

JOINT INITIATIVE

PUBLIC POLICY PROJECT

CONTRACTING & STRUCTURAL REFORM AGENDA

Freeze Hiring

Push for a city-wide hiring freeze for non-public safety personnel.

Determine Core Missions

Push for city-wide analysis to determine “core missions”

Contracting Out Task-force

Push Mayor to being a contracting task-force/commission to make recommendations to simplify rules for contracting out and RFP process.

Suspend Prevailing Wage

Suspend prevailing wage to create more competition for contracting out services and projects.

POLICY RECOMMENDATIONS

Streamline the City's Contracting Out Policies to Improve Competition, Reduce Costs and Make It Easier to Do Business With the City: The recent revisions to the city's contracting out policies make it more cumbersome to do business with the city. The city needs to rewrite the resolutions to simplify and streamline the contracting out process, as opposed to complicating it and increasing the administrative burdens on city staff and private contractors. (I can produce more specifics on this if necessary)

Repeal City of San Jose Resolution 61144 (Prevailing Wage Policy) or Increase the \$1,000 Threshold: The City of San Jose is a charter city. Charter cities have a unique ability unlike general law cities to control municipal issues including contracts. Charter cities do not have to pay prevailing wage for city projects if state or federal monies are not used. However, the city of San Jose passed resolution 61144 (Prevailing Wage Policy), which is similar to state laws requiring the city to pay prevailing wage for city projects.

Repeal City of San Jose Resolution 68900 (Living Wage Policy): The City of San Jose should repeal resolution 68900 (Living Wage Policy). Setting minimum salaries undercuts market forces in driving down the costs of bids and in turn, hurting taxpayers. In this economic climate businesses should not be forced to pay minimum salary requirements set forth by the city. Doing so impedes competition and the number of bids accepted for review by the city.

Form a Privatization Committee to Complete a Top to Bottom Analysis of City Services to Evaluate the Potential for Contracting Out: In 2009 the Redding City Council voted to appoint a commission to study the effects and possibilities of privatizing some of Redding's services and goods that are provided by the public sector. According to the Redding Searchlight the committee is interested in privatizing animal regulations, emergency dispatching, park maintenance, building inspections, and reprographics. The City of San Jose should complete a similar analysis for consideration by the City Council.

Participate in Joint Purchasing Agreements: The City of Los Angeles currently has a joint purchasing agreement with Redding city for the acquisition of office supplies. The City of San Jose should vet opportunities to enter joint purchasing agreements with other cities and counties to leverage buying power, which results in some cases in lower unit prices and savings. These savings can be used for other services or used to close future deficits.

Explore Municipality to Municipality "Contracting Out" Opportunities: The City of Rancho Cordova is a relatively new city (incorporated in 2003). They contract their police services to the Sacramento County Police Department, while they retain a City of Rancho Cordova police force. The city recently incorporated and contracting out allows the city to leverage economies scale, and allows the City to slowly invest in capital outlay for their own police force. There may be ways for the City of San Jose to explore options of contracting services to other cities, other counties, or the state to save money.

POLICY RECOMMENDATIONS (CONT.)

Hold an Annual Workshop to Provide Potential Businesses with An Opportunity to Learn About How to Do Business with the City: The California Department of General Services routinely hosts workshops that provide small businesses with information and answers questions about how to do business with the State of California. The City of San Jose could host its own annual workshop.

