

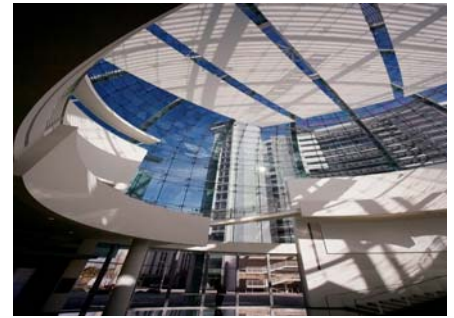
2011-2012

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

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

City Service Area
Strategic Support
SERVICE DELIVERY FRAMEWORK

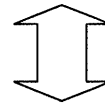
CITY SERVICE AREA
 A cross-departmental collection of core services that form one of the City's 6 key "lines of business"

MISSION STATEMENT
 Why the CSA exists

Strategic Support CSA

Mission:

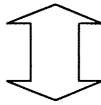
To effectively develop, manage and safeguard the City's fiscal, physical, technological and human resources to enable and enhance the delivery of City services and projects.



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

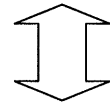
Outcomes:

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



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

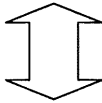
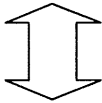
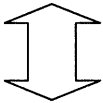
SERVICE DELIVERY FRAMEWORK

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

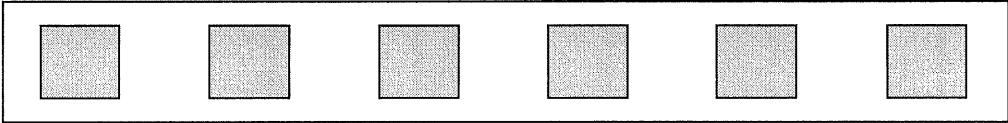
CORE SERVICES
 Primary deliverables of the
 organization



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

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 that 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

- Elimination of the two remaining Deputy Director positions and addition of one Assistant Director position aligns Information Technology Department (ITD) management with its new enterprise focus leaving the Acting Chief Information Officer as the only filled executive level position in 2011-2012. Fifteen non-enterprise positions have been transferred to departments, resulting in a 26% reduction of ITD technical staff.
- In 2010-2011, ITD initiated a multi-year consolidation of resources, staffing, infrastructure, applications and tools. Benefits already realized include reductions to licensing costs and staffing efficiencies. ITD continues to consolidate towards a more efficient, cost effective enterprise-only service delivery model.
- The Customer Contact Center has experienced an increase in call volume in 2010-2011 due to expanded programs and multiple contributing factors. The adopted staff reduction, upcoming annexations, and potential impacts of budget reductions in other departments are expected to increase wait times and abandon call rates for 2011-2012.
- A reduction in capital staffing in the Public Works Department reflects the completion of the Airport and bond program construction projects, offset by increased activities related to various Sanitary and Storm Sewer capital projects and the Convention Center Expansion and Renovation project.
- Over the past five years, the Purchasing Division's staffing levels have declined while Purchase Order and contract activity have remained steady. Purchasing reforms, the effective use of technology, and the use of college interns have helped with increased 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.

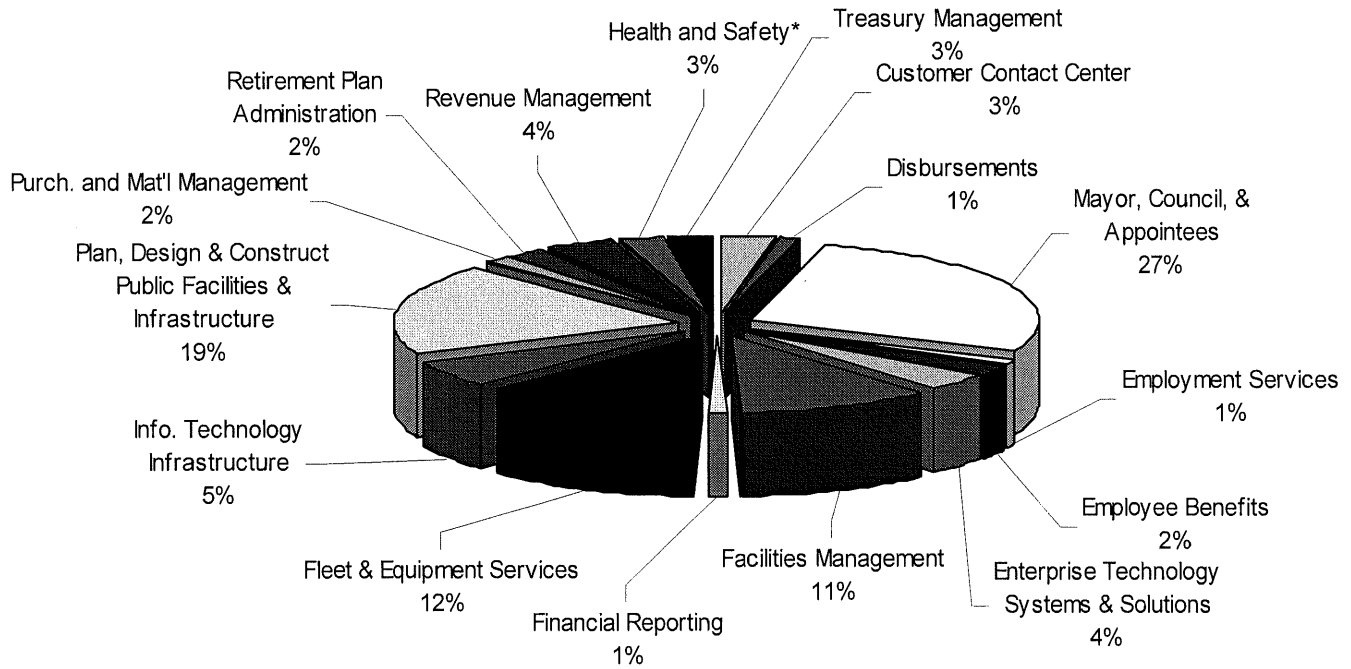
Strategic Support

Impacts of Budget Actions (Cont'd.)

- ❑ The reduction in accounting management will negatively impact the City's overall ability to provide technical accounting services and financial reports in a timely manner.
- ❑ Technology enhancements implemented through the City's general banking service provider has allowed for multiple manual processes to be performed electronically and/or outsourced, providing opportunities to streamline payment processing operations. While the efficiencies have enabled staff reductions, current staffing levels do not adequately accommodate unplanned staff absences resulting in service level impacts.
- ❑ As a result of General Services and Public Works Departments' consolidation, a net reduction of seven positions was approved, including leadership and administrative support. This consolidation achieves operational efficiencies, reduces duplicative resources and costs in the department's capital project support model, and retains appropriate leadership throughout the organization.
- ❑ The reduction in Accounts Payable staffing will result in biweekly payments to vendors, replacing the current weekly payment schedule.
- ❑ Elimination of Training and Development as a separate division of the Human Resources Department (HR) discontinues a coordinated, city-wide effort for workforce planning and management development. However, HR and the Office of Employee Relations will still provide core basic training such as New Employee Orientation, supervisor training, and training on important issues such as the Code of Ethics. City departments will still provide technical training specific to their disciplines. High priority city-wide efforts to ensure organizational effectiveness will continue to be offered under the leadership of the City Manager's Office with the assistance of management staff sponsors from City departments. This will be a team effort using existing resources and talent to the extent possible.
- ❑ The reorganization of executive management staffing aligns the Human Resources Department under the direct oversight of a Deputy City Manager allowing for the alignment of human resources and employee relations functions during the current fiscal situation. This restructuring will increase the span of control in both the Human Resources Department and Office of Employee Relations.
- ❑ The Employee Wellness Program will be realigned with the Employee Health Services (EHS) Division and Safety and Loss Prevention Program. The allocation of EHS staffing to the Wellness Program provides a direct linkage between the functions and services of this division with ensuring a healthy and productive workforce.
- ❑ The elimination of two Workers' Compensation Claims Adjusters, along with the expiration of two Workers' Compensation Claims Adjusters from the 2010-2011 budget, will roll back workers' compensation staffing to 2007-2008 levels, which may result in an increase to time to process claims and possible increased claims costs.
- ❑ The elimination of 2.0 positions in the Employment Services Division will result in some service delays for recruitment, decentralization of verification of bilingual program eligibility, and a change in examination proctoring.
- ❑ Custodial services reductions at City Hall and Police Facilities are being implemented. As a result, the frequency of cleaning of showers and restrooms at Police facilities will be reduced by as much as two days per week, from the current level of seven days per week. At City Hall, custodial services reductions will result in decreased responsiveness to spills, trash removal, stocking of janitorial supplies in restrooms, and basic cleaning.
- ❑ As a result of approved reductions to the Vehicle Pool Program, the Public Works Department will work with departments to achieve alternative approaches to meet equipment needs that cannot be met by the remaining pool inventory.

City Service Area
Strategic Support
BUDGET SUMMARY

2011-2012 Total Operations by Core Service



* Formerly Risk Management

*City Service Area
Strategic Support
BUDGET SUMMARY*

City Service Area Budget Summary

Dollars by Core Service	2009-2010 Actual 1	2010-2011 Adopted 2	2011-2012 Forecast 3	2011-2012 Adopted 4	% Change (2 to 4)
<i>Finance</i>					
Disbursements	\$ 1,754,122	\$ 1,779,143	\$ 1,968,464	\$ 1,660,822	(6.7%)
Financial Reporting	1,613,312	1,795,208	1,834,633	1,747,492	(2.7%)
Purch. and Mat'l Management	2,203,932	2,203,933	2,252,354	2,106,905	(4.4%)
Revenue Management	4,604,528	4,808,283	5,270,738	5,322,107	10.7%
Treasury Management	3,148,994	3,449,526	3,794,134	3,660,204	6.1%
Strategic Support	1,104,786	1,029,338	1,163,636	1,037,449	0.8%
<i>Human Resources</i>					
Employee Benefits	2,496,944	2,890,926	2,672,194	2,478,948	(14.3%)
Employment Services	1,067,166	1,021,727	1,785,059	1,506,241	47.4%
Health and Safety*	4,520,657	4,077,039	3,903,641	3,486,353	(14.5%)
Training and Development	580,441	528,834	416,227	-	(100.0%)
Strategic Support	1,055,191	930,787	1,059,655	811,699	(12.8%)
<i>Information Technology</i>					
Customer Contact Center	0	3,236,727	4,673,071	4,199,873	29.8%
Enterprise Technology Systems & Solutions	10,906,905	8,966,728	6,176,125	5,561,545	(38.0%)
Info. Technology Infrastructure	7,624,153	8,003,105	7,311,794	7,620,259	(4.8%)
Support Departmental Technology Services	1,572,023	0	0	0	0.0%
Strategic Support	832,774	970,357	991,782	882,456	(9.1%)
<i>Public Works**</i>					
Facilities Management	20,600,659	19,718,497	16,273,549	14,935,143	(24.3%)
Fleet & Equipment Services	16,931,549	16,204,142	17,976,252	16,930,188	4.5%
Plan, Design & Construct Public Facilities & Infrastructure	30,212,798	29,435,663	28,082,728	26,460,310	(10.1%)
Strategic Support	6,882,897	6,846,302	7,686,311	7,074,959	3.3%
<i>Retirement Services</i>					
Retirement Plan Administration	2,231,807	3,126,044	3,212,291	3,139,610	0.4%
Strategic Support	1,379,836	1,282,410	1,583,427	1,529,113	19.2%
Subtotal	\$ 123,325,474	\$ 122,304,719	\$ 120,088,065	\$ 112,151,676	(16.1%)
MAYOR, CITY COUNCIL, AND APPOINTEES	\$ 37,986,853	\$ 41,199,562	\$ 39,972,682	\$ 38,210,896	(7.3%)
<i>Other Programs</i>					
City-Wide Expenses	32,025,287	\$ 42,250,282	\$ 28,454,996	\$ 45,716,948	(100.0%)
Gen.Fd Cap, Trans & Reserves	22,570,305	89,566,190	49,177,931	66,870,042	(100.0%)
Subtotal	\$ 54,595,592	\$ 131,816,472	\$ 77,632,927	\$ 112,586,990	(14.6%)
Total Strategic Support	\$ 215,907,919	\$ 295,320,753	\$ 237,693,674	\$ 262,949,562	(11.0%)
Authorized Positions	1,046.54	924.22	875.63	836.76	(9.5%)

* Formerly Risk Management

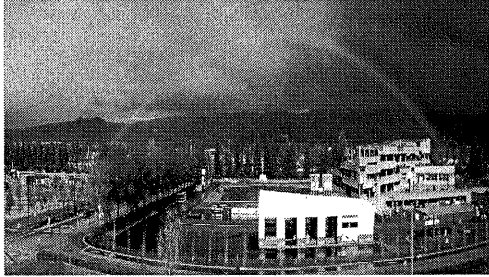
** In 2010-2011, the General Services Department was eliminated and consolidated into the Public Works Department. The General Services Department budget and positions are now displayed in the Public Works Department.

