

City of San Jose  
Office of the City Attorney

2010-2011 Proposed Operating Budget

SALES REBOUND

# Cisco rides tech recovery

San Jose company's quarterly profit leaps 63%  
as corporate customers start buying again

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## Macy's returns to profitability on strong sales

Company attributes earnings to online presence,  
system that localizes merchandise at stores

# City Charter Requirements

- Represent the City, its Council, boards and commissions and employees in all legal actions
- Provide legal advice in all City matters

# Reduction Targets

- \$4.2M = 30% Total Reduction
  - \$2.5M - Reduction in 2010-2011 Proposed Operating Budget
  - \$1.7M - Additional reduction to offset loss of Redevelopment Agency funding

# Potential Office Staffing Level

- Personal services budget - 95%
- 12% decrease from this year
- 25% decrease since FY 01-02

# REQUESTED ONGOING BUDGET REDUCTIONS

- Eliminate 11 positions
  - 6 Attorney positions (3 filled)
  - 5 Support staff positions

# ADDITIONAL AGENCY REDUCTIONS

- \$1.7 Million Reduction:
  - General Counsel's Office
  - Litigation Support
  - Eliminate SNI Legal Support

# Current Staffing Level For Other California City Attorney Offices

| City           | Attorneys<br>(except RDA<br>& Criminal) | Population | Attys per<br>100,000<br>Population |
|----------------|---|------------|------------------------------------|
| Los Angeles    | 279.0                                   | 4,065,585  | 6.86                               |
| Oakland        | 32.0                                    | 425,068    | 7.53                               |
| San Diego      | 98.8                                    | 1,353,993  | 7.30                               |
| San Francisco* | 183.0                                   | 845,559    | 21.64                              |
| San Jose       | 44.4                                    | 1,006,892  | 4.41                               |

\*San Francisco is a City and a County.

# City's Risk and Exposures

- **Reduced transactional legal services =**
  - Increased litigation
- **Reduced litigation staffing =**
  - Higher payments
  - Decreased revenue
- **Higher outside counsel costs**
  - \$473 - Avg hourly rate for outside counsel
  - \$130 - Avg hourly total cost for CAO attorney

# City Litigation Costs\*

| City         | Fiscal Years 2007 & 2008 Combined |                     |                      |
|--------------|-----------------------------------|---------------------|----------------------|
|              | Verdicts & Settlements            | Outside Counsel     | Total                |
| Anaheim      | \$2,838,360                       | \$1,602,502         | \$4,440,862          |
| Bakersfield  | \$2,670,587                       | \$2,680,338         | \$5,350,925          |
| Fresno       | \$1,324,405                       | \$6,575,580         | \$7,899,985          |
| Los Angeles  | \$70,131,101                      | \$66,703,570        | \$136,834,671        |
| Oakland      | \$11,650,000                      | \$3,190,000         | \$14,840,000         |
| Sacramento   | \$5,308,590                       | \$127,527           | \$5,436,117          |
| San Diego    | \$25,955,025                      | \$6,533,645         | \$32,488,670         |
| San Jose     | \$3,603,249                       | \$15,150            | \$3,618,399          |
| <b>TOTAL</b> | <b>\$123,481,317</b>              | <b>\$87,428,312</b> | <b>\$210,909,629</b> |

\*California Citizens Against Lawsuit Abuse

# Transactional Workload

## Major Projects

- Medical Marijuana Regulations
- Ballpark Proposals
- City – County
- Proposed Ballot Measures
- Sign Ordinance
- Federal Stimulus Projects
- Financial Issues – Revenue sources
- Bond Issues
- General Plan Update
- Green Initiatives
- Convention Center Expansion

# Examples of Reduced Transactional Legal Services

- Eliminate support for most boards, commissions and committees
- Reduced support to departments
  - Limited or no review of contracts
  - Longer response times
  - Eliminate training (ethics, Brown Act)
  - Limited preparation and review of documents
- Quality of work product will suffer

# Significant Litigation Workload

- Financial risks
  - \$56 Million claimed for 40 cases
- Employment Cases Rising
- Code Enforcement/Nuisance Abatements/Unfair Business Practices
- Civil Rights Cases
- General Liability Claims
- Workers' Compensation

# Examples of Reduced Litigation Services

- Fewer cases initiated:
  - Municipal Code Violations
  - Nuisance and Gang Abatements
  - Health and Safety Violations
  - Unfair Business Practice Cases
  - Collection Actions
- Fewer staff to defend cases will impact outcomes

# Revenue Collections

- Average \$13.7M annually over past 10 years
- \$14.6M collected in 08-09
- \$22M projected in 09-10

# Summary of Impacts of CAO Reductions

- Staffing levels not adequate to meet the legal needs of the City
- San Jose will no longer have:
  - Lowest claims and litigation costs
  - Lowest outside counsel costs
- Loss of significant revenue generated from legal collection actions

# OFFICE PROPOSAL

- Freeze 7 vacant positions
- Explore possible fund shifts
- Work with RDA to address proposed cuts
- Recommended service restorations –  
First 5% for 3 Attorney positions