Streamline the City's Request for Proposal Process: Stakeholders advanced a series of recommendations to improve, streamline and simplify the city's request for proposal process. These suggestions include:

- Providing additional detail on quarterly Council reports that describe all contracts having a value of \$100,000 or more that were entered into and executed by the city in the preceding calendar quarter. This would help businesses and the City Council evaluate contracting out opportunities.
- Amend the San Jose Municipal Code to raise the amount by which the purchase of goods or services could be made without a competitive procurement method from the current amount of \$10,000 to \$20,000. This would reduce administrative burden and overhead for small projects.
- Ensure the City Bidline site is user friendly for residents and businesses. Feedback could be solicited from businesses as to how to improve the site.
- Streamline how businesses and non-profit agencies submit insurance requirements and permit electronic submittal and renewal of proof of insurance.
- Establish electronic payment processing to allow direct deposits and direct payments to contractors and grantees.
- When business licenses are renewed, query their interest in learning more about doing business with the city.
- Provide a frequently asked question and answer page on the city's website for the most common concerns from the vendor community
- Continue to periodically develop preferred vendor lists for frequently used services.
- Continue to explore strategies to support small businesses such as leveraging economies of scale through insurance and bond pooling strategies.

JOINT INITIATIVE

PUBLIC POLICY PROJECT

Budget & Structural Reforms Talking Points

The Problem: The city faces an expected \$90 million budget shortfall, yet the city has done little to structurally change the budget, operations or the way the city provides services.

Facts & Statistics:

- San Jose has just over 4200 federated (non-public safety) employees, and growing.
- In 2008, 2300 city employees earned salaries over \$100,000 (includes public safety).
- 51% of city voters think there are too many public employees compared to 33% who think unions are being unfairly blamed for budget problems.
- San Jose recently passed a modification of its contracting policy that created additional requirements that make it more difficult for the city contract for services.
- SJ excludes pension costs (which account for nearly 30% of city staff costs) when comparing costs with the private sector.
- Services that are routinely contracted out include planning, parking, recreation, audit, park maintenance, animal control, street and building maintenance and collections.
- Cities that extensively use contracting out to provide services include San Diego, Los Angeles (city and county), Redding, Riverside and Santa Rosa.
- Critical components of successful contracting policies include: minimizing paperwork, prompt payment and advertising to encourage multiple bidders.
- 67% of voters want City to make it easier to contract out public services.
- Voters think private business would do better job than public agencies 57% to 33%.
- Prevailing wage adds 22% to labor and 10% to project costs.
- San Francisco exempts contracts under \$100,000 and the City of Palo Alto recently eliminated prevailing wage requirements.
- 55% of voters think the city should eliminate prevailing wage, 32% think it protects workers.

The Solution: To reduce budget and give the city more flexibility, San Jose must freeze hiring and simply the RFP and contracting out policies to widen the pool of potential bidders for services and projects.

Recommended Proposals:

1. Push for a city-wide hiring freeze for non-public safety personnel.
2. Push for city-wide analysis to determine “core missions”
3. Push Mayor to being a contracting task-force/commission to make recommendations to simplify rules for contracting out and RFP process.
4. Suspend prevailing wage to create greater competition for contracting out services and projects.

December 2009

Improving Contracting Out Process in San Jose

Minimize Taxpayer Costs and Provide High Quality Services

Executive Summary

The City of San Jose is expected to face a \$90 million budget deficit next year and should do everything it can to reduce costs for the provision of public services. Contracting out government services to the private and non-profit sectors is widely used by the State of California and other metropolitan cities in California and across the nation to minimize taxpayer costs while improving or maintaining the quality of public services.

In October 2009, the San Jose City Council voted to approve revisions to its contracting out policy that were intended to improve competition and make it easier to contract out city services that involve less than four city employees. But several City Council members as well as the Mayor and business leaders say the newly adopted policies make it more difficult to contract out city services to minimize taxpayer costs.

“The requirements we’re proposing to add will undoubtedly make it more difficult for people to do business with us,” said Mayor Chuck Reed. The purpose of this paper is to review the potential problems with the city’s contracting out policies and provide the policy justification for enacting a series of reforms to improve the city’s contracting out process.