City Service Area
Strategic Support
OVERVIEW

Service Delivery Accomplishments

- The current version of the Financial Management System (FMS) has reached end of support. During 2010-2011, staff developed a comprehensive plan to upgrade to Cayenta 7.5, which includes a migration from the costly Sun/Unix platform to a less-costly all-Windows platform. The new version went live in April 2011 with migration to the Windows platform planned for 2011-2012. This upgrade is expected to bring an improved functionality user interface and a new versatile reporting system which will create efficiencies for report production.
- Completion of the MAE West internet project at 55 South Market Street, anticipated to take place during the first quarter of 2011-2012, will increase bandwidth by 14 times at one-third the current cost which is anticipated to be realized in 2012-2013.
- The Customer Contact Center handles approximately 325,000 calls annually regarding a variety of topics including utility services and billing and general information inquiries from residents and other City departments. Customer Contact Center staff also process approximately 16,000 web self-service requests and emails from residents per year and operate two service areas in City Hall (the main lobby Information Desk and a lobby cashiering window for walk-in residents and visitors).
- The Integrated Billing System (IBS) provides City staff with management tools to oversee annual revenues of approximately \$279 million. In 2010-2011, efforts focused on developing a billing business model and making associated processes more efficient through streamlining. Staff is evaluating the feasibility of having the haulers 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.
- Through the collaborated effort of Procurement and Central Service staff, a Records Center Management System was implemented to improve cataloging and storing of archived records and reduce workload related to maintenance and technology upgrades.
- Major reforms designed to streamline the procurement process were approved by the City Council in April 2010. However, negative impacts of staffing reductions have only been partially mitigated by these efficiencies.
- The City's current general credit is rated Aaa/AAA/AA+ by all three leading national rating agencies. Standard & Poor's ("S&P") and Moody's Investor Service ("Moody's") affirmed the City's "AAA" and "Aaa" ratings, respectively. Fitch Ratings ("Fitch") downgraded the City's general obligation ratings one notch from "AAA to "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. All three rating agencies submitted their respective ratings with a stable outlook based on the City's continued strong financial management practices. The Finance Department will continue efforts to maintain favorable bond ratings.
- In December 2010, Payroll completed the implementation of a green initiative that eliminated the printing of all regular bi-weekly checks and direct deposit paystubs through the use of Paycard and electronic delivery of paystubs through the City's eWay system.
- 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.
- The Central Warehouse continues to be downsized to a vendor direct delivery model with virtually no service level impacts to Warehouse customers. Corresponding adjustments in staffing resources continue to reflect this changed service delivery model.

Service Delivery Accomplishments

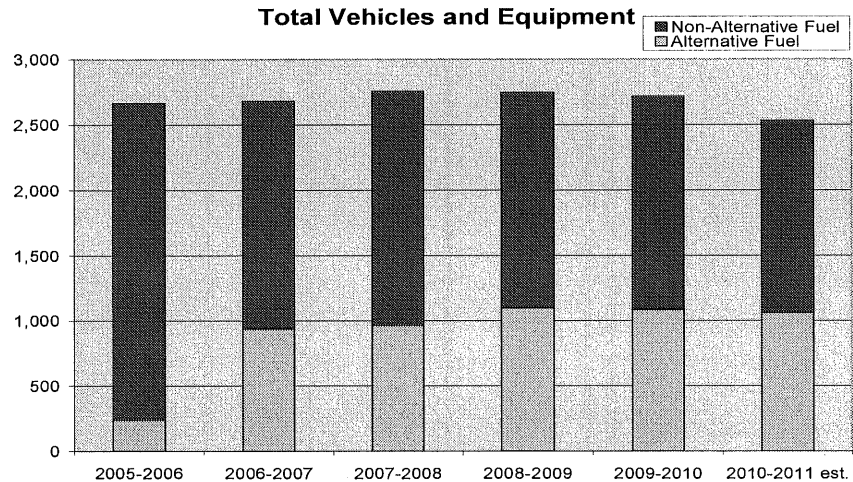


- Significant progress on the Library, Parks, and Public Safety Bond programs were achieved in 2010-2011. Construction was completed on Seven Trees Community Center and Branch Library, Ba scom Library and Community Center, Fire Station #2, Fire Station #19, and the South San José Police Substation. However, as a General Fund budget balancing strategy, the opening of these facilities is deferred to fall 2012.
- The Terminal Area Improvement Project Phase 1 is complete. Short and long term surface parking lot construction is also complete and the lots opened in June 2011. Taxiway Whiskey construction Phase 3 is scheduled to start construction in September 2011.
- Other capital improvement project accomplishments include:
 - The East San José Carnegie Branch Library received a Citation Award from the Santa Clara Valley Chapter of the American Institute of Architects.
 - Milestone markers were installed on city-wide trails and this project was a recipient of an American Trails 2010 State-of-the-Art Technology Award.
 - Construction was completed on the Family Camp dining hall in time to open Family Camp for the regular season which began in June 2011.
 - The Mexican Heritage Plaza was renovated to support a unique partnership between the City and the Alum Rock Union Elementary School District.
- The city-wide training programs focused on growing leadership and development at all levels of the organization and programs were customized to address emerging workforce needs. One focus area in 2010-2011 has been Innovation. The City piloted an “Innovation Incubator” for entire teams that focused on three areas: essential service delivery tools, innovation, and team dynamics.
- The Art and Practice of Leadership (APL) program had 25 employees graduate in 2010-2011 and maintained a graduate promotion rate of 18% and reduced costs by 75% compared to previous years. The Leadership and Coaching Academy reached 30 new managers and supervisors, 50 mentoring partnerships were formed for six months, and a new mentoring program started in the Fire Department.
- In 2009-2010, the San José Federated City Employees’ Retirement System and the San José Police and Fire Department Retirement Plan outperformed expected actuarial return by approximately \$277.0 million based on combined assets of \$3.9 billion. The outperformance, above that of CalPERS, translated to approximately \$139.9 million in dollar terms, and outperformance relative to the ICC public funds larger than \$1 billion median translated to approximately \$73.0 million in dollar terms.
- Retirement Services processed 20% more service retirements without an increase in staff by implementing new innovative service delivery models, including retiree education workshops and group retirement counseling sessions to streamline and accommodate the increased flow of retirements. In 2011-2012, Retirement Services anticipates a continued increase in retirements and return of contributions due to the City’s current budget situation.

City Service Area Strategic Support OVERVIEW

Service Delivery Accomplishments

- More than 1,050 vehicles, or 42% of the City's fleet, run on alternative fuels, including compressed natural gas, propane, electricity, and B20 biodiesel. This percentage was only 9% five years ago.

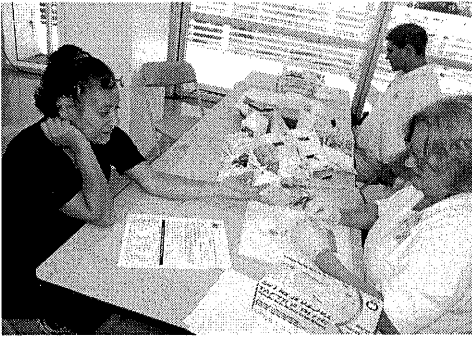


Service Delivery Environment

- 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 the Information Technology Department and its ability to address city-wide technology infrastructure and business needs is the identification of an ongoing source of funding.
- Below market-rate bids in a competitive construction bidding environment have lowered project costs but have made the benchmarked delivery cost targets obsolete (lowering the construction cost denominator in the delivery cost calculation makes the delivery cost percentage higher). The competitive market has also resulted in an increase in bid protests which increases staff time and, consequently, further increases delivery costs.
- The City adopted mandatory provisions of the 2010 California Building Standards Code including the California Green Building Standards Code and is working to implement the California Water Efficient Landscape Ordinance. These codes will impact how public infrastructure improvements are made. Construction specifications will be required to guide the incorporation of sustainable building methods and materials. 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 has expanded over the last several years and many of the newer facilities are reaching the five year threshold where we typically experience an increase in maintenance needs. While funding to address minor repairs and preventive maintenance for new facilities is added as they open, some of this funding has subsequently been reduced due to General Fund shortfalls. Funding for older buildings, which have greater maintenance and repair needs, has also been reduced. This has resulted in a reduction in the rate of completed preventive maintenance activities. Even with anticipated facilities closures and reduced hours of operation (including libraries and satellite/neighborhood centers), a gap exists between the amount of resources required for proper maintenance and operations and the amount that is funded.

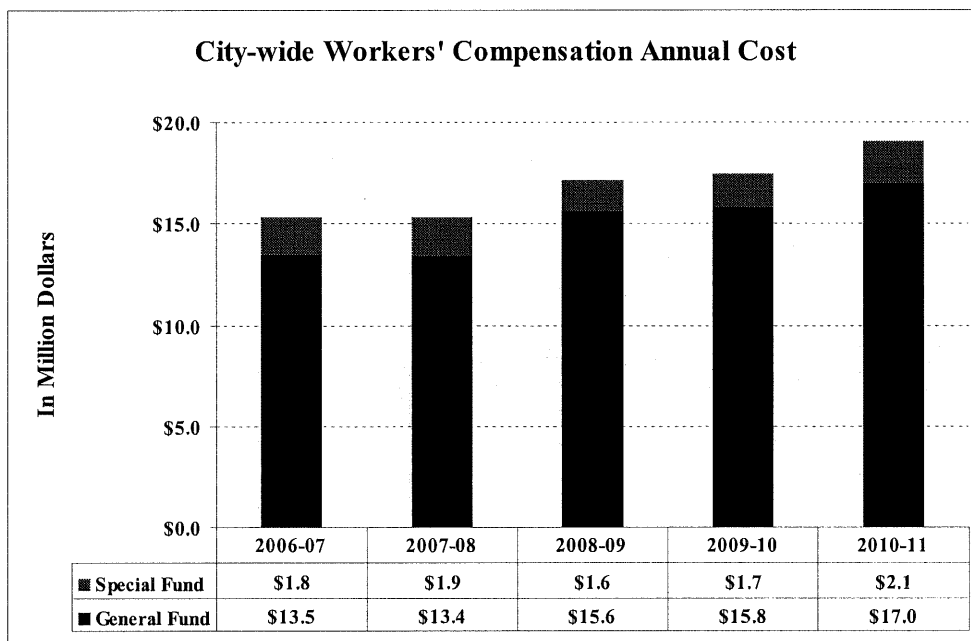
Service Delivery Environment

- There is continuing concern in local government about the approaching demographic crisis facing the local government management profession. As 80 million baby boomers retire throughout the United States workforce, there are only 50 million Generation Xers available to fill the vacancies left by the wave of retirees. To bridge some of the cultural gaps between these age groups already working in the City, the Training group has offered Generational Diversity Training which is consistently well-received with the feedback that it should be more widely offered. Long-term, this facilitates a more welcoming culture toward different generations and makes the City an attractive place to work for Gen X and Y.



