



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Debra Figone

**SUBJECT:** SEE BELOW

**DATE:** February 23, 2012

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## SUPPLEMENTAL

**SUBJECT: IBM OPERATIONS EFFICIENCY DIAGNOSTIC REPORT**

### RECOMMENDATION

Accept the City Manager's report and workplan related to the IBM Operations Efficiency Diagnostic Report.

### OUTCOME

Acceptance of the recommended workplan will allow the Administration to take appropriate actions on the issues highlighted by the IBM Operations Efficiency Diagnostic Report, by identifying the opportunity areas outlined in the Report with the highest near- and longer-term potential to benefit the City, in the context of continuous improvement and identified priorities. Staff will bring forward any related recommendations as part of the FY 2012-2013 Budget, for Council discussion, and as appropriate through Council Committees. It should be noted that the Administration is not proposing a reduction in police or fire staffing based on the IBM report.

### BACKGROUND

San José was one of 100 cities evaluated in an IBM benchmarking study that analyzed how efficiently city governments deploy their resources. San José was then chosen to partner with IBM on a more in-depth operational efficiency study to identify potential cost saving opportunities that will help the City address its budget challenges given current economic realities. This study, focusing on services provided by the Police, Fire, and Parks, Recreation and Neighborhood Services (PRNS) departments, began on October 26, 2011.

In October, the IBM team held preliminary meetings with senior and executive staff from Police, Fire, PRNS, the City Manager's Budget Office, Finance, Information Technology, the City Attorney's Office, the City Auditor's Office, and the City Manager's Office to better understand issues that may impact the departments of Police, Fire and PRNS. Over the months of November and December, IBM conducted research in collaboration with the departments, including "ride-alongs," site visits, and interviews with front line staff and supervisors, as well as tracking program budgets from 1974-2012 and accessing historical data from the departments' records systems.

### ANALYSIS

The IBM Operations Efficiency Diagnostic Report (IBM report) raises important questions and provocative suggestions regarding the public safety and recreational service areas. The Administration is committed to continuous improvement and welcomes perspectives that help us in this effort. This includes independent perspectives from the community we serve.

In this case the perspective is from a key member of our business community, IBM Corporation, who has devoted significant resources to this project at no charge to the City. In many ways, this work represents the next phase in our ongoing efforts to develop and generate value from public-private partnerships. In particular, IBM's independent perspective has brought forward a series of questions and observations that reflect their consultants' interpretations of our core missions, systems, and operational efficiency in public safety and recreational services.

Clearly, however, the City's deployment of resources reflects a broad range of community priorities, and is not strictly defined by a tightly defined mission and operational efficiency. The City is responsible for interpreting community values and acting on these values through services that reflect community priorities, the context of existing agreements with numerous other institutions, and the very real human impact of managing change through difficult economic conditions.

With these considerations in mind, the Administration offers the following observations regarding the IBM report:

- ❑ Fundamentally, the City of San José is and must always be willing to engage in constructive review of the services we provide and our delivery methods. A commitment to excellence and continuous improvement is a core value of our organization, and we welcome any opportunity to discuss alternatives and pursue strategies to better serve the community.
- ❑ It should be stated that through interactions with staff, IBM consultants have emphasized that their focus has been to "size the opportunity" and not to advocate any particular solution or outcome. However, it is easy to interpret their work as a challenge to current services and systems, and specifically suggesting that police and fire staffing can be significantly reduced.
- ❑ That said, I would like to clearly state that I will not be proposing a reduction in police or fire staffing based on this report. The issues raised suggest that there may be opportunities to more efficiently allocate our resources, but these opportunities are best considered in the

context of growth rather than reduction from our already reduced service levels. Further sworn staffing reductions are not being pursued.

- The report provides an opportunity to take stock of where we are after significant changes over the past several years. 11 consecutive years of budget deficits have forced the City to make difficult decisions to reduce services, and the IBM report identifies factors that should be considered as we look forward to rebuilding services. Staff will review existing analytical systems and the effective use of data in resource allocation decisions.
- In designing next steps, engagement of our professional staff as well as other community stakeholders will be critical to ensuring that strategies to maximize efficiency are operationally viable and meet community priorities. This requires an ongoing effort and collaboration with other agencies, our labor organizations, and the broader community. Recognizing staff's limited capacity to undertake the significant technical and policy analysis needed, we will integrate this work into existing workplans where possible and look for opportunities to leverage external resources, including additional public-private partnerships, where applicable.

### Workplan Framework

Many of the areas touched upon in the IBM report are already at varying stages of development, ranging from projects underway to initial discussions awaiting additional resources to advance. Other issues that require reconsideration of community values and expectations need much more careful consideration by our professional staff as well as consultation with the Council and community.

In general, potential opportunities could be categorized into the four categories listed below. These categories are not mutually exclusive, but can be helpful in organizing next steps:

- Effort already underway
- Immediately actionable; possible candidate for limited piloting
- Additional evaluation needed and Council/stakeholder engagement recommended
- Infrastructure investment or other resources required

Given the broad topics touched on by the report, the following list should not be considered a comprehensive list of follow-up actions. It is intended to provide the City Council with an indication of the level of effort already in progress and opportunities for additional advancement.