The State of California and many other cities up and down the state have sought to increase the privatization of government services to save taxpayer dollars. Summary of major recommendations:

- ▶ **Streamline the city’s contracting out policies to improve competition, reduce costs, and make it easier to do business with the city.**
- ▶ **Form a “Privatization Committee” to propose a list of city services that should be outsourced to the private sector.**
- ▶ **Repeal or revise the city’s “Prevailing Wage Policy” to improve competition and reduce taxpayer costs.**
- ▶ **Repeal or revise the city’s “Living Wage Policy” to improve competition and reduce taxpayer costs.**
- ▶ **Streamline and simplify the city’s request for proposal (RFP) process.**

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The Case for Contracting Out Government Services

The State of California currently contracts out more than 13,000 projects to the private sector every year, according to the Governor's website. Local governments up and down California, as well as across the nation, contract a variety of services to save taxpayer dollars and improve service quality.

According to the California Legislative Analysts' Office, the "privatization" of government services has potential cost saving benefits and is usually discussed when municipal budgets experience negative growth. Savings from privatization can be used to close budget deficits or used for other services.

In many cases services are contracted out by local governments because these jurisdictions lack expertise in the subject area, and lack the delivery infrastructure, Contracting out also allows for cost savings by leveraging a competitive bidding process.

David Osborne and Ted Gaebler with Reinventing America say that "business tends to be better at performing economic tasks, innovating, replicating successful experiments, adapting to rapid change, abandoning unsuccessful or obsolete activities, and performing complex or technical tasks."

The public sector in many cases is not driven by cost considerations when they deliver services and goods, as opposed to the private sector, which is driven in large part by costs. In a market model the public sector and civil servants have no market incentive as a whole to deliver goods and services quickly, efficiently, and with cost in mind. Although budgetary constraints may be an issue with the public sector, they are usually a secondary or tertiary priority. For the public sector cost and quality is the primary consideration.

"It's easier to get rid of a service when a private contract runs out than when you have to cut civil service workers," said Terry Christensen, chair of the San Jose State University political science department. It can be complicated, time consuming and hard to reduce city costs by negotiating with the public employee unions. Contracting out allows government entities to pay for performance and results and easily allows the city to reduce costs when a project has been completed.

Competitive bidding for government services and goods allows the private sector to compete in the market of providing services and goods. Competitive bidding also drives down the costs.

Private entities may not always have the lowest bid, in fact in some cases the public sector may be able to provide services and goods at a lower cost. Providing a competitive bidding system where the private sector can bid for goods and services alongside the public sector introduces market forces that ultimately drives down costs, according to the California Legislative Analysts' Office.

Summary of potential advantages of contracting out government services are:

- Cost Savings for Taxpayers
- Increased Flexibility in Providing Services
- Competitiveness in the Market
- No Capital Outlay Needed
- Performance Based Contracts to Connect Funding to Results
- Customer Service Provided More Efficiently
- Success in Other Cities, Counties, and States
- Increased Expertise and Knowledge in Private or Non-Profit Sectors

Examples of Privatization in California State Government	
Program Area	Examples of Privatization Activities
Corrections	Contracts for prison beds, medical services, management-related services, and certain treatment services: joint venture involving inmate work programs.
Education	Contracts for K-12 busing services, liability insurance, consulting services, and various procurement (including textbooks and standardized tests).
Transportation	Contracts for construction work, certain design and planning activities; pilot toll road projects.
Social Services	Contracts involving certain services in the areas of health, mental health, and alcohol and drug programs; employment training contracts and grants; regional centers for the developmentally disabled.
Resources	Contracts for concessions at state facilities, activities on forest lands, and hazardous waste clean-up; reliance on certain user fees and charges.
General Government	Private construction contracts; contracts for janitorial, laundry, and security services; leasing activities; certain procurement; use of private investment advisors, actuaries, and bond underwriters and legal counsel; private insurance for employees; private firms to help locate noncompliant taxpayers; various consultant services (such as involving architects, engineers, attorneys, information technology, environmental impact reports, and special studies).