- As the cost of medical insurance outpaces both revenues and the cost of living, the Strategic Support CSA 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. Moving forward into the fourth year, the Wellness Program will be 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 higher than prior years, from \$17.5 million in 2009-2010 to \$19.1 million in 2010-2011 (9% increase). 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 1,228 in 2005-2006 to 1,046 (estimate) at the end of 2010-2011 (14.8% decrease). The Human Resources Department has continued to work collaboratively with departments to continue efforts to reduce risk, prevent claims, and decrease costs.



City Service Area
Strategic Support
OVERVIEW

Service Delivery Environment

- In the “Information Technology Optimization Study” completed by Management Partners in 2009-2010, the consultants concluded “that without a course correction in information technology policies and funding, the City is headed toward a future of fragmented, duplicative, and outdated infrastructure and business systems.” Consolidation and continued leverage of existing limited resources is necessary to provide a concentrated pool of skilled staff to address information technology needs from a city-wide perspective. 2010-2011 marks the second year of consolidating city-wide information technology resources.
- In January 2011, the Trust Funds Boards of Administration governance structure was amended by the City Council to increase the size of the Police and Fire Department Retirement Board and ensure that the majority of Boardmembers on the Board possess the relevant education and experience to manage each Plan’s significant assets.
- 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.

CSA Priorities/Key Services

- 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
- Provide workers’ compensation, safety and loss control, and return to work services
- Provide city-wide employment 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
- 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

CSA Priorities/Key Services

- Bill and collect City utilities service fees for storm, sewer, water, and Recycle Plus
- Purchase 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
- 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
- Mitigate the City's information security risks
- Provide the primary point of contact for residents, businesses and employees through the Customer Contact Center

City Service Area
Strategic Support
OVERVIEW

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	2009-2010 Actual	2010-2011 Target	2010-2011 Estimate	2011-2012 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	81%	81%	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	46% / 76%	46% / 76%	43% / 78%	43% / 78%	43% / 78%
	2. % of employee performance appraisals completed on schedule	37%	40%	56%	60%	75%
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	94%	94%	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	82%	82%	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	76% / 81%	76% / 81%	N/A / 84%*	N/A / 84%*	N/A / 84%*
	4. % of employees who are satisfied or very satisfied with their job	80%	80%	58%	60%	70%
	5. % of employees who agree or strongly agree the City is a good employer	85%	85%	52%	60%	75%
	6. % of employees who rate their overall satisfaction with Human Resources as satisfied or very satisfied	41%	41%	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	16.6	16.5	17.0	17.0	17.0

Changes to Performance Measures from 2010-2011 Adopted Budget: Yes¹

* 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.

¹ Changes to Performance Measures from 2010-2011 Adopted Budget:

- ✗ "Turnover Rates: Total All Employees, Public Safety Employees, Non-Public Safety Employees, Information Technology Employees, and Non-Information Technology Employees" was eliminated as it is not an accurate measure of performance of the Employment Services unit or human resources function as a whole.
- ✗ "% of hiring managers rating probationary employees as meets standards or above" was deleted as it is not a good indicator of hiring manager satisfaction.
- ✗ "% of employees who are satisfied or very satisfied with the recognition received for doing a good job" was transferred to the Office of the City Manager and data will continue to be collected through the city-wide Employee Survey.
- ⊆ "Foster a shared vision with employee representatives about the characteristics of a high-performing workforce" was revised to "Foster a shared vision with employees about the characteristics of a high-performing workforce." This actions clarifies the measure description.

Budget Dollars at Work: Performance Goals

Outcome 1: A High Performing Workforce that is Committed to Exceeding Internal and External Customer Expectations (Cont'd.)

- ✓ Over the next five years, 31% of the City workforce will be eligible for retirement, while 24% 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 maintaining a streamlined process for conducting executive recruitments and continuing advanced leadership and management development programs to develop current employees. 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.

City Service Area
Strategic Support
OVERVIEW

Budget Dollars at Work: Performance Goals

Outcome 2: Safe and Functional Public Infrastructure, Facilities and Equipment

Strategic Goals	CSA Performance Measures	2009-2010 Actual	2010-2011 Target	2010-2011 Estimate	2011-2012 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%	75%	79%	79%	70%
	2. % of customers who rate facility services as good or excellent based on timeliness of response and quality of work	86%	80%	64%	64%	80%
	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	95%	90%	96%	95%	95%
	2. % of fleet in compliance with replacement cycle:					
	• Emergency Vehicles	95%	100%	100%	100%	100%
• General Fleet	87%	85%	91%	85%	85%	

Changes to Performance Measures from 2010-2011 Adopted Budget: No

- ✓ 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 comply with City Council’s priorities, the City’s Master Plans, and the standards established in the engineering guidelines.
- ✓ The economic environment once again presents significant challenges in sustaining existing maintenance service levels and maintaining the overall condition of the City facility, fleet, and communication assets. The Public Works Department continues to focus on 1) achieving operational savings; 2) addressing public health, public safety, and mission-critical maintenance services; 3) enabling the development of maintenance programs based on available resources; and 4) developing mid- and long-term capital strategies for management of City facilities, fleet, and communication assets.
- ✓ Efforts will continue to support the development of capital improvement projects that can reduce maintenance and operations costs.

Budget Dollars at Work: Performance Goals

Outcome 3: Effective Use of Technology

Strategic Goals	CSA Performance Measures	2009-2010 Actual	2010-2011 Target	2010-2011 Estimate	2011-2012 Target	5-Year Goal
Deploy technology resources effectively	1. % of network services available 24/7:					
	-Converged City Network	99.89%	99.95%	99.95%	99.95%	99.95%
	-Telephones	99.71%	99.95%	99.50%	99.95%	99.95%
	-Enterprise Servers	100%	99.95%	99.50%	99.95%	99.95%
	2. % of time system is available during normal business hours:					
	-E-mail	100%	100%	99.50%	99.50%	99.50%
	-Financial Management System	99.93%	99.50%	99.50%	99.50%	99.50%
	-Human Resources/Payroll System	99.52%	99.50%	99.50%	99.50%	99.50%
	-Combined Availability	99.82%	99.67%	99.50%	99.50%	99.50%

Changes to Performance Measures from 2010-2011 Adopted Budget: Yes¹

¹ Changes to Performance Measures from 2010-2011 Adopted Budget:

- ✗ “% of managers who say employees have the technology tools they need to support their service delivery functions” was eliminated as it does not accurately reflect Information Technology Department performance.
- ✗ “% of employees who say they have the technology tools they need to meet their service delivery functions” was eliminated as it does not accurately reflect Information Technology Department performance.
- ✓ Information technology consolidation activities approved in 2010-2011 are expected to span a minimum of three years. Benefits already realized include 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.
- ✓ Voice over Internet Protocol (VoIP) expansion to the Police Campus is in progress and expected to be completed in early 2011-2012.
- ✓ 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.
- ✓ The Finance and Information Technology Departments have coordinated efforts to upgrade the current version of the City’s Financial Management System (FMS) including changes that will improve overall security, control, and fraud protection for the accounts payable process, migrate from the costly Sun/Unix platform to a less-costly all-Windows platform, move implementation of electronic disbursements to the City’s vendors and migration of critical reports from COBOL to the Crystal platform. The new version went live in spring 2011 which included a migration to the Windows platform.
- ✓ 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.

City Service Area
Strategic Support
OVERVIEW

Budget Dollars at Work: Performance Goals

Outcome 4: Sound Fiscal Management that Facilitates Meeting the Needs of the Community

Strategic Goals	CSA Performance Measures	2009-2010 Actual	2010-2011 Target	2010-2011 Estimate	2011-2012 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 AAA	Aa1 AAA AA+	Aaa AAA AA+	Aaa AAA AA+	N/A* N/A* N/A*
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 **	83%	TBD **	TBD **	85%
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 **	82%	TBD **	TBD **	85%

Changes to Performance Measures from 2010-2011 Adopted Budget: No

* The result of bond rating reflects fiscal health of the City at the time of bond issuance, a 5-year goal does not apply in the case.

** Data was not collected. The current data collection process is being evaluated for a potential replacement process that better aligns with the revised service delivery models that have resulted from many years of budget reductions.

- ✓ The Finance Department will continue to ensure that the City's financial resources are protected and available to address 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 and levying 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 the revenue of surplus property.
- ✓ Efforts will continue to provide oversight and monitoring of financial internal controls, prepare the City's 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 Aaa/AAA/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			
• Finance Department Employee Total Compensation Reduction		(1,378,648)	(1,039,816)
• Accounting Division Staffing	(2.00)	(243,347)	(227,534)
• Warehouse Services Delivery Model Changes	(1.00)	(163,587)	(4,661)
• Administrative Support Staffing	(1.00)	(94,737)	(69,472)
• Integrated Billing Support Staffing	(1.00)	(92,282)	0
• Finance Department Non-Personal/Equipment		(30,000)	(30,000)
• Small Claims Court Support Services Staffing		(25,526)	(25,526)
• Finance Department Overtime Funding		(10,000)	(10,000)
• Finance Department Annual Retirement Contribution		566,461	443,972
• Medical Marijuana Regulatory Program	4.00	476,186	476,186
• Water Pollution Control Plant Procurement		128,902	0
• Finance Department Unemployment Contribution		117,598	92,271
<i>Subtotal</i>	(1.00)	(748,980)	(394,580)
HUMAN RESOURCES DEPARTMENT			
• Human Resources Department Employee Total Compensation Reduction		(723,057)	(571,608)
• Training and Workforce Development	(3.00)	(392,824)	(392,824)
• Workers' Compensation Claims Administration	(2.00)	(224,869)	(224,869)
• Human Resources Department Leadership Reorganization	(1.00)	(213,420)	(213,420)
• Human Resources Employment Services Staffing	(2.00)	(204,242)	(204,242)
• Employee Wellness Program		(150,000)	(150,000)
• Human Resources Department Annual Retirement Contribution		279,936	205,916
• Human Resources Department Unemployment Contribution		59,146	43,547
• Rebudget: Open Enrollment		15,795	15,795
<i>Subtotal</i>	(8.00)	(1,553,535)	(1,491,705)
INFORMATION TECHNOLOGY DEPARTMENT			
• Information Technology Department Employee Total Compensation Reduction		(1,310,537)	(906,936)
• Information Technology Department Leadership Reorganization		(298,438)	(298,438)
• Systems Applications Support Staffing	(2.00)	(258,768)	(258,768)
• Customer Contact Center Staffing	(2.00)	(165,072)	(46,980)
• Database Administration Staffing	(1.00)	(153,361)	(148,739)
• Information Technology Non-Personal/Equipment Funding		(70,000)	(70,000)
• Information Technology Overtime Funding		(25,000)	(25,000)

