



COUNCIL AGENDA: 10-7-08

ITEM: 2.4

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: 9-24-08

Approved

Christine J. Shuppley

Date

9-24-08

COUNCIL DISTRICT: Citywide

SUBJECT: FIRST AMENDMENT TO THE CONTINUATION AGREEMENT WITH MANAGEMENT PARTNERS, INC. FOR TECHNICAL ANALYSIS AND COMMUNICATIONS SUPPORT SERVICES TO DEVELOP A STRUCTURAL DEFICIT ELIMINATION PLAN

RECOMMENDATION

Approval of a first amendment to an existing continuation agreement with Management Partners, Inc. to expand the scope of services in order to assist staff with the development of the structural deficit elimination plan at an additional cost of \$47,250, to allow for additional deficit elimination services in an amount not to exceed \$100,000, and to extend the term by six months from January 1, 2009 to June 30, 2009, at a total maximum compensation not to exceed \$397,200.

BACKGROUND

On August 10, 2007, the City Manager's Budget Office issued a Request for Proposal titled "Development of Strategies to address the City of San José's General Fund Structural Budget Deficit." Based on a competitive selection process, the proposal submitted by Management Partners, Inc., was deemed the most advantageous proposal. Therefore, the City Manager's Office executed an agreement with Management Partners, Inc. on September 26, 2007 to conduct stakeholder outreach and prepare and present a report, *Development of Strategies to Address the City's General Fund Structural Deficit*. An extension was executed on May 20, 2008 to engage the consultant in additional stakeholder outreach and prepare analysis for a *Three-Year General Fund Structural Deficit Elimination Plan* to respond to City Council direction.

ANALYSIS

The City is nearing the \$249,950 maximum compensation allowed under the existing continuation agreement and recommends increasing compensation by \$47,250 for an expanded

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scope of services and extending the agreement by six months in an amount not to exceed \$100,000 for additional services.

Management Partners, Inc. has provided significant coordination and technical analysis to support the City Council goal of eliminating the structural deficit in three years. From September through December 2007, Management Partners completed stakeholder outreach and technical analysis to produce the *Development of Strategies to Address the City's General Fund Structural Deficit* report, released in January 2008 and presented to the City Council in February 2008. The report recommended 21 top priority strategies in the areas of revenue strategies, service delivery model changes, expenditure controls and shifts, and service reductions.

In response to City Council direction for additional stakeholder outreach, a continuation to the first agreement with Management Partners was executed on May 20, 2008. Management Partners prepared presentations and follow-up analysis for a series of Stakeholder Group meetings from April through September 2008 to incorporate additional stakeholder and staff input to develop a Three-Year General Fund Structural Deficit Elimination Plan.

The scope of services for the development of the Three-Year Structural Deficit Elimination Plan is recommended to be expanded, reflecting an additional \$47,250 in compensation. The amount of work required to support additional stakeholder outreach and coordinate with staff to prepare analysis was more work than originally estimated in the continuation agreement. For example, it was originally anticipated that six Stakeholder Group meetings would be held from April through September 2008. Based on the actual implementation of those meetings, however, a total of 12 stakeholder meetings were held. The scope of services, schedule of performance, and compensation schedule have been amended accordingly.

The amendment to the continuation agreement also allows the City Manager, at the City Manager's discretion, to engage the consultant in additional services in an amount not to exceed \$100,000 that may include additional analytical work and research to support the Three-Year General Fund Structural Deficit Elimination Plan update in February 2009, the City Council and community/neighborhood association meetings as part of the structural deficit elimination process, development of a priority setting framework for service reductions and/or eliminations for City Council, and support for other work products that may arise out of the Three-Year General Fund Structural Deficit Elimination Plan.

EVALUATION AND FOLLOW-UP

Consistent with the City Council approval of the Mayor's March 2008-2009 Budget Message, a Three-Year General Fund Structural Deficit Elimination Plan will be prepared and brought to Council at a December 5, 2008 Study Session. Also, an updated Plan will be prepared and released in late February 2009 as part of the budget development process for 2009-2010.

PUBLIC OUTREACH/INTEREST



Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater; (Required: Website Posting)

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- Criterion 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- Criterion 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

The criteria listed above do not apply to this recommendation. This memorandum will be posted on the City's website for the October 7, 2008 Council meeting.

FISCAL/POLICY ALIGNMENT

The scope of services in this amendment to the existing continuation agreement is consistent with the City Council three-year priority of eliminating the structural deficit.

COORDINATION

This contract amendment and memorandum have been coordinated with the City Attorney's Office.

COST IMPLICATIONS

Funding for this amendment is available in an existing City-wide appropriation. No additional funding allocation is required at this time.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. of Agreement	2008-2009 Adopted* Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
001	3656	Three-Year General Fund Structural Deficit Elimination Plan/Outreach	\$175,000	\$147,200	IX-9	6/24/08, Ord. No. 28349

*The 2008-2009 Adopted Operating Budget was approved by the City Council on June 24, 2008.

CEQA

Not a project.

JENNIFER A. MAGUIRE
BUDGET DIRECTOR

For questions, please contact Mariah Dabel, Senior Executive Analyst, at 408-535-8189.