Source: Legislative Analyst's Office

Selected Examples of Area Where Government Has Been Privatized

- | | |
|---|--|
| 1. Adoption services | 28. Social security/pensions |
| 2. Municipal water supply | 29. Information technology |
| 3. Air traffic control | 30. Sports facilities/stadiums |
| 4. Museums | 31. Inner-city housing |
| 5. Airports | 32. Street cleaning |
| 6. Nursing homes/services | 33. Inspection/testing services |
| 7. Animal control/shelters | 34. Substance abuse treatment |
| 8. Parks and preserves | 35. Janitorial services |
| 9. Campgrounds | 36. Tax collections/returns processing |
| 10. Parking lots/fines | 37. Landfills/solid waste |
| 11. Concessions | 38. Telephone services |
| 12. Personnel management/recruiting | 39. Landscaping |
| 13. Data processing | 40. Toll roads/bridges |
| 14. Printing/publishing | 41. Liability insurance |
| 15. Day care centers | 42. Utilities (electric/gas) |
| 16. Prisons and jails | 43. Libraries |
| 17. Dropout prevention | 44. Vehicle maintenance |
| 18. Road maintenance and repair | 45. Locator services |
| 19. Employment training | 46. Wastewater treatment |
| 20. Renewals of drivers'/vehicle licenses | 47. Mail/postal services |
| 21. Food services | 48. Welfare (via volunteerism) |
| 22. Satellites/telecommunications | 49. Mass public transit |
| 23. Fire suppression | 50. Weatherization |
| 24. Schools | 51. Medical insurance |
| 25. Garbage/refuse collection | 52. Wildlife resources |
| 26. Security personnel/systems | 53. Mental health |
| 27. Hazardous waste management | 54. Weather forecasting |

Source: Legislative Analyst's Office

Use of Common Alternative Service Delivery Forms By Metropolitan Cities

<u>Service</u>	<u>% of U.S. Metropolitan Cities Using in 2007</u>
Residential Waste Collection	52.7%
Waste Disposal	33.5%
Hazardous Materials	26.5%
Airport	47.2%
Electric Utility	33.8%
Vehicle Towing	15.4%
Child Welfare	30.8%
Transit Services	22.8%
Job Training	8.4%
Hospitals	5.9%
Drug Programs	8.5%
Emergency Medical	55.6%
Museums	21.8%
Fleet Management	63.8%

Source: Reason Foundation Policy Brief 2008, Based on 2007 survey of U.S. metropolitan cities.

Contracting Out Success Stories

City of Philadelphia: A classic success story is that of the City of Philadelphia in 1994 where then-Mayor, now Democratic Governor of Pennsylvania Edward Rendell used contracting out to help close a \$34 million budget deficit in 1994, while still providing high quality services.

“In the first year we privatized 15 different functions, and we have 15 more on the drawing board now. With those 30 we save about \$34 million a year. Privatization has not proven nearly as hard to do as everyone expected. And it is more than just a money-saver: in almost every case we are delivering a better product to the citizens of Philadelphia,” said Rendell.

There is no central depository documenting the services that California cities and counties contract out. The review completed for this white paper found that cities do not commonly advertise the services that are contracted out. A number of specific cases from California cities and counties were found that include the cases listed on the following pages. Each local government is unique and the opportunities for contracting out differ greatly among localities depending on the local political environment, market conditions, and service needs.

City of Redding: The City of Redding in Shasta County has made great strides in utilizing contracting out to reduce costs and provide high quality services. The Redding Library is now open 60 hours instead of 40 hours a week at the same cost because services were shifted from Shasta County to the City of Redding. The savings occurs due to the lower cost of wages and benefits, according to a report by Shasta Voices.

The Haven Humane Society currently provides animal shelter for the city because the city feels that it does not have the expertise to provide such a service, according to a report by Shasta Voices. The city has experienced reduced costs and high-quality service by contracting out the operation of Turtle Bay Museums, Big League Dreams, and the Redding Soccer Park.