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
INFORMATION TECHNOLOGY DEPARTMENT (CONT'D.)			
• Information Technology Department Annual Retirement Contribution		548,987	395,478
• Information Technology Department Unemployment Contribution		113,550	81,751
• Rebudget: VoIP Expansion		600,000	600,000
• Rebudget: Credit Card Compliance Audit		130,000	130,000
<i>Subtotal</i>	(5.00)	(888,639)	(547,632)
PUBLIC WORKS DEPARTMENT			
• Public Works Department Total Employee Compensation Reduction		(3,947,734)	(688,467)
• Right-Sizing of Capital Improvement Program Staffing	(6.96)	(789,279)	0
• Public Works Management and Administration Consolidation	(5.00)	(626,857)	(348,166)
• Facilities Maintenance Staffing	(3.00)	(523,746)	(523,746)
• Fleet Maintenance and Operations Inventory and Contractual Services Alignment	(2.00)	(481,105)	0
• Public Works Department Fleet Services Staffing and Vehicle Pool Program	(3.00)	(402,170)	(21,000)
• Custodial Services		(166,400)	(166,400)
• Graffiti Abatement - Service Delivery Model Change	(1.00)	(123,927)	(123,927)
• Facility Services	(1.00)	(77,345)	(77,345)
• Office of Equality Assurance Staffing - Redevelopment Agency	(0.50)	(41,448)	(41,448)
• Public Inquiry Counter Support	0.34	42,092	0
• ECOMM Phase II Funding Reallocation		0	(32,916)
• Public Works Department Annual Retirement Contribution		2,029,415	352,803
• Public Works Department Unemployment Contribution		420,264	73,457
• Rebudget: Storm Water Pollution Prevention Plan		70,000	0
<i>Subtotal</i>	(22.12)	(4,618,240)	(1,597,155)
RETIREMENT SERVICES DEPARTMENT			
• Retirement Services Department Employee Total Compensation Reduction		(359,082)	0
• Retirement Accounting Division Reorganization		(3,310)	0
• Retirement Services Department Annual Retirement Contribution		193,770	0
• Retirement Services Department Unemployment Contribution		41,627	0
<i>Subtotal</i>	0.00	(126,995)	0
<i>Subtotal Departments</i>	(36.12)	(7,936,389)	(4,031,072)

City Service Area
Strategic Support
ADOPTED BUDGET CHANGES

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
CITY-WIDE EXPENSES			
• Boards and Commissions Reduction		(36,000)	(36,000)
• Business Tax System		400,000	400,000
• Deferred City Facilities Security & Maintenance		177,520	177,520
• False Claims Act Litigation Settlement		41,029	41,029
• Fiscal Reforms Outside Legal Counsel		150,000	150,000
• Human Resources/Payroll System Upgrade		1,563,503	1,563,503
• Mayor's Office Reductions		(161,000)	(161,000)
• Medical Marijuana Program Administration		150,000	150,000
• Retirement Reform		3,400,000	3,400,000
• Recovery Act Administration		122,000	122,000
• Sick Leave Payments Upon Retirement		(1,000,000)	(1,000,000)
• Miscellaneous Rebudgets		12,454,900	12,454,900
<i>Subtotal</i>	0.00	17,261,952	17,261,952
GENERAL FUND CAPITAL, TRANSFERS AND RESERVES			
• Capital Contributions: Central Service Yard-Phase I Debt Service Payments		(650,000)	(650,000)
• Capital Contributions: Arena Repairs		(100,000)	(100,000)
• Capital Contributions: Rebudget of 2011-2012 Projects		2,029,000	2,029,000
• Transfers to Other Funds: City Hall Debt Service Fund		(300,000)	(300,000)
• Transfers to Other Funds: Vehicle Replacement/General Fleet		(265,000)	(265,000)
• Earmarked Reserves: Salary and Benefits Reserve		(2,249,705)	(2,249,705)
• Earmarked Reserves: Technology Reserve Elimination		(500,000)	(500,000)
• Earmarked Reserves: Filled Position Elimination Expenditure Impacts Reserve		700,000	700,000
• Earmarked Reserves: Rebudgets		16,027,816	16,027,816
• Contingency Reserve: Rebudget		3,000,000	3,000,000
<i>Subtotal</i>	0.00	17,692,111	17,692,111
<i>Subtotal Other Changes</i>	0.00	34,954,063	34,954,063
Total Adopted Budget Changes	(36.12)	27,017,674	30,922,991

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2011-2012

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

Redevelopment Agency

- Core Services aligned to the Community and Economic Development CSA

Mayor, City Council and Appointees

Expected Service Delivery

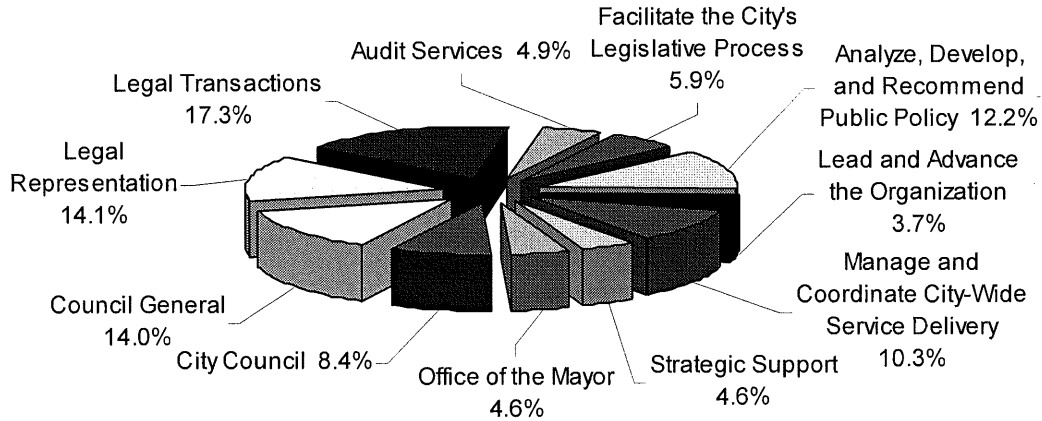
- Provide political guidance and leadership, explain City policy and programs to the community, and develop and propose fiscal priorities for the City of San José.
- Continue to provide leadership necessary to manage transition and support the ongoing organizational change involved in implementing the 2011-2012 budget while maintaining standards of quality and customer service.
- 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.
- Conduct program performance audits to identify additional revenue sources and cost savings, prepare audit recommendation reports for the City Council, and track and report on audit recommendations follow-through.
- Maintain Sunshine/Open Government Reforms to provide more transparent legislative services.
- Conduct elections for the City Council Members Primary's, Charter amendments, bonds, and ballot measures in accordance with City Charter and State Elections Code.

Impacts of Budget Actions

- The Office of the Mayor, City Council Offices, and Council General reduced resources by 11.1% (excluding rebudgets), consistent with the direction in the Mayor's March Message as approved by the City Council.
- City Manager's Office reorganization of executive management, in conjunction with actions taken in the Human Resources Department, will significantly reduce the current level of executive management, however, although challenging, important benefits, savings, and organizational improvements will be achieved. The elimination of dedicated staff and resources for the Domestic Violence program and city-wide special projects will require an evaluation of how best to ensure domestic violence priorities are addressed and significantly reduce the Administration's ability to attend to complex and difficult projects. A reduction in administrative support staffing will likely impact customer service related to timeliness and depth of follow-up to public inquiries.
- The Adopted Budget includes significant reduction of San Jose Redevelopment Agency (SJRA) legal support including the elimination of 6.0 positions in the Attorney's Office. This leaves the SJRA with only 4.0 positions for legal support in 2011-2012 to support the transition of the SJRA if eliminated as proposed by the State, or if the SJRA goes dormant due to its financial challenges.
- Attorney's Office elimination of a net 4.0 positions from the 2010-2011 Adopted Budget that were funded one-time will result in significant reductions in service delivery and increase the City's risk exposure and may result in higher overall legal costs to the City.
- Auditor's Office elimination of two vacant Program Performance Auditor I positions will result in a reduction in the quantity of audit work produced and therefore fewer audit recommendations.
- Clerk's Office elimination of the Contracts Compliance unit and reduction in Mayor and City Council support services will extend service times for customers and decrease level of service for the Mayor and City Council Offices.

Strategic Support
Mayor, City Council and Appointees
BUDGET SUMMARY

2011-2012 Total Operations by Core Service



Mayor, City Council and Appointees Budget Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2011-2012 Forecast 3	2011-2012 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
<i>Mayor and City Council</i>					
Office of the Mayor	\$ 1,216,538	\$ 1,987,254	\$ 1,490,110	\$ 1,769,977	(10.9%)
City Council	4,039,162	3,448,266	2,716,150	3,204,720	(7.1%)
Council General	2,493,694	4,786,325	5,510,783	5,344,127	11.7%
<i>Office of the City Attorney</i>					
Legal Representation	6,962,355	5,912,311	6,173,121	5,389,687	(8.8%)
Legal Transactions	6,670,300	6,411,356	6,827,979	6,618,102	3.2%
Strategic Support	1,469,911	1,295,721	1,434,874	1,174,260	(9.4%)
<i>Office of the City Auditor</i>					
Audit Services	2,107,842	1,917,008	2,116,435	1,885,189	(1.7%)
Strategic Support	8,108	108,568	115,847	116,045	6.9%
<i>Office of the City Clerk</i>					
Facilitate the City's Legislative Process	1,973,709	4,628,569	3,037,189	2,251,203	(51.4%)
Strategic Support	88,339	121,315	125,078	92,295	(23.9%)
<i>Office of the City Manager</i>					
Analyze, Develop, and Recommend Public Policy	4,301,248	4,326,613	5,004,928	4,637,115	7.2%
Lead and Advance the Organization	1,436,005	1,584,128	1,711,084	1,432,487	(9.6%)
Manage and Coordinate City-Wide Service Delivery	4,989,752	4,282,391	3,300,206	3,931,218	(8.2%)
Strategic Support	229,890	389,737	408,898	364,471	(6.5%)
<i>Office of the Independent Police Auditor*</i>					
Total	\$ 37,986,853	\$ 41,199,562	\$ 39,972,682	\$ 38,210,896	(7.3%)
Authorized Positions	207.69	183.75	161.50	158.75	(13.6%)