### Continue Efforts Already Underway

- A. Police Automated Field Reporting/Records Management System – In November 2009, Council approved an update on the AFR/RMS project, after the completion of a Return on Investment analysis. The Police Department received funding through several grant programs and implementation is currently underway. The project is expected to be fully on-line by June 2013.

- B. Police civilianization – The Police Department civilianized 15 sworn positions in 2011-2012 and continues to evaluate and consider options for civilianization. This is an ongoing review that the Department has incorporated in its budget development process.
- C. Fire dynamic deployment – Dynamic deployment, intended to reduce response time performance impacts that resulted from the elimination of engine companies, relies on a combination of technology, chief and company officer decisions, and actions taken by public safety dispatchers (PSD) to direct the redeployment of resources. Since dynamic deployment was first initiated, the Fire Department has systematically installed technology, made modifications to enhance its functionality, and modified existing policies and procedures to improve operational effectiveness and efficiency by leveraging technology.

To date, the Fire Communication Center has installed and continues to update software that monitors resource availability and City coverage through real-time analysis of the 911 computer-aided dispatch (CAD) data. The software alerts Dispatchers when fire apparatus should be temporarily reassigned to a different fire station to improve overall City coverage. Laptop computers have been installed on 104 of the 113 Department's fire apparatus. These laptops are equipped with automated vehicle locators (AVLs) that update the 911 CAD real-time on the location of apparatus. This technology enhancement facilitates "closest unit" resource recommendation for emergency incidents and reduced emergency response times.

- D. PRNS financial sustainability plan – PRNS has steadily decreased its reliance on the General Fund over the past several years. While a portion of this is a result of decreased staffing levels due to budget reductions, this trend is primarily driven from systematic incremental revenue performance improvement. To maximize available parks and recreation resources to the greatest number of residents, PRNS will continue to advance the Pricing and Revenue Policy. The policy is a mechanism for allocating public funds to sustain recreational services and facilities, and maximize the use of programs and facilities to ensure affordable access. Cost recovery rates are managed administratively throughout the year and reviewed and approved by Mayor and Council in the annual operating budget process. The Neighborhood Services and Education Committee will continue to review the PRNS annual report, including pricing and revenue performance.
- E. Citywide service delivery evaluations – Successive reductions have necessitated and catalyzed innovative approaches to service delivery. Staff has successfully undertaken numerous process improvements and cost avoidance strategies to provide high-quality customer service at an affordable cost. This ongoing effort will continue. The City has also entered into public private partnerships with organizations to share maintenance costs at parks and trails, and engage volunteers at libraries and parks. In addition, the City has established a framework to evaluate which services should be delivered by City staff versus non-City entities. During the last two years, a formal Service Delivery Evaluation process (City Council Policy 0-41) has successfully preserved and/or improved services while reducing the costs. Where evaluation has demonstrated advantageous, the City Manager has recommended and the City Council approved contracted services such as custodial services, parks maintenance, and graffiti abatement.

*Pursue Immediately Actionable Strategies*

- A. Fire squad pilot program – Through a collaborative effort with employees, the Fire Department has developed a plan to implement a Squad Pilot Program that takes full advantage of the Department’s Priority Dispatch System in categorizing reported emergencies, and directly scale response to the call. The Program would strategically deploy five, two-person medical response “squads” to facilitate the greatest amount of citywide coverage. The units would be independently dispatched to lower priority medical emergencies that can be appropriately managed with fewer resources. The purpose of the program is to create capacity within a stretched coverage system, matching resources to the size of the emergency, and keeping more critical personnel and equipment available within their first due response area much more often. It is anticipated that the Program would improve emergency response times, increase the availability of fire engines and trucks, and keep vital resources in their first due areas. Several other resource and personnel efficiencies are also included in the Program that could begin in April 2012, subject to final coordination and approvals.
- B. PRNS sponsorship program – PRNS is developing a plan to enhance revenue generation capacity by increasing marketing and sponsorship of existing programs and facilities. Key outcomes of the plan will be to: (1) Expand PRNS’ capacity to leverage resources by developing and maintaining collaborative marketing, partnership and sponsorship; (2) Increase program participation through additional visibility; and (3) Create a cohesive appearance for customers to easily identify San José programs and services. This plan will include performance measurements and measure the return on investment (ROI) of marketing efforts to maximize revenue generation. The plan is underway and will be ready for implementation by mid 2012.

*Conduct Evaluation and Engagement*

- A. Engaging the County of Santa Clara in Reviewing the Fire Department’s Role in Emergency Medical Services – This effort involves integration of the County pre-hospital emergency care system with the City’s Fire Department and County ambulance provider resources to create a high performance medical delivery system, as well as review of cost allocation. The current system was implemented on July 1, 2011 and is now fully functioning. Operational and financial efficiencies can now be reviewed, in order to improve patient care and benefit all system partners.
- B. Potential for greater integration of Fire Department alternative staffing strategies – The implementation and evaluation of the Fire Department Squad Pilot Program and the consolidation of several two-piece fire companies are expected to significantly enhance services provided by the Fire Department. Additional opportunities to provide services including creative deployment strategies and more cooperative and mutually beneficial shared services options between cities and fire districts are currently being discussed and considered. Evaluation of alternative staffing models and greater cooperation between departments could continue to lead to greater efficiencies and improved services.