In August 2009, the Redding City Council voted to form a Privatization Evaluation Committee made up of the City Councilmembers and one appointee by each council member. The committee is exploring options to privatize an array of city services including park services, dog licensing, emergency response call centers, ambulance services, and maintenance. Additional services that are likely to be considered include the Redding Convention Center, the Visitors Bureau, Recreation Services, and Administrative Services, according to a report by Shasta Voices. The Privatization Evaluation Committee is slated to present its recommendations in January 2009.

City of Rancho Cordova: Rancho Cordova in Sacramento County incorporated in 2003 and currently contracts out a majority of its city services. The extensive use of privatized services has provided the city with a number of additional options to implement cost saving measures in 2009 to help close its \$8 million budget deficit. The city has renegotiated their contracts with service providers including street sweeping, annual audit, and animal services to reduce costs.

In 2007, the City renegotiated their contract for police services with the County of Sacramento to reduce costs. The presence of these contracts has allowed the City of Rancho Cordova to make decisions quickly without having to negotiate with public employee unions.

City of Los Angeles: The City of Los Angeles is facing a \$1 billion projected budget shortfall in 2013. In 2008 former City of Los Angeles Controller Laura Chick strongly encouraged the City Council and Mayor of Los Angeles to consider privatizing an array publicly provided services. Chick sent recommendations to the City Council and Mayor which included leasing Los Angeles Golf Courses, letting a private entity run the Ontario Airport on a long-term lease, privatizing animal services, leasing city parking lots, and restructuring the City of Los Angeles' water contract.

City Controller Laura Chick also recommended "Streamlining the City's Contracting Process." In her memo she outlines changes geared towards increasing Los Angeles' Contracting. Her recommendations include: **1). Minimizing Paper Work 2). Enhancing Prompt Payment Efforts 3). Improving Communications with Bidders**

County of Los Angeles: In 2009, Los Angeles County voted unanimously in 2009 to award Google with a five-year contract to run the County's electronic mail system. The contract is currently awaiting final approval pending an amendment to allow the city to seek compensation if Google breaches the terms of the contract. Google competed with other software vendors including Microsoft, according to the Los Angeles Times. Interested parties believe that once Google's system implemented that other smaller cities will follow suit.

City of Riverside: The City of Riverside City Council recently voted to extend the city's ten-year relationship with Affiliated Computer Service—an information technology services firm that operates the city's help desk, desktop, and network operations. ACS also provides IT services to the City of Irvine. "Throughout our long-term partnership, we have been impressed with ACS' strong capabilities in the IT services market and its commitment to high quality services," said Steve Reneker, the city's chief information officer.

City of El Centro: On November 3, 2009 El Centro residents passed Measure G which changed the structure of governance in the City from a General Law City to a Charter City to provide the city with more options to reduce costs and improve local control. Under California law, General Law cities are required to pay prevailing wages (set by the California Department of Industrial Relations) on city funded projects but charter cities are not required to pay prevailing wages.

Charter cities allow for more municipal control, including providing the City Council with the power to legislate the ways cities contract out services. El Centro Councilman Jon Edney states "Prevailing wages costs the city 15 percent to 32 percent more than non-prevailing wages."

Chartering allows cities to not pay prevailing wage but the City of El Centro is considering passing a prevailing wage resolution, according to the El Centro Chamber of Commerce. The El Centro Chamber of Commerce supported Measure G and is advocating a \$10 million dollar project threshold before prevailing wage requirements would be triggered on any fully funded city projects. The Chamber is also supporting a "local preference" mandate that would encourage the City of El Centro to award bids to El Centro businesses.

Ruben Duran, El Centro City Manager estimates that 10% of projects will not fall under prevailing wage requirements. He has worked in several other charter cities and points to a park restroom that ultimately cost \$110,000 but under prevailing wage requirements would have cost the city \$140,000. According to PublicCEO.com, local control over bidding was the impetus for El Centro's task force. "Our goal was to better control how local dollars are spent," said Duran.