* 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			
• Council General Budget Reduction		(451,621)	(451,621)
• City Council Budget Reduction		(290,390)	(290,390)
• Office of the Mayor Budget Reduction		(162,627)	(162,627)
• Rebudget: City Council 2010-2011 Expenditure Savings		778,960	778,960
• Rebudget: Office of the Mayor 2010-2011 Expenditure Savings		442,494	442,494
• Rebudget: Council General 2010-2011 Expenditure Savings		284,965	284,965
<i>Subtotal</i>	0.00	601,781	601,781
OFFICE OF THE CITY ATTORNEY			
• Redevelopment Agency Legal Support	(6.00)	(1,020,679)	(1,022,348)
• Office of the City Attorney Employee Total Compensation Reduction		(859,849)	(719,121)
• Legal Staffing	(3.00)	(557,825)	(555,513)
• Voluntary Furlough/Reduced Work Week		(260,000)	(260,000)
• Workforce Investment Act Staffing	(1.00)	(144,063)	0
• Municipal Solar Grant Program Staffing	0.00	(64,228)	(64,228)
• False Claims Act Litigation Staffing	0.00	(38,815)	(38,815)
• Medical Marijuana Regulatory Program	3.00	578,801	578,801
• Office of the City Attorney Annual Retirement Contribution		496,573	403,833
• Environmental Services and Public Works Capital Projects	2.00	347,001	0
• Workers' Compensation	1.00	170,000	170,000
• Office of the City Attorney Unemployment Contribution		99,159	79,990
<i>Subtotal</i>	(4.00)	(1,253,925)	(1,427,401)
OFFICE OF THE CITY AUDITOR			
• Audit Staffing	(2.00)	(217,532)	(217,532)
• Auditor's Office Employee Total Compensation Reduction		(113,249)	(113,249)
• Auditor's Office Annual Retirement Contribution		82,654	82,654
• Auditor's Office Unemployment Contribution		17,079	17,079
<i>Subtotal</i>	(2.00)	(231,048)	(231,048)
OFFICE OF THE CITY CLERK			
• Retirement Reform Election		(600,000)	(600,000)
• Office of the City Clerk Employee Total Compensation Reduction		(152,935)	(152,935)
• Mayor and Council Administrative Support Staffing	(1.00)	(142,522)	(142,522)
• Contracts Compliance Staffing	(1.00)	(107,321)	(107,321)
• San Jose Redevelopment Agency Staffing	1.00	108,700	108,700
• Office of the City Clerk Annual Retirement Contribution		62,403	62,403
• Office of the City Clerk Unemployment Contribution		12,906	12,906
<i>Subtotal</i>	(1.00)	(818,769)	(818,769)

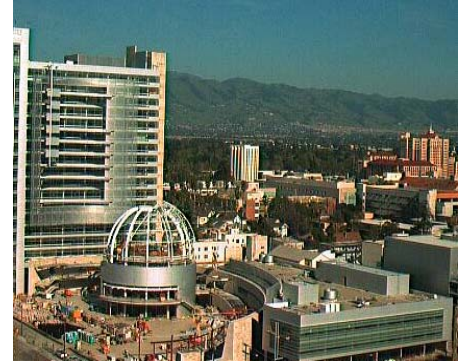
Strategic Support
Mayor, City Council and Appointees
ADOPTED BUDGET CHANGES

Adopted Changes	Positions	All Funds (\$)	General Fund (\$)
OFFICE OF THE CITY MANAGER			
• Office of the City Manager Employee Total Compensation Reduction		(573,304)	(559,148)
• Office of the City Manager Leadership Reorganization	(1.00)	(352,001)	(352,001)
• Administrative Support Staffing	(2.50)	(284,160)	(283,602)
• Special Projects Funding		(115,740)	(115,740)
• Office of the City Manager Non-Personal/Equipment and Professional Development Funding		(94,700)	(94,700)
• Domestic Violence Prevention Program	(1.00)	0	0
• Agenda Services Staffing Reorganization	0.50	0	0
• Office of the City Manager Annual Retirement Contribution		357,890	350,339
• Office of the City Manager Unemployment Contribution		75,619	73,906
• Medical Marijuana Regulatory Program	1.50	255,850	255,850
• Strong Neighborhoods Initiative	6.75	670,721	670,721
<i>Subtotal</i>	4.25	(59,825)	(54,375)
OFFICE OF THE INDEPENDENT POLICE AUDITOR*			
Total Adopted Budget Changes	(2.75)	(1,761,786)	(1,929,812)

* 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 and Redevelopment Agency, with the goal of protecting and advancing their 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

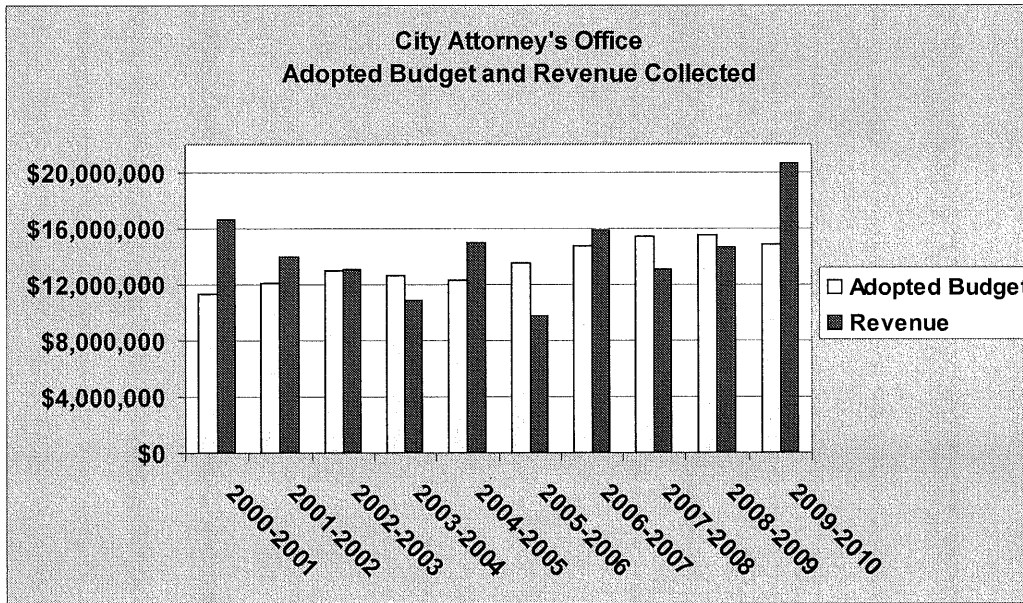
CSA OUTCOMES

- City and San Jose Redevelopment Agency Business is Conducted Lawfully
- City and San Jose Redevelopment Agency Interests are Protected and Advanced

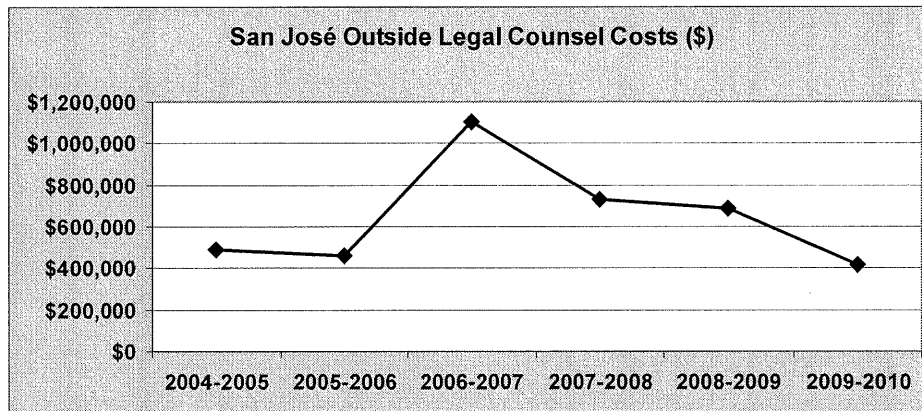
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

- In 2009-2010, plaintiff cases handled by the Office generated \$20.7 million, a 42% revenue increase from the previous year. Revenue collections have exceeded the City Attorney's Office Adopted Operating Budget level six of the last ten years. Forecasting revenues on an annual basis is difficult due to the varying nature of cases.



- Legal services are primarily provided by in-house lawyers. Limiting the use of costly outside legal counsel results in significant budgetary savings to the City. The Office spent \$416,295 for outside counsel services in 2009-2010, a 40% decrease from the prior year expenditure. The majority of the expense was for specialized legal services to support the Airport, Economic Development, Redevelopment, and the Elections Commission, and to accommodate the Office of Employee Relations.

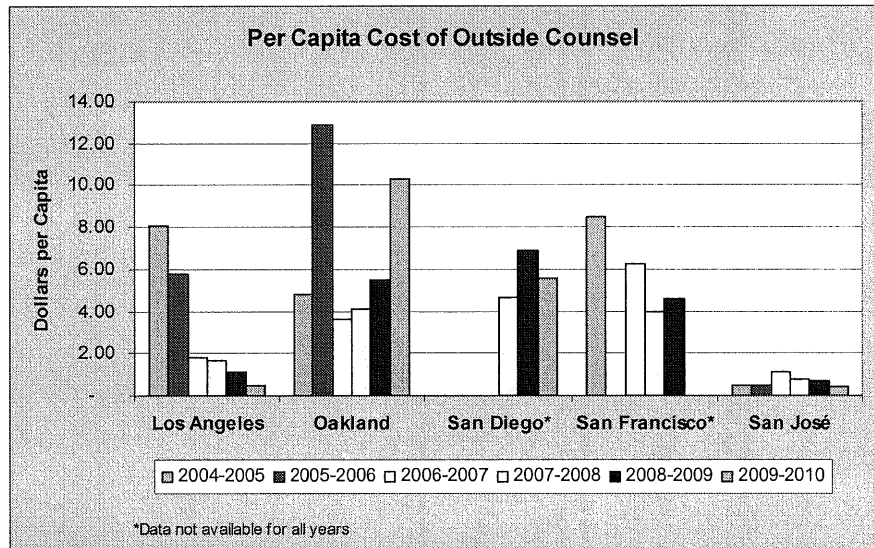


2006-2007 includes large expenditures for work on the Airport expansion project.

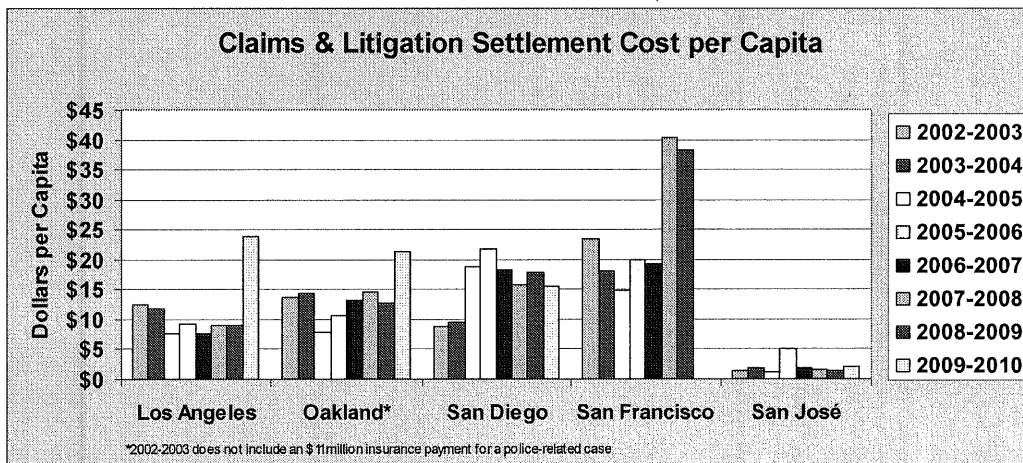
Service Delivery Accomplishments

- In comparison, the cities of Los Angeles, Oakland, and San Diego spent \$1.9 million, \$4.0 million, and \$7.3 million respectively, for outside counsel services during 2009-2010.

Note: The City of Los Angeles has been bringing 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 eight years, San José paid on average \$2.0 million in annual settlement costs. The next lowest average annual payout was \$5.6 million by the City of Oakland. Over the same period, Los Angeles, San Diego, and San Francisco paid out annual averages of \$44.5 million, \$20.8 million, and \$20.3 million respectively.
- The City’s financial exposure for claims and litigation is significant; for example, in a September 2010 review of cases requiring substantial legal attention, amounts claimed by the plaintiffs exceeded \$50 million for 42 cases alone.