*Additional Resources Required*

- A. Alternative strategies to support public perception of community safety – A primary desired outcome for the Public Safety CSA is that the public feels safe anywhere, anytime in San José. Although this outcome is very explicitly linked to the perception of public safety, we currently largely measure performance related to this outcome through numbers and types of crime, response times, and solve rates, with only a small focus on perception through community survey responses. We could further explore opportunities to positively impact public perception of community safety by alternative strategies that do not rely primarily on sworn officers. Such strategies could include the role of citizen engagement programs such as neighborhood watch, the infrastructure investment such as lighting and cameras, and at-risk youth programs.
- B. Police redistricting – The Police Department is undergoing an assessment of resources required for redistricting, including staffing needs, re-mapping requirements, and technology updates. Through this assessment, the Police Department is concentrating on how officers are deployed and looking for opportunities to refine deployment in an effort to gain maximum efficiency of current patrol resources.
- C. External entities focused on PRNS fund development and fundraising – In addition to the PRNS sponsorship program described above, the City could pursue the development of commission-based external resources to market and secure earned income for parks and recreation services. Opportunities could include corporate sponsorships, advertising and naming rights. Funds raised in this manner would help offset operating expenses and keep user pricing of services affordable.

The preceding initiatives reflect the City's commitment to continuous improvement and tackling difficult choices, while recognizing the complexity of ongoing operations and the importance of consulting with stakeholders. The initiatives described as "additional resources required" could also be candidates for grant funding or future partnerships.

We look forward to discussing with the City Council these and other related efforts, as we develop recommendations for the Fiscal Year 2012-2013 budget and City Council Committee workplans for the fall.

*Broader Citywide Efforts*

In addition to the specific follow-up items noted above, the City is actively engaged in several key related initiatives. On its slide 17, IBM offered the following:

"To achieve long-term fiscal sustainability, local governments need to focus on four strategic priorities

**1. Stimulate revenue growth** by pro-actively encouraging revenue-generating activities and monetizing public assets

**2. Adopt a return-on-investment approach to resource allocation** to ensure that spending is directed in a way that optimizes future revenue generation (by stimulating economic development and expansion of the tax base)

**3. Improve the operating productivity of labor and capital** by adopting new technologies and services delivery models and by *recalibrating service levels as outcomes are achieved*

**4. Eliminate infrastructure deficits and invest in capital and economic development** that encourages growth in the residential population and attracts private investment”

In fact, the City Council through budget principles and ongoing actions has taken steps to continue advancement in every one of these priority areas. Clearly much more needs to be done, and the City is well positioned to maintain its leadership position through continuous engagement and focus on improving our service delivery priorities as well as methods.

### Conclusion

Clearly data and analytics play an important role in assessing, evaluating and improving the effectiveness of service delivery systems in the public sector. After 11 years of significant budget reductions, in particular over the last three years, it is time to step back and take stock in the delivery of City services and the "systems" (the processes, policies, procedures and skills) we use to accomplish results. Taking stock in our services means asking questions about the key systems which deliver services to the residents and businesses of the city, and the systems that support the departments in delivering those services. We must take the time to ask key questions about 1) our purpose (the desired outcome or why we do what we are doing); 2) expected deliverables or what we do and what we expect to happen at the end of the process; 3) our customers or those who will use the deliverable, who we are serving; and, 4) our processes or the how of what we do (i.e., policies, procedures, methods, tools, technologies, and people). For more on systems and strategies to improve systems in local government, refer to “Extreme government makeover: Increasing our capacity to do more good” by Ken Miller (2011).

It is important to remember that the "bottom line" of the public sector is not always clear. That said, the current conditions of rising costs, limited revenues, and the structures that local governments must operate within create the context for our service delivery reality. If we are to continue to meet the demands and expectations of the San José community, it is critical that we reevaluate the systems we rely on to meet those needs. We must also honestly reevaluate, however, the capacity of our local government to do everything that is expected of us. Aligning systems and capacity will require both technical work and values conversations.

### PUBLIC OUTREACH

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

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a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item does not meet any of the three criterion listed above; however, this report will be posted on the City's website as part of the Council agenda for the February 28, 2012 Council meeting.

### **COORDINATION**

This memorandum has been coordinated with the Departments of Police, Fire, Parks, Recreation, and Neighborhood Services, and the Office of the City Auditor. In addition to this report, a related memorandum will be issued by the City Auditor.

### **CEQA**

Not a Project, File No. PP10-069(a) Staff Reports.



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City Manager

For questions please contact Ed Shikada, Assistant City Manager, at 535-8190.