City of San Diego: In 2006 San Diego voters passed Proposition C which amended the city's charter which prohibits the city from contracting with private companies for publicly provided services. Proposition C allows contracting out if the City Manager deems it to be economical for the city and obtains approval from the City Council.

Three years later no public contracts have been put to bid because union leaders and city council members cannot agree on which projects should be put to bid. City Councilmember Carl DeMaio is collecting signatures for the Competition and Transparency in City Contracting Charter Amendment. This amendment, if qualified and approved in 2010, would require the City to post all jobs for contract and to accept bids.

County of San Diego: In 1995-96, the County of San Diego was facing a \$65 million structural budget deficit and the Board of Supervisors was seriously considering bankruptcy. County officials say increasing competition and innovation were the two factors that helped the city balance the budget in 1995-96 and avert bankruptcy, according to a county report. In one of its first cost cutting measures, the County sold the North County Resource and Recovery facility to Allied Waste Management for \$184 million. The plant was soon closed due to unsustainable operational costs.

The County also set up the Competition and Reengineering Group headed by Lawrence Prior, the County's Chief Administrative Officer. The primary objective of the group was to cut department costs while providing the same or better level of services. A "managed competition" system was implemented where publicly provided services were put out to bid. The public sector was able to cut costs and save the county an estimated \$34 million, according to a report funded by the PricewaterhouseCoopers Endowment.

City of Vallejo: To help close a \$12 million budget gap for 2009-10, the Vallejo Police Department found a way to save money by contracting out the writing of police reports. The city determined that it would be cheaper to hire private transcriptionists than to hire more police officers to write the reports. The City now uses a Tennessee-based firm to write its police reports.

City of Oakland: The City of Oakland is considering hiring a private security firm to help with city public safety services. Councilmember Ignacio De La Fuente, a leading proponent of the proposal, says the proposal would enable the city to provide more officers in Oakland's crime plagued areas for less money.

City of Modesto: Mayor Jim Ridenour and Councilmember Kristin Olsen have put forth a plan to privatize building maintenance which could save the city \$260,000 per year, according to the Modesto Bee. The City privatized its park maintenance in 2006.

City of Santa Rosa: To help close an \$15 million deficit for 2009-10, Santa Rosa is planning to provide engineering and IT services to other cities and contracting out park maintenance.

City of Norwalk: The City of Norwalk contracts out sewer maintenance, street lighting, and street sweeping services, according to the city's website.

City of Solana Beach: The City of Solana Beach contracts out many services including street sweeping and park maintenance, according to the city's website.

History of Contracting Out Policies in the City of San Jose:

The San Jose City Council passed the city's "Public Private Competition Policy" (Policy 0-29) in March 1997. In October 2009, the San Jose City Council voted to approve a new policy to evaluate service delivery and approved revisions to the city's "Public Private Competition Policy" (Policy 0-29) which was initially adopted in March 1997. The new policies came out of a series of roundtable discussions with a number of community stakeholders that began in May 2009.

The changes passed on a 7-4 vote with a number of Councilmembers saying the changes would make it more difficult to reduce taxpayer costs by contracting out government services. Mayor Reed and Councilmembers Pierluigi Oliverio, Pete Constant, and Sam Liccardo all agreed that the changes would add too many additional hurdles to the contracting out of city services—a concept that city management and business leaders support as a way to save taxpayer dollars, according to a San Jose Mercury News Report.

Summary of October 2009 Policy Changes:

Councilmember Nancy Pyle chaired the Community and Economic Development Committee which began meeting in March 2009 to discuss revisions to the city's policies for contracting out services. Ten panel members, including representatives from labor, business, and the non-profit community, participated in a series of discussions on how current competition policies are working as well as the implications of potential changes, according to city documents. City staff also held five public meetings with committee members and other community stakeholders beginning in May 2009 to discuss potential changes.

At an October 20, 2009 City Council meeting, Councilmember Nancy Pyle presented the Committee's proposed policy changes to the full City Council which were ultimately approved.