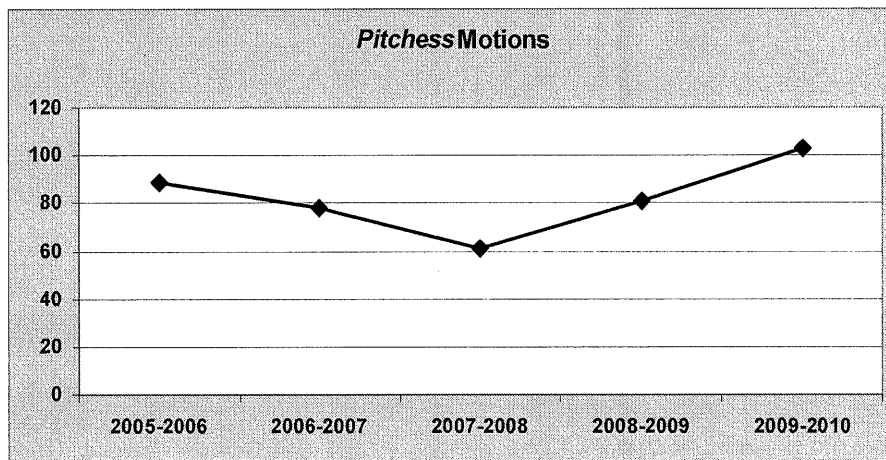
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Accomplishments

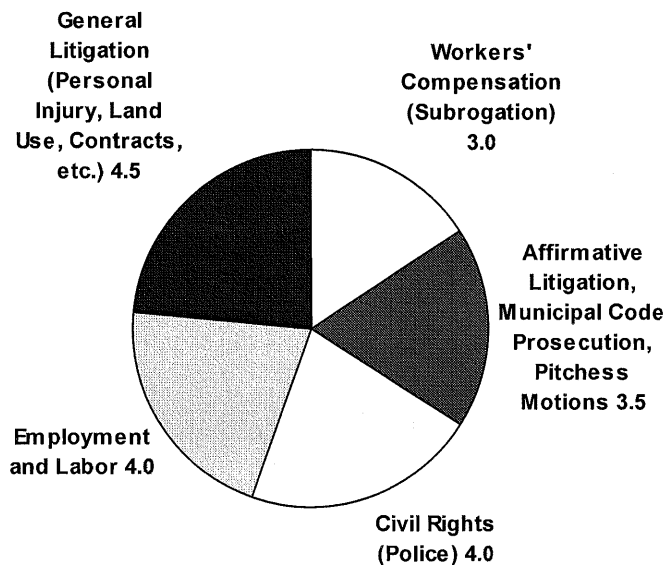
- An unpaid internship program for law students and attorneys newly admitted to the California State Bar benefits both the volunteers and the Office. The interns and new attorneys are given an opportunity to gain practical experience, and the support provided to the Office assists in managing the high volume of work.
- The latest client survey results indicate that 88% of the respondents were satisfied with the overall legal services provided by the Office.

• Legal Representation workload highlights for 2009-2010:

- 897 open litigation files including civil, criminal, and administrative proceedings; 294 are Police cases
- 830 active civil lawsuits pending in State, federal, and appellate courts - as of spring 2011, the Office has 22 trials scheduled
- 949 workers' compensation litigated claims
- 471 general liability claims filed in 2009-2010



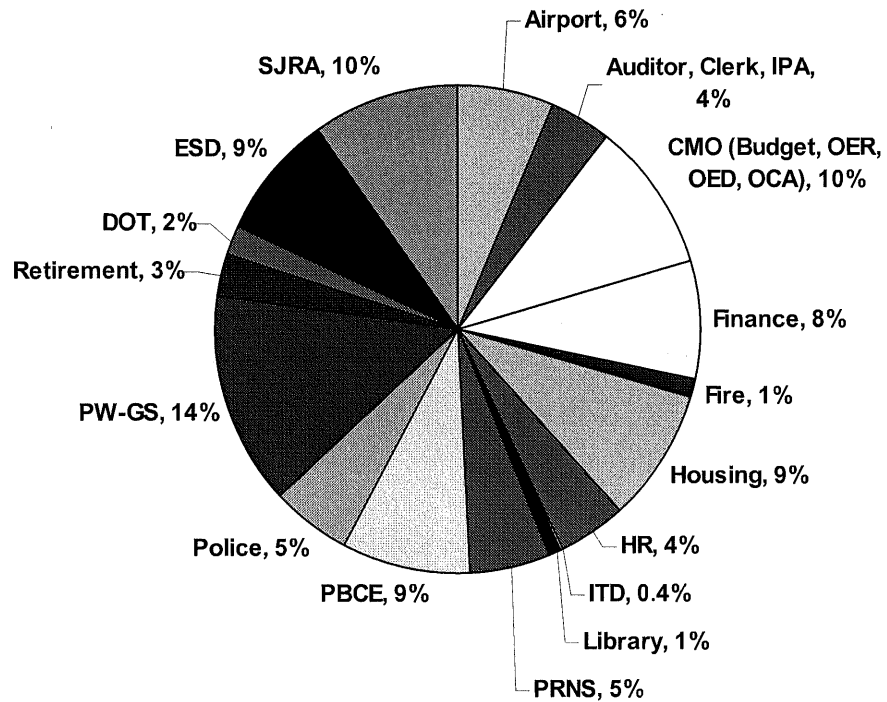
Litigation and Workers' Compensation Attorneys



Service Delivery Accomplishments

- Transactional Division workload highlights for 2009-2010 are listed below:
 - 147 Ordinances prepared
 - 395 Resolutions prepared
 - 2,328 Agreements approved to final form
 - 2,153 City Council/SJRA/Manager memoranda prepared
 - 909 City Council/SJRA Board memoranda reviewed

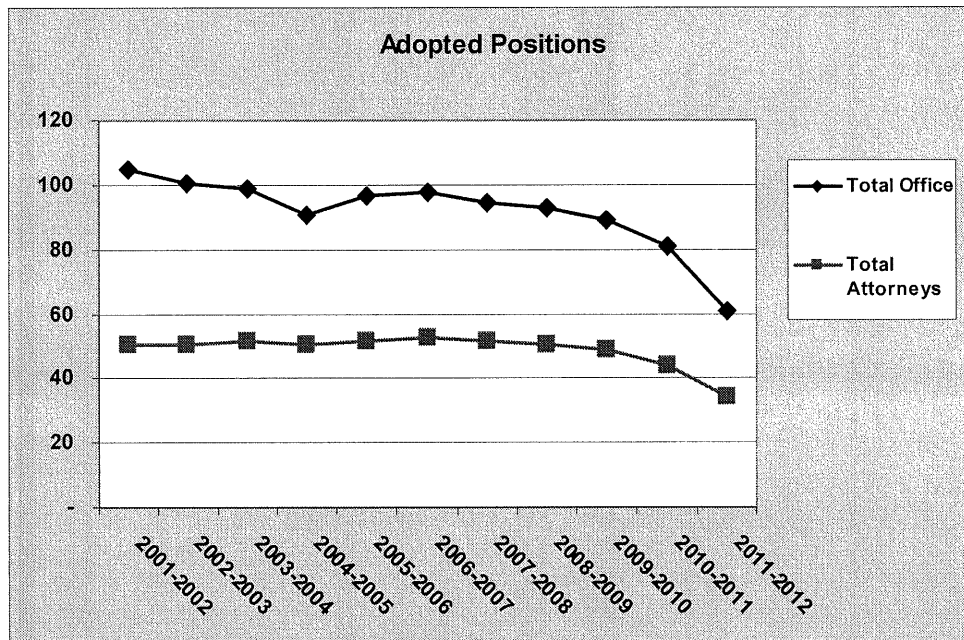
Transactional Attorney Assignments



Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Environment

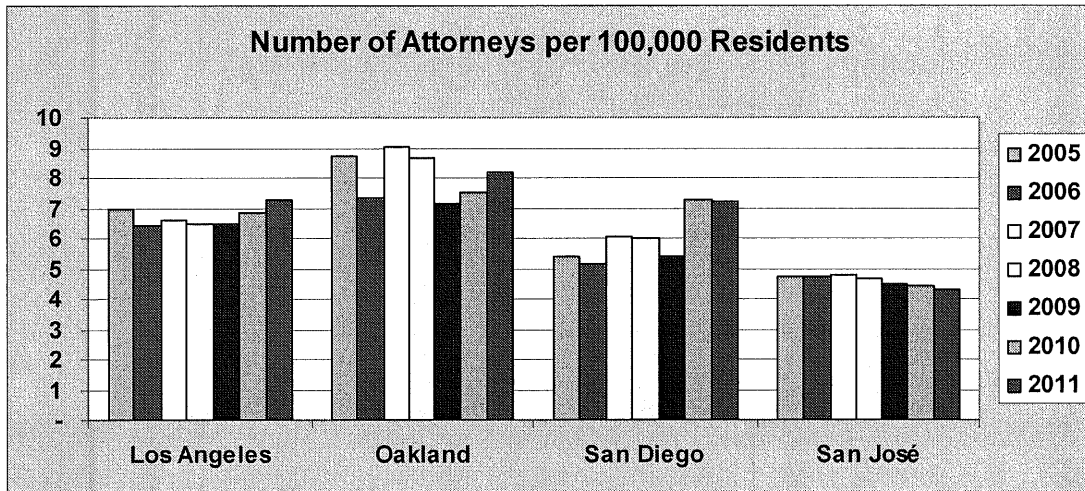
- General Fund budget reduction actions implemented over the past ten years have decreased Office resources to bare minimum levels while demand for legal services has remained constant, with increases for some practice areas. In spite of this demand, the Office is being directed to reduce expenditures by \$4.1 million in 2011-2012, including the loss of Redevelopment Agency funding, 11.10% reduction for Council Appointee departments, decreased funding from the WIA program, and the elimination of six filled positions that were one-time funded during 2010-2011.



- In 2011-2012, budget proposals will reduce staff from 81 to 61 positions, including an anticipated fourteen employee layoffs, representing a 25% decrease in staffing level from 2010-2011, and a 42% decrease since 2001-2002.
- 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 obligations to the clients requires a certain level of staffing. With the proposed reductions, the Office will not have the legal staffing to adequately protect and advance the interests of the City and SJRA.
- Historically the San Jose Redevelopment Agency (SJRA) reimbursed the City approximately \$2 million a year for legal services provided by the City Attorney’s Office. This reimbursement was zeroed out in the 2011-2012 Base Budget and corresponding expenditures are proposed for elimination for 2011-2012 due to the SJRA’s current financial situation and projections for the next several years. The Office has been directed to eliminate all corresponding SJRA related resources (expenditures -personal services and non-personal equipment), which significantly contributes to the severe staff reductions, consistent with the direction in the Mayor’s March Budget Message as approved by the City Council. Legal services to the SJRA in 2011-2012 will be critical to support the Agency’s transition, regardless of whether it is eliminated as proposed by the State, or goes “dormant” due to its financial challenges. The Office will work with the Mayor’s Office to evaluate the necessary legal resources required to support the SJRA and restore resources as determined necessary to provide sufficient support to the SJRA in 2011-2012.

Service Delivery Environment

- 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 is the lowest among Los Angeles, Oakland, and San Diego. San Francisco was not included in this comparison as it is a city and a county, with many more attorneys than others that are only cities.

