CED CMTE AGENDA: 04/27/09
ITEM: 2.4

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

FROM: Edward K. Shikada

SUBJECT: SEE BELOW

DATE: 04/17/09

Approved

Date 4/15/09

SUBJECT: COMPETITION POLICY OPTIONS – EVALUATING NEW SERVICE DELIVERY MODELS

RECOMMENDATION

Accept staff report and provide feedback to staff on recommended actions to evaluate service delivery model changes in the Proposed Fiscal Year 2009-10 Budget, and to return to the Community & Economic Development Committee with recommendations related to policy revisions.

BACKGROUND

On March 12, 2009, the Community & Economic Development Committee held a special meeting to discuss the City's policies related to contracting for services and to review and consider revisions to the City's Public-Private Competition Policy. Ten panel members participated in a roundtable discussion providing a variety of perspectives to the Committee on how the City's current competition policies are working, as well as the potential implications of proposed revisions. Following the discussion, the Committee approved retaining in committee the issue of revising the public private competition policy and directed staff to return to the Committee on April 27, 2009 for further discussion.

ANALYSIS

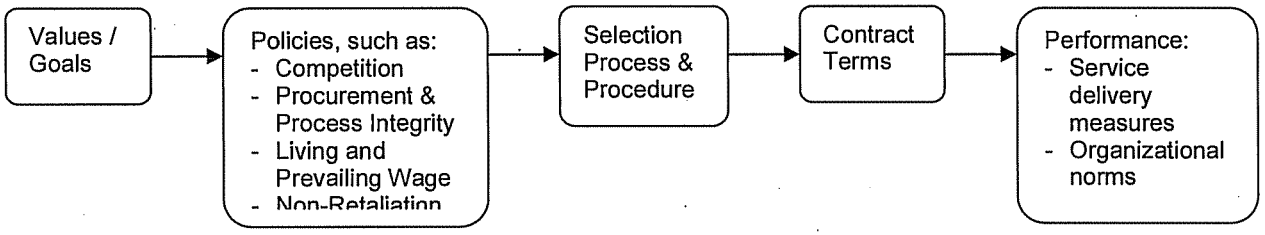
At the Committee's special meeting, a variety of themes emerged as important concerns and priorities from stakeholders related to City service delivery methods and decision making. These included:

- A central focus among all stakeholders is ensuring that quality and cost-effective services are provided to the public.

- There was also general acknowledgement that the City's policies and practices need to be simple and understandable from all perspectives, and reflect a commonsense approach.
- Within the overall context of the various ways that services can be delivered, a singular approach to decision-making will probably not fit all situations. As a result, flexibility is important.
- Several comments reinforced the point that the City's current practices, through a combination of policies and practices, does a good job overall at making contracting decisions while managing risks.
- Perspectives on the existing public-private competition policy (0-29) ranged from a desire to streamline and tweak the policy to a belief that it is already too cumbersome and should be discarded.
- It was pointed out that having checks and balances can be valuable to ensuring good decision-making as well as oversight of how services are delivered. Similar comments were made related to the value of competition in ensuring cost effectiveness and efficiency regardless of whether services are ultimately delivered by City staff or contractors, while recognizing that priorities can differ between business and government.
- Transparency in the decision making process was noted as a key factor to determining confidence in its outcome, with varied perspectives on the extent to which this is currently an issue.
- Some speakers pointed out that policy revisions should be preceded by clearly identifying the problems the revisions are intended to solve.
- A few speakers noted the value of employee engagement to leverage the culture of commitment among employees and drive service delivery innovations as well as higher levels of performance.

This range of perspectives, shared by Committee members as well as stakeholders, provided an excellent sharing of concerns and priorities regarding the City's decision making process regarding alternatives means to deliver services to the public. Based on this feedback and the initial City Council direction, staff has reviewed options for organizing next steps.