Pyle's proposed a new Council policy, titled "Service Delivery Evaluation," would require an extensive business case analysis to be undertaken for service delivery changes that are expected to result in the addition, deletion, or reclassification of four or more city positions.

The policy stipulates that the City Manager shall consider recommendations for changes to the existing service delivery from the City Council, city managers, bargaining unions, and the public and private sector. "The City manager will inform the Council early in the process of the service models undergoing a business case analysis," states the policy. The business case analysis lists twelve "decision making-criteria" that the city must follow in completing the analysis. The City Council must approve any changes to existing service delivery models.

Pyle's changes to the city's "Public Private Competition Policy" adds a series of additional requirements that city contractors must meet to do business with the city such as requiring contractors to comply with the city's prevailing and living wage policies, community employment standards, non-retaliation policies, and requiring the employees of private contractors to meet the requirements of the State Whistleblower Protection Act. The revisions also require contractors to follow "sunshine requirements" for public disclosure. All records that any vendor transmits to the city would be public record.

Summary of Problems with October 2009 Policy Changes:

As mentioned above, the proposed policy changes were supposed to make it easier to contract out small projects involving less than four city employees. The reality is that many of the proposed changes were drafted by parties, namely public employee unions, which want to make it as cumbersome as possible to contract out city services.

In a nutshell, the proposed changes add red-tape, complexity and new administrative and operational hurdles to contracting out city services. The changes complicate the process and are likely to discourage companies from contracting with the city at the lowest-cost possible.

The San Jose Silicon Valley Chamber of Commerce (SJSV Chamber) noted the following problems with the proposed changes:

Public Employee Pension Costs Are Excluded from the Analysis: The SJSV Chamber proposed language to ensure that the city's "full cost of service including staff administration, and taxpayer funded pensions" are included in the cost comparison analysis. This proposed language was omitted from the final proposal. Staff costs typically represent 80-90% of the costs of providing a city service and pension costs are roughly 10-30% of staff costs. Excluding pension costs and administrative costs greatly underestimates the true cost providing city services.

Proposal Fails to Prioritize Core City Services to Determine Which Services or Products Are Best Suited for City Employees or Alternative Delivery: "The purpose of contracting services is to better manage City costs through competition. The Chamber continues to urge the City Council to prioritize core city services, then determine which services or products are best suited for city employees, or Alternative Delivery through competitive outsourcing," states a September letter by the SJSV Chamber to city staff. The city should complete a top to bottom analysis of city services to determine which services should be performed by city employees and which should be outsourced to the private sector to save taxpayer dollars.

Public Records Provisions Raise Concerns: The Chamber noted that requiring private businesses to be subject to the same public records requirements as the city raises privacy concerns and would discourage businesses from wanting to contract with the city.

The SJSV Chamber said the proposed changes would "unnecessarily complicate the effort" to bring competition to the contracting out process and would result "in a process so onerous and invasive that few if any companies will compete for city business."

Summary of Proposed Delivery Service Changes for 2009-10:

City staff held its first focus group meeting with stakeholders on May 8, 2009 to discuss alternative service delivery budget proposals, a proposal to pilot a high performance team for sewer line cleaning, and the planned steps to maximize the alignment of new service models with San Jose values, according to city documents.

Acquisition of Maintenance, Repair and Operational Supplies: In accordance with Council direction staff issued a Request for Proposal (RFP) for the acquisition of maintenance, repair and operational supplies in June. Several companies expressed an interest in the RFP and submitted proposals in September.

Concessions at Happy Hollow: The city issued an RFP in July for the outsourcing of Food and Beverage, and Retail Services within the new Happy Hollow Park and Zoo.

Real Estate Asset Management: This function moved from Public Works to General Services in the 2009-10 operating budget. This city program has a renewed focus on managing city real property assets as a whole, providing a centralized point for acquisitions and dispositions as well as lease and space management with a goal of ensuring that city-owned properties are used in a strategic and cost-effective manner that supports