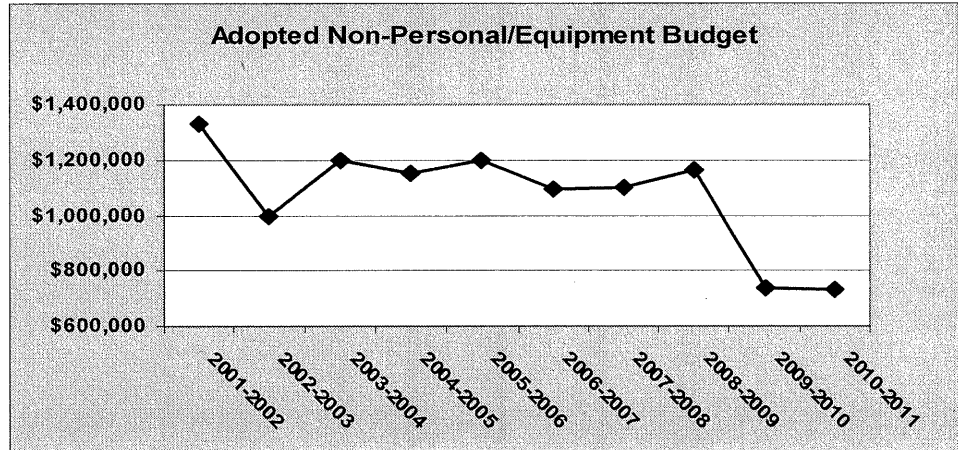


- In 2010-2011, the Office has 44 attorneys, down from 53 attorneys in 2006-2007. With the elimination of 4.0 attorney positions in the 2011-2012 Base Budget as approved in the 2010-2011 Adopted Budget, and the proposed elimination of an additional 6.0 attorney positions in 2011-2012, the Office will drop to 34 attorneys, a 36% decrease over the past five years.
- The 2011-2012 proposed reduction plan includes the elimination of 8.0 support staff positions (3.0 Legal Administrative Assistant, 3.0 Legal Analyst, 1.0 police investigator (Police Officer), and 1.0 Legal Services Manager), in addition to the elimination of 1.0 Legal Analyst support position in the 2011-2012 Base Budget as approved in the 2010-2011 Adopted Budget. It should also be noted the one year extension of one Legal Administrative Assistant support staff position funded by the Redevelopment Agency for Strong Neighborhoods Initiative legal activities will also sunset at the end of 2010-2011. This total reduction of 10 support staff positions will seriously impact daily operations and reduce Office efficiencies. Since 2006-2007, the Office has eliminated 19 support staff positions, and with implementation of the proposed reductions, this will be a 42% decrease over the past five years.
- Total compensation for Office management was reduced by 10% in 2010-2011, the first 5% ongoing, with the second 5% in one-time reductions. For 2011-2012, the second 5% has been converted to an ongoing reduction.

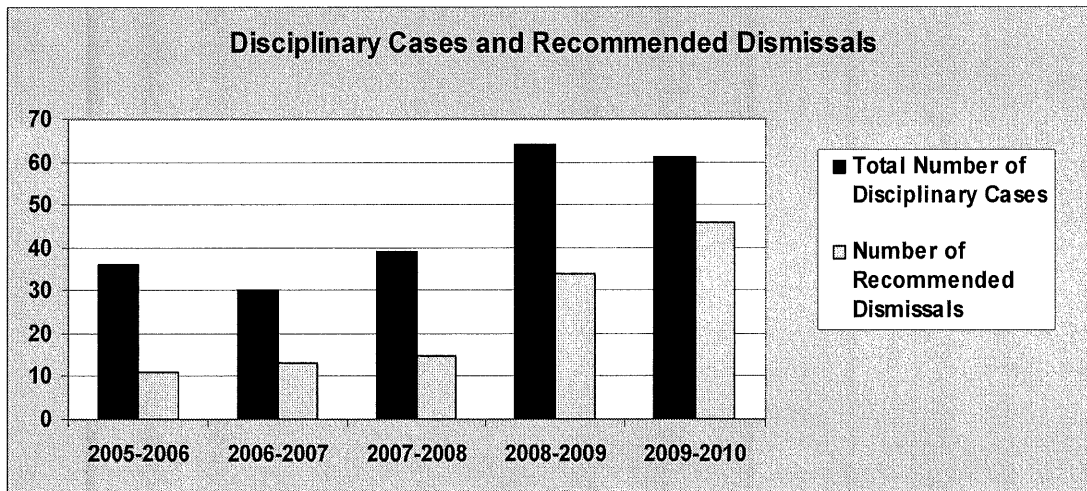
Strategic Support
Office of the City Attorney
OVERVIEW

Service Delivery Environment

- The Non-Personal/Equipment appropriation will be reduced by \$100,000 in 2011-2012, a 45% decrease over the past ten years, from \$1.3 million in 2001-2002 to \$713,000 in 2011-2012. This reduction comes at a time when costs for materials, equipment and services have increased over the same period. The total decrease may jeopardize the Office’s ability to meet basic daily operational demands. A substantial amount of the non-personal/ equipment budget is earmarked for experts and consultants that assist the Office in complex litigation and specialized transactional matters. The Office requested and received rate reductions from many of the consultants, experts, and vendors that have contracts with the Office. The Office will continue to seek opportunities to reduce costs.



- Labor and employment legal issues are rising including a significant increase in the number of employee and union grievances handled by the Office. There has been a 55% increase over the past two years in employee disciplinary matters handled by the Office.



- The City’s increasing reliance on outsourcing services and obtaining grant revenues has, and will continue to, increase the legal workload to review, negotiate, and prepare contracts.
- 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 and San Jose Redevelopment Agency Business is Conducted Lawfully

- ✓ SJRA funding for legal services has been eliminated from the 2011-2012 Proposed Operating Budget. However, substantial ongoing SJRA legal work remains. The Office will work with the Mayor's Office to determine the resources necessary to support the legal needs of the SJRA and restore resources as appropriate.
- ✓ Work together with City and SJRA staff to legally implement official City and SJRA actions.
- ✓ Provide legal counsel at all meetings of the City Council and Redevelopment Agency Board, and certain meetings of major boards, committees, and commissions as necessary. For 2011-2012, the number of meetings staffed will be significantly reduced.
- ✓ Prepare and review certain legal documents including ordinances, resolutions, permits, contracts, and other legal documents. The level of these services will decrease in 2011-2012.
- ✓ Perform legal research and legislative analyses as time permits.
- ✓ Provide oral and written legal advice and opinions on a more limited basis.
- ✓ Disruption in the municipal bond market continues to require extensive legal services to resolve financial issues that impact the City.
- ✓ Provide legal services to assist staff in addressing the fiscal challenges faced by the City and SJRA, 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 Plant Master Plan will require significant planning and construction related legal services.
- ✓ Substantial legal resources will be dedicated to the implementation of medical marijuana regulations.
- ✓ Respond, review and coordinate complex Public Records Act requests.

Budget Dollars at Work: Performance Goals

Outcome 2: City and San Jose Redevelopment Agency Interests are Protected and Advanced

- ✓ SJRA funding for legal services has been eliminated from the 2011-2012 Proposed Operating Budget. However, it is anticipated that the SJRA will require litigation services to respond to lawsuits filed against the SJRA and to initiate actions to protect the interests of the SJRA. The Office will work with the Mayor's Office to determine the resources necessary to support the legal needs of the SJRA and restore resources as appropriate.
- ✓ Initiate and defend lawsuits and other legal actions involving the City and SJRA. Some high exposure and complex cases may need to be outsourced to outside counsel.
- ✓ Seek monetary damages on behalf of the City and SJRA for matters where the debt is \$100,000 or higher.
- ✓ 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 and the SJRA.
- ✓ Conduct and coordinate confidential internal City and SJRA investigations.
- ✓ Significant litigation resources will be required to enforce 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.

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 2010-2011, the City Auditor's Office identified over \$17 million in cost savings and revenue enhancements, achieving a ratio of about \$9 in monetary benefits to every \$1 of audit costs (Target: \$4 to \$1).
- During 2010-2011, the Office issued 18 audit reports, or approximately 1.9 audits per auditor (Target: 1.5 audits per auditor). Reports issued by the City Auditor's Office during 2010-2011 include:
 - Audit of Procurement Cards
 - Audit of Pension Sustainability
 - Review of Airport Concessions
 - Audit of Take-home Vehicles
 - 2009-2010 Annual Performance Audit of Team San José, Inc.
 - Audit of Police Department Staffing
 - Service Efforts and Accomplishments Report 2009-2010
 - Audit of Association of Santa Clara County Cities
 - Audit of Disability Retirement
 - Annual Financial Scan of City-Funded Community Based Organizations
 - Audit of Personnel Costs
 - Audit of Supplemental Military Pay
 - Audit of Traffic Citations Revenue
- 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 2010 Annual Financial Audit and Single Audit
 - Audits of Parks and Recreation Bond Funds, 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 proposed elimination of an additional 2.0 Program Performance Auditor positions in 2011-2012 which has impacted the quantity of audit work produced.

Budget Dollars at Work: Performance Goals

Outcome 1: Identify Ways to Increase the Economy, Efficiency, Effectiveness, and Accountability of City Government

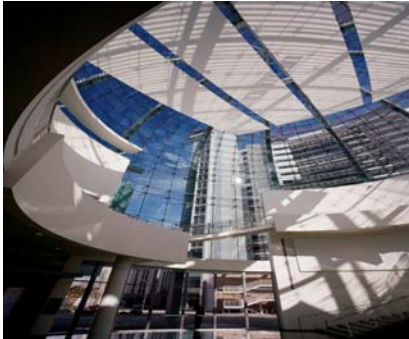
- ✓ Conduct performance audits, special audits, and reviews that identify ways to increase the economy, efficiency, and effectiveness of City government. The Office's 2011-2012 Audit Workplan will target City Council and other City Appointee concerns, and areas identified in the City Auditor's City-Wide 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, and 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 will be brought forward to the City Council in June 2011.
- ✓ Performance reporting. In January 2011, the Office published the City's third annual *Service Efforts and Accomplishments Report: 2009-10 Annual Report on City Government Performance*. The Office will continue this project in 2011-2012, 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 2010, approximately 75% of the 628 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 approximately 10,000 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 challenging fiscal environment. In 2010-2011, the Office:

- Conducted elections for the Mayor, City Council Members, and ballot measures in accordance with the City Charter and the State Elections Code. 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. 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 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 memos, as well as the need for improved technology to enhance the public's access to the City's legislative process and records.

Service Delivery Environment

- The community's rising expectation of online access to candidate and committee campaign disclosure statements and activity reports by lobbyists.