As presented at the Special Committee meeting, a number of steps are involved in any decision to contract for services. For simplicity, the following diagram illustrates the key inputs and phases of this process:



While the initial focus of the City Council referral was the Public-Private Competition Policy (Council Policy 0-29), the roundtable discussion and preliminary staff analysis demonstrates that

the issues of concern to stakeholders span a broader range than any single policy. Instead, the issues raised apply to a variety of service delivery scenarios (such as in-house as well as contracted, volunteer and non-profit based as well as for-profit). For example, procurement process streamlining is as important to City staff seeking to purchase materials, supplies, and services as it is to a non-profit organization or a private company seeking a City contract. As such, the discussion to date has pointed out that in addition to Policy 0-29, several other City policies are key factors in decision-making related to service delivery models. These include the following, as well as a variety of administrative practices:

- Procurement and Contract Process Integrity and Conflict of Interest
- Living Wage Policy
- Prevailing Wage Policy
- Lobbying Ordinance
- Open Government ("Sunshine") reforms
- Non-Retaliation Policy and California Whistleblower Protection Act
- Small and Local Business Preference Ordinance

The stakeholder input and this initial analysis point out the variety of situations in which alternative service delivery models might be initiated and pursued.

Given this wide range, staff has attempted to identify the best framework in which to evaluate the potential positive and negative impacts of such alternatives.

During the roundtable discussion, the concept of evaluating service delivery alternatives through the lens of the City's employee values was put forward. Based on further review, we believe that our employee-developed values can provide a very useful framework. The City's 2006-07 "Employee Values Project," was undertaken as a group project by a small team with input from hundreds of other employees. These values are intended to describe what is most important to us and serve as the foundation for how our organization operates in the delivery of services to the community.

The City's Values are:

- **Integrity** – Uphold the highest work ethic; be open, honest, and accountable; demonstrate fiscal responsibility
- **Innovation** – Challenge boundaries; make tough decisions; build on successes and failures; encourage
- **Excellence** – Focus on all customers; provide outstanding service; support professional development; promote continuous improvement creativity
- **Collaboration** – Foster teamwork; support partnerships; promote cooperation and win-win situations; communicate openly and positively; listen
- **Respect** – Treat everyone fairly; honor diverse views and backgrounds; empower people to do their best; protect the environment
- **Celebration** – Recognize accomplishments; create an enjoyable workplace; reward excellence; balance family and work

While intended to reflect norms and expectations among employees, these values can relatively easily be used to frame norms and expectations related to contractors and the process of deciding if and how to undertake alternative service delivery methods. Specifically, whether provided by in-house staff or private contractor, these values reflect an underlying philosophy of providing the highest quality services in a manner that reflects an organizational priority to "how" service is delivered as well as "what" is accomplished.

Attachment A provides an effort to organize the Council and stakeholder-raised issues related to the policies listed above within the framework of the City of San Jose Values. Also noted are references to the specific policy revisions proposed for discussion in the initial Council referral. As shown, with few exceptions, this values-based framework fits the issues raised quite easily.

This framework can be very powerful to support decision-making that is values-based. In addition, if application of this framework is determined to be valuable in a variety of situations, it will provide predictability and focus for stakeholders. Subject to CED Committee and City Council concurrence, staff can proceed with using this framework to significantly improve the manner in which alternative service delivery models can be identified, evaluated in consultation with stakeholders, and acted upon.

Application of the Values Framework

Like cities across the nation, San Jose is currently working through budget decisions that will be very difficult. The City Manager's Proposed Fiscal Year 2009-10 Budget will be released to the City Council on May 1st.

Staff is presently finalizing proposals to be included in the Proposed Budget. Ideally, we would like to provide the CED Committee and stakeholders with an analysis of proposed alternative delivery models within the values-based framework. However, in order ensure that communication of specific proposals is appropriately sequenced among the City Council, affected staff, service recipients, and other stakeholders, specifics are not provided in this report.

