation Decision-Making Criteria:

- 1. What is the potential impact on public employees currently providing the service and on the workforce in general with respect to issues such as workload, productivity, diversity, and availability of measures to mitigate negative impacts? Impacts will specifically be evaluated relative to the City's core values (Integrity * Innovation * Excellence * Collaboration * Respect * Celebration).**

City employees will likely be subject to re-assignment, demotion, or layoff if the City were to contract-out Anti-Graffiti services. It is possible for the City to mitigate these adverse impacts to employees by establishing criteria in a Request for Proposals process that gives preference to proposing vendors who commit to hiring displaced employees.

In terms of organizational values, the new model focuses on improvements in the areas of Innovation and Excellence:

Innovation – The new service model has the potential of allowing the citizens of San Jose to more proactively report graffiti via the use of smart-phone mobile applications. Many communities including Boston and Tucson already have technologies that allow the community to take mobile phone photographs of graffiti and report the tag electronically to a centralized database that records the picture, the GPS location of the site, and the reporting party's contact information (voluntarily submitted). Vendors will be encouraged to include this technology in their proposals. Assuming the prevailing proposal includes this option, staff will be able to respond to reported tags more expeditiously and communicate with the reporting community member when the graffiti is eradicated, resulting in greater customer satisfaction.

Excellence – In addition to greater responsiveness and customer service, the new model will provide color-matching that is not currently possible with the City's current staff and resources. Vendors have the capacity to paint over graffiti with paint colors identical to the surface that the graffiti is covering. This is more aesthetically pleasing to the community and reduces future tags by not leaving what is often perceived as a distinct "color canvas" by taggers.

- 2. Is it practical for City staff to provide the proposed service (versus being precluded by proprietary, supply chain, or other factors)?**

City staff currently provides the services that the new model would provide. Although it is practical to continue performing the existing services with existing staff, it is not as cost-effective or efficient to do so, relative to hiring a vendor that can provide the same services at less cost and with greater flexibility. A vendor has the ability to allocate resources based on the cyclical demand for the services, whereas the City is bound by fixed Civil Service staffing levels and does not have the flexibility to modify staffing when peaks and valleys in demand occur.

3. Is there limited market competition for the service or other reasons that the City directly providing the service would protect public interests from default or service interruption?

No. Graffiti eradication services are sufficiently available in the marketplace through many private vendors. Consequently, there is no underlying reason for the City to continue to provide the services with in-house staffing. Initial research has also determined that some companies offer enhanced services which would be of benefit to the public. These enhancements include paint matching for eradication, mobile phone incident reporting applications and customer contacts upon task completion when desired by graffiti reporting citizen.

4. Is there currently a City staff unit capable of and interested in developing a managed competition proposal?

It is possible that a City staff unit exists that is interested in creating and proposing an alternative or comparable service delivery model; however, at this point, the department has not identified such a group.

5. Is the workload sufficiently steady to support a permanent workforce (versus episodic)?

Yes. In Fiscal Year 2009-2010, the unit was responsible for the timely removal of approximately 147,786 graffiti tags which translated into 1,520,517 squared feet. Regardless of cyclical variations in demand, the large volume alone merits the permanent, ongoing allocation of either City staff or contracted vendors to address graffiti eradication.

6. Is a City interest served by being a long term direct service provider, such as avoiding future costs?

No. The City can meet its long-term service delivery needs through a contracted service provider. Any City interests served by being a direct service provider, such as developing and maintaining business and community partnerships can still be maintained by the staff that the new business model proposes to retain.

7. Is the service model likely to improve the quality, customer satisfaction, and/or responsiveness for the same or lower cost, with particular focus on the General Fund?

Yes. Preliminary assessments of municipalities that currently outsource this service have shown that each of those municipalities has realized improved responsiveness and customer satisfaction while at the same time lowering costs. In some cases the actual quality of graffiti removal has improved, with services such as paint matching.