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 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 direct 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 both Retirement Boards and the Civil Service Commission, which include members representing City employees and retirees;
- ✓ Providing administrative support services to the Elections Commission, Civil Service Commission, 2011 Redistricting Advisory 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 and the Office of the City Clerk; 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 has been to provide the leadership necessary to manage transitions and support the organizational change involved in implementing the 2010-2011 budget actions, as well as prepare the workforce for 2011-2012, 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 2010-2011 budget, the City Manager's Office provided 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 has ensured that these changes have been managed responsibly, while the City continues 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 2011-2012 budget, closing a General Fund shortfall of \$115 million, marks the tenth consecutive year of General Fund Budget shortfalls. This has undoubtedly been one of the most difficult budgets given the size of the General Fund shortfall as well as the budget challenges in some special funds. Following the 2010-2011 \$118 million shortfall, this budget includes a combination of limited additional funding sources, new service delivery models/efficiencies, and service reduction/elimination strategies to address the \$115 million General Fund budget gap. As part of the 2010-2011 Adopted Budget, significant service reductions and eliminations are recommended in addition to the services scheduled for elimination July 2011 as approved. This has necessitated a continuous focus on retooling the way the City does business, as well as the active development of new service delivery models. In addition, per the 2011-2012 Mayor's March Budget Message, the 2011-2012 Proposed Budget assumes employee concessions equal to 10% of total compensation and the roll back of wage increases received in 2010-2011.
- Through labor negotiations, the City has begun to achieve a balance between the City's need to recruit and maintain a high quality workforce and setting the foundation for controlling the growth of personnel costs for long-term sustainability of both public safety and non-public safety services across the City. At the time of this publication, per the City Council's authorization, an ongoing 10% reduction in total compensation and a number of additional reforms have been achieved for 2011-2012 with five employee groups including CAMP, AEA, AMSP, IAFF Local 230, and Unit 99 and unrepresented units.
- 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. Most notable among these transitions was the selection of a new Police Chief. Upon the retirement of the Chief in October 2010, an extensive community focused recruitment process for a new Chief was developed and executed, which ultimately resulted in the appointment of a new Police Chief in February 2011. Senior leadership transitions have also been managed involving the Airport, Economic Development, Human Resources, Information Technology, Parks, Recreation and Neighborhood Services, Transportation, and Public Works/General Services.
- The City Council approved the updated Economic Strategy in 2010, with 12 specific strategic initiatives. Notable related achievements included:
 - On March 22, 2010 the City Council approved the 2010 Annual Green Vision Report and the 2011 Work Plan priorities and implementation framework. Progress on the Green Vision includes over 4,300 Clean Tech jobs created by San José companies, cost savings of almost \$1 million through municipal energy efficiency and renewable energy projects, 2.4 Megawatts of solar on City facilities, 1.2 million square feet of municipal green buildings, reduced City fleet fuel consumption of over 8%, and construction of over 14 miles of trails.

Service Delivery Accomplishments

- The City continued to streamline the development processes to implement policies and practices that will improve the quality and efficiency of the development process. Examples include the approval of the North San José permit extension ordinance in January 2010; first phase Sign Code Update amendments effective Summer 2010; creation of Development Services Administrative Hub to improve efficiency; creation of Development Services Project Manager/Expediter position to facilitate movement of high-profile economic development projects as well as identify and implement development process improvements; Permit Center, Plan Check, Inspection, and Planning service delivery changes to improve efficiency in response to highly variable development activity.
- The City Manager's Downtown Advisory Committee continued work to finish the Downtown Zoning Overlay and adopted a cost-sharing plan for Police and additional Downtown services to night clubs, which totaled over \$300,000 in savings. The City was nominated for Outstanding Achievement in Hospitality Zone Safety for efforts made since the Hospitality Zone Assessment was adopted by the City Council. The Administration started and completed various items related to the Hospitality Zone Assessment recommendations and finished Diridon Station Area Good Neighbor Committee work with the Redevelopment Agency.
- The City Manager's Office led transition of the City's partnership with Team San José, involving Team San Jose's leadership transition as well as preparation for construction of the Convention Center expansion and renovation.
- Recommended sunshine reforms are now being routinely implemented and the Administration continues to provide Open Government training to the organization, including protocols for responding to Public Records Requests, public calendaring for elected officials, community engagement process, and the noticing requirement for Boards and Commissions.
- Intergovernmental Relations (IGR) continued to provide regular updates to the City Council on the status of high priority bills and advocated City positions with our State and federal Delegation. With the assistance of the City's federal lobbyist efforts and the City's Congressional Delegation, the City received \$3.6 million in funding in the 2010 appropriations cycle. This funding provided resources for seven projects, which included funding for the Autumn Street Parkway extension, Enforcement Mobile Data Computers for Police, the Library's Early Childhood Education Improvement Program, and the Japantown Sewer Main Rehabilitation.
- The City Manager's Office established an inter-departmental Regional Influence Team to increase San José's effectiveness in using regional agencies/forums to advance City goals and secure financing from regional, statewide, and national sources. Through the work of this staff team and the Mayor/City Council, San José aims to be more visible, vocal, and active with key regional agencies that make policy, plans, and funding decisions.
- Through regional partnerships including the Silicon Valley Regional Interoperability Authority, San José continues to work closely with San Francisco and Oakland on the development of a Joint Power Authority for a regional governance model for Public Safety Interoperability opportunities.
- Working in close partnership with the County of Santa Clara and the VTA, the Administration completed the 2010 federal Census efforts and began work on Redistricting efforts upon the release of the Census figures. The Administration continues to explore next steps to address a potential undercount in the final Census figures.

Strategic Support
Office of the City Manager
OVERVIEW

Service Delivery Accomplishments

- On June 22, 2010, the City Council approved direction for the Administration to review and continue to develop a Medical Marijuana Regulation Program. During 2010-2011, the Administration has continued efforts on a Medical Marijuana Regulation Program and has reported back to the City Council and the community through numerous City Council Meetings and external communications.
- To date, San José has been successful in securing nearly \$110 million in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to support a wide variety of projects—from repaving 15 miles of the worst arterials streets in the City, to adding nine miles of recycled water infrastructure, investing in energy efficiency and renewable energy, and providing affordable housing and offering job training services to youths and adults. San José Recovery Act projects have created 870 jobs thus far.
- New approaches to delivering services were developed that extend the City's ability to continue those services, while at a lower cost. Utilizing the framework established by the City's new Service Delivery Evaluation Policy (Policy 0-41) adopted in October 2009, evaluations were completed for custodial services, in-state prisoner transport, workers' compensation claims administration, and employee health services. The City pursued contracted service models to provide custodial services at the Airport and other City facilities, and in-state prisoner transport resulting in a combined ongoing savings of approximately \$4.7 million annually. Service delivery evaluations are underway for a number of new service areas for 2011-2012, such as airport police and fire services, parks landscape/restroom maintenance, graffiti eradication, and garbage utility billing.
- On February 28, 2011, the City Manager's Office launched the new e-ideas Online Employee Suggestion Program (e-ideas) on a pilot basis. E-ideas is a redesign of the City's former Suggestion Award Program and uses a web-based platform to provide an open and interactive framework for employees to submit and collaborate on ideas to improve City services. Since its February launch, e-ideas has generated the submittal of over 50 ideas, as well as substantive employee engagement on these ideas. As directed by City Council, the City Manager's Office will continue to assess the program during the pilot phase to determine the need for financial incentives and report back to the City Council by the end of 2011.

Service Delivery Environment

- The Administration is actively managing the City's budget to ensure the continued fiscal health of the City given the extremely difficult economic environment. The effects of the worst economic downturn in recent history continue to negatively impact the budgetary performance of City funds. While there are some signs that the economy has reached bottom, slow recovery is anticipated, particularly for City revenues.
- As a result of the economic downturn, the Administration made several adjustments during 2010-2011 in the General Fund to ensure the City remained in balance in 2010-2011 and was better positioned for 2011-2012 budget reductions. This included adjusting the revenue estimates for a number of economically sensitive revenue categories, as well as other revenue categories, and establishing an ending fund balance reserve through expenditure savings to better position the General Fund for 2011-2012.
- At the time of this publication, the City is engaged in negotiations with the remaining 7 of the City's 11 bargaining units, including ABMEI, ALP, IBEW, MEF, CEO, OE#3 and POA. Council's commitment is critical to make the needed changes to lower and control personnel related costs for the upcoming fiscal year, to fix the structural deficit, and meet the service needs of the community.

Service Delivery Environment

- In February 2010, Council approved a recommendation to place a hold through 2010-2011 on the design and construction of new parks and recreation facilities, which do not fit within the near term strategies outlined in the City Council approved Greenprint 2009 Update. The community stakeholder meetings were held and subsequently, on November 16, 2010, City Council adopted Resolution No. 75638 that created several alternative funding mechanisms for operations and maintenance of new facilities.
- Permit activity for residential, commercial, and industrial construction has been significantly below prior year levels as a result of the declining economy and corresponding slowdown in the construction industry.
- Air service retention/attraction and the resulting increase in passenger activity is the key to revenue growth at the Airport. Airline passenger activity declined 7% in 2009-2010, but in the first eight months of 2010-2011 activity has increased by nearly 2% compared to the same period the prior year. The Airport's Competitiveness Strategy continues to guide aggressive steps to reduce costs and maintain competitiveness that will help recruit air service, as directed by the City Council on May 25, 2010. These include recommendations in this Budget to outsource Airport law enforcement and fire fighting services.
- Potential State action to eliminate redevelopment agencies, in combination with the San Jose Redevelopment Agency's financial situation and projections for the next several years, have generated a significant impact to the General Fund in future years.
- In order to realize the City Council-approved Strong Neighborhoods Initiative business plan without future Redevelopment resources this budget implements a consolidation of neighborhood development functions in the Housing Department. This will mean combining a much smaller Strong Neighborhoods team with key services including housing rehabilitation, rental rights, and homeless services. The new neighborhood development division created from this consolidation will function as a partner in the Mayor's Gang Prevention Task Force in ensuring clean, safe, and engaged neighborhoods in areas impacted by gang violence. The neighborhood division will also focus on using technology to engage neighborhoods across the entire City to improve the health and well being of their community.

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 2011-2012 and beyond.
- ✓ Continue to implement an aggressive communication plan for community outreach on organizational and service delivery changes.
- ✓ Continue organizational improvement efforts to change the way we do business, streamline processes, increase employee empowerment, and achieve results during an environment of constant change, increasing complexity, and constrained financial resources.

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Budget Dollars at Work: Performance Goals

Outcome 1: The Community Receives Customer-Focused, Results-Driven Services (Cont'd.)

- ✓ 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.
- ✓ Work on Redistricting Efforts by supporting the Redistricting Commission Work as well as explore the process to appeal the Census undercount.
- ✓ Continue to work with regional governance partners on the Bay Area interagency issues.

Outcome 2: The Mayor and City Council are Effectively Supported in Making Public Policy Decisions

- ✓ Bring forward a balanced budget for the General Fund, closing a \$115 million shortfall, and all other funds in the 2011-2012 Operating and Capital Budgets and the 2012-2016 Five-Year Capital Improvement Plan that reflects the City Council and community goals for the City.
- ✓ Continue early budget engagement efforts in future budget cycles. January and February 2011 marked the fifth year of the Policy Priority Setting Sessions for the Community and the City Council, with a continued emphasis being placed on addressing the budget deficit.
- ✓ Continue to support the City Council on Sunshine Reform implementation.
- ✓ Develop and implement a regulation program for Medical Marijuana, as well as other priority regulatory initiatives identified by the City Council, while providing pragmatic policy development support reflecting available resources.
- ✓ 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 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.

Budget Dollars at Work: Performance Goals

Outcome 2: The Mayor and City Council are Effectively Supported in Making Public Policy Decisions (Cont'd.)

- ✓ 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 and reevaluate priorities periodically and focus resources strategically.
- ✓ 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

- ✓ 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 2011-2012, 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 positive working relationships with the City's employee labor unions.
- ✓ Continue to work with the employees to develop the organization's capacity in civic engagement to 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 increased communication to employees via StraightTalk meetings, Coffee Talk with the City Manager, field visits, e-mail notifications, and video streaming opportunities.
- ✓ 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 citywide importance.
 - While the Public Sector Career Initiative has been reduced this past year, fellowships, internships and in-service rotation programs will continue to be pursued where possible.
 - Workforce planning as well as diversity and inclusion strategies will be transitioned to the City Manager's Office as a result of organizational realignment in this proposed budget. Realigning priorities and workplans will be necessary once resource availability is better defined.

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