Regular Meeting
of the
San José
Public Safety, Finance & Strategic Support Committee
held
May 17, 2007 at 1:30 P.M

Roll Call
Present: Madison Nguyen, Chair; Forrest Williams, Member Pierluigi Oliverio, Member; Kay Winer, Chief Deputy City Manager; Mayor's Office; Danielle Kenealey, City Attorney's Office; David Baum, Redevelopment Agency; Abe Andrade, Redevelopment Agency; Ken Ferguson, Deputy Police Chief; Don Anders, Darryl Von Raesfeld, Acting Fire Chief Nancy Hetrick and Lynn Barrett, Management Partners; Sherri Millick, Information Technology; Phillip Prince, Public Works; Jorge Osequera, City Auditor's Office

Absent: Vice-Chair Pete Constant

The meeting was called to order at 1:35 p.m.

Items were heard in the order given.

Chair Nguyen deferred Items 6, 7, and 8.

1. Consent Calendar

a. FY 2006-07 Third Quarter Debt Report (Finance)

b. FY 2006-07 Third Quarter Investment Report (Finance)

Upon motion of Member Oliverio, seconded by Chair Nguyen, the Committee approved the Consent Calendar.

2. Review of the Airport Financing Plan for the Phase I Airport Master Plan Projects (Finance/Airport)

Bill Sherry, Director of Aviation, presented a report overview. Upon motion of Member Oliverio, seconded by Chair Nguyen, the Committee accepted the report.

4. Review of City Financial Investment Program and Investment Policy (Finance)

a. Review of City Financial Investment Program by External Auditor (Finance)

Scott Johnson, Director of Finance, introduced Denise Callahan, Director of Macias Consulting Group. Macias Consulting Group completed an independent evaluation and audit of the City's investment program.

Member Williams asked in terms of all the recommendations that Macias suggested to be made and implemented, and considering the implementations would be an investment,

what is Macias' projection of the return on those investments? How long will it take to see a return on the investments? Has this question been costed out? Member Williams requested a report to Council on the analysis used to determine the potential benefits of adding additional resources to enhance portfolio performance with greater diversification, with reasonable assessment, and what is the potential risk on the results of implementation of the Macias recommendations.

Member Oliverio asked staff to compare other cities of our size with the rate of return/gain; compare costs to hire an internal team versus an outsourced financial firm.

Kay Winer responded that this information could be provided in a supplemental report when reporting out to Council in two weeks. Scott Johnson will prepare the supplemental response. This item will be cross-referenced and a supplemental report will be submitted to Council reporting out in two weeks.

b. Review and Approval of Proposed Changes to Investment Policy (Finance)

Scott Johnson, Director of Finance, presented the report.

Scott Johnson recommended the Committee review and approve the proposed changes to the Investment Policy, including referring them to the City Council with recommendation to adopt the resolution approving the annual review of the Investment Policy and the changes noted.

Jorge Osequera, City Auditor's Office, presented a Response to the Macias Consulting Group's Report on the Finance Department's Investment Unit and the Finance Department's Response.

The Auditor's recommendations are that the Rules Committee not add any permanent, ongoing compliance audits of the City's investments to the City Auditor's Work Plan until the Auditor has an opportunity to assess the need for these audits ourselves. Once the Auditor has completed the Performance Audit of the Investment Unit, the Auditor will address the need for establishing a biannual review of the Investment Program or any other changes needed to the Investment Policy.

Member Oliverio suggested tabling for the next committee meeting a full comprehensive read of the Macias Audit with an additional response from the City Auditor at the June meeting.

Scott Johnson recommended to the Council an alternate option to consider changing the policy where a compliance review will be conducted by either the City Auditor, or for the Finance Director to cause having an outside Auditor complete the compliance review.

Member Williams recommended adding this to the policy recommendations and the Director of Finance will cause an investment policy compliance audit, internal or external.

Upon motion of Member Williams, seconded by Chair Nguyen, Member Oliverio opposed, the Committee approve the recommendations with modifications.

3. Review and Discussion from Management Partners on Performance Measures Specified in the Annual Budget (City Manager's Office)

Kay Winer, Chief Deputy City Manager introduced Nancy Hetrick and Lynn Barrett with Management Partners Consulting Firm. Nancy Hetrick provided an overview of the purpose of the Performance Measurement Project with each of the Council Committees. Each Committee will select a limited number of significant performance measures that will focus on areas of greatest concern as reflected in the strategic goals and priorities established by the City Council. The draft performance measures for each of the departments that comprise Public Safety, Finance and Strategic Support were reviewed by the Committee. The Police Department requested to make a brief presentation to clarify "response times". Staff from each of the departments were present to respond to questions from the Committee on the draft performance measures.

Suggestions from Committee members regarding additions or revisions to the proposed performance measures that will be reported back to the Committee by Management Partners at the June meeting were as follows:

- Include a measure on diversity in hiring, especially at the management level;
- Include number of arrests per capita, reduction in gang activity, application of force and educational outreach.
- Include racial profiling in the performance measures.
- Add a measure on wellness programs for City employees.
- The Finance Department enhanced collection of delinquent fees should be reported out in terms of its progress in meeting revenue goals for the program.
- Call Center should include dropped calls as an item for measurement.
- Public Works accuracy in estimating costs in the awarding of bids should be included as a measure.

There was discussion on frequency of reporting the measures to the Committee. Management Partners' report in June will include the performance measurements and the recommended frequency for reporting of the specific measure – monthly, quarterly, bi-annually or annually.

Upon motion of Member Williams, seconded by Chair Nguyen, the Committee members moved to pass this information on to Vice Chair Constant (absent) and Member Oliverio (early departure.) and to the City Council.

5. Redevelopment Agency Monthly Financial Reports (RDA)

a. Financial Statements – March 2007

Abraham Andrade, Assistant Director of Finance for Redevelopment Agency, presented the report on Financial Statements.

b. Capital Cost Report – March 2007

Abraham Andrade, Assistant Director of Finance for Redevelopment Agency, presented the Capital Cost Report.

c. Cash Flow Projections – March 2007

Abraham Andrade, Assistant Director of Finance for Redevelopment Agency, presented the Cash Flow Projections Report.

Upon motion of Member Williams, seconded by Chair Nguyen, the Committee moved to pass the three reports on to Vice Chair Constant (absent) and Member Oliverio (early departure).

6. An Audit of the Bridge Repair Program (Auditor)

Deferred.

7. An Audit of the Traffic Calming Program (Auditor)

Deferred.

8. Semi-Annual Recommendation Follow-up Report on all Outstanding Audit Recommendations for the Six Months ended December 31, 2006. (Auditor)

Deferred.

9. Oral Petitions

No oral petitions.

10. Adjournment

Meeting adjourned at 4:22 p.m.

By: Madison P. Nguyen

Madison Nguyen, Chair

Public Safety, Finance and Strategic Support

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