Upon release of the proposed budget, staff will present the CED Committee and stakeholders with the following information for a series of proposed alternative service delivery methods:

a. A brief description of the current service delivery method;
b. a brief description of the proposed alternative delivery method, and estimated cost implications;
c. an initial analysis of how the proposed delivery method fits within the City's values, and steps that would be taken to maximize advancement of these values; and,
d. an outline of anticipated steps forward and timeline. The City will preliminarily identify any associated meet and confer obligations, and ensure that such obligations are met.

Staff would prepare this information for key services in the City Manager's proposed budget, and initiate focused consultation with stakeholders upon release. By proceeding with this consultation in parallel with the budget deliberation period, stakeholders will be able to evaluate

and ideally agree on the next steps and approval path for proposed service delivery changes, in conjunction with the earliest policy decisions.

Given the near-term availability of specific proposals for discussion, staff recommends that these specific proposals be the subject of immediate discussion, in lieu of policy revisions at this time. We believe that these discussions will provide substantive examples which can provide a substantive foundation for future discussion of generalized policies. Based on the outcome of these specific cases, policy revisions can be considered in the Fall, following 2009-10 budget adoption.

EDWARD K. SHIKADA
Deputy City Manager

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

ATTACHMENT A
Alignment of Alternative Service Delivery Evaluation Criteria to San Jose Organizational Values

San Jose Organizational Value	Alternative Service Delivery Evaluation Criteria (and references to Council referral)
Integrity – Uphold the highest work ethic; be open, honest, and accountable; demonstrate fiscal responsibility	▪ Evaluations are fair, open, and free of conflict of interest. (1.e. Pay-to-play Regulations) ▪ Contract pricing and accounting records are transparent, objective and accurate and relevant cost factors will be included in a financial analysis. (1.f Cost Comparisons, 1.j. Sunshine Requirements/Public Disclosure) ▪ Employees and contractors can express concerns about City activity and are protected from retaliation (1.k. Whistleblower Protection) ▪ The Public has opportunities to provide input on the performance of service contracts. (1.m. Community Responsiveness Hearings) ▪ The Administration is accountable for managed competition proposals (2.a., 2.b.) ▪ Contract monitoring is adequately resourced (5.a. Fee for Contract Monitoring)
Innovation – Challenge boundaries; make tough decisions; build on successes and failures; encourage creativity	▪ Foster creative problem solving and innovation ▪ Lead to increased efficiency, productivity, and/or quality ▪ Link of quality of service and compensation to the successful achievement of performance measures (1.l. Monitoring of Contracts) ▪ Manage risk presented to the City and Public. (1.g. Maintenance of Minimum In-house Capacity, 1.i. Protection of Emergency Services)
Excellence – Focus on all customers; provide outstanding service; support professional development; promote continuous improvement	▪ Generate the highest value service at lowest cost (1.b. Contractor Performance Standard) ▪ Clearly defined expectations and performance standards. (1.c. Contractor Employee Standards) ▪ Consistently evaluate and improve delivery processes ▪ Measure customer service satisfaction ▪ Provide preference for retaining City employees
Collaboration – Foster teamwork; support partnerships; promote cooperation and win-win situations; communicate openly and positively; listen	▪ Work together with staff, contractors, labor representatives and other stakeholders throughout evaluation and decision-making ▪ Encourage participation of local and small businesses (1.d. Small Business Assistance, 5.b. Use of Local Small Businesses and Non-profits) ▪ Pursue opportunities to leverage resources
Respect – Treat everyone fairly; honor diverse views and backgrounds; empower people to do their best; protect the environment	▪ Consider contractor employee work environment and contractor history (1.a. Third Tier Review) ▪ Maximize outreach to ensure broad competition (1.h. Minimum Number of Bidders) ▪ Provide employees with the skills to ensure/enhance ability to perform work
Celebration – Recognize accomplishments; create an enjoyable workplace; reward excellence; balance family and work	▪ Award service delivery enhancements ▪ Recognize employee accomplishments ▪ Recognize successful partnerships