8. Do local, state and federal laws, regulations, and funding guidelines restrict the method of service delivery, and if so can these restrictions be changed?

No.

9. What risks to the City and public do the service delivery models present, and how would these risks be managed?

The risks of implementing the new service delivery model are relatively low. The following is a primary list, with comments regarding mitigation efforts that will be addressed in the RFP and contract negotiation process:

- A. Continuity of Services and Service Disruption – This is a minor risk as there are many service providers in the area and the state that can step-in at a moment's notice should the City opt to terminate the agreement for non-performance;
- B. Vendor Damage to Public and Private Property – Require the vendor to furnish proof of liability insurance required by the City's Risk Management Dept;
- C. Public Safety Around Vendor Employees – Require the vendor to conduct California Department of Justice fingerprint checks for staff and adhere to the City's fingerprint clearance standards at City facilities;
- D. Environmental Protections – Require the vendor to conform to the same environmental protection requirements that the City currently adheres to related to cleaning agents, paints, and other chemicals;
- E. Consistent Quality of Services – Require the vendor to deliver on performance standards requested in the RFP and codified in the service agreements;
- F. Prevailing and Living Wage Compliance – Require the vendor to conform to City of San Jose's prevailing wage and living wage policies

10. Is the City able to cost-effectively maintain the specialized skills, technology, and equipment needed for the service?

No. The skills, technology, and equipment employed by City staff for graffiti eradication are readily available and accessible in the marketplace. Contracting private sector services will provide a more cost-effective means to provide the service.

11. Does the service delivery model maximize the leveraging of prospective non-City resources (such as sponsorships and donations)?

Yes. In the new service model, the City will retain management staff to create and maintain business and community partnerships in the area of graffiti eradication, including those with Valley Transportation Authority (VTA.), Santa Clara County, Caltrans, Santa Clara County Valley Water District, Union Pacific Railroad, the San José Downtown Association, and utility companies that already provide additional support in the graffiti removal efforts within our community. In addition, staff will still be able to leverage volunteer opportunities to support graffiti eradication thru PRNS' volunteer coordination program in the Parks Division.

12. Is there management and administrative capacity to support the in-house workforce or contract oversight needed?

Yes. The Department will retain three staff to support these efforts.

Public/Private Competition Policy (Policy 0-29)

Given the potential cost savings estimated in this business case analysis (\$626,855), and the difficulty of attaining these savings under the City's current classification and compensation system, and the urgent need to reduce cost to the General Fund while ensuring at least the existing service level, the Department recommends that the City Council not implement a managed competition process. In the event that such a process is pursued, PRNS would be required to provide staff training in accordance with the policy and estimates that the one-time expenses would amount to approximately \$75,000 and take 18 months to complete.

Next Steps

The department intends to conduct a Request for Proposals (RFP) process to select a graffiti eradication service provider. Given the urgency of this proposal relative to the City's fiscal circumstances, the department plans to complete that process and the execution and implementation of the new contract before the end of the fiscal year.

Key Milestones

Schedule

Development of New Graffiti Eradication RFP	Feb/March 2011
Conduct Stakeholder Outreach/Meet and Confer	March-April 2011
Issue RFP and receive submittals	March-April 2011
Redeployment/Transition of affected staff* (Coincides with contract implementation if/when applicable)	March-June 2011
Review RFP submittals and recommend vendor**	May 2011
Prepare draft Council Memo	May 2011
Contract negotiations, development, and execution***	May - June 2011
City Council approves contracted service model and selected vendor(s)	June 2011
City Council approves service agreement(s)	June 2011

*If and when the current model and corresponding agreements are approved, affected City staff will be re-deployed to other assignments until position eliminations become effective (at which time the City will administer its layoff and bumping process in accordance with Civil Service rules).

**Includes submittal evaluation/qualification review, candidate interviews, follow-up, and vendor selection/recommendation.

***Council memo requesting approval of selected vendor will occur in this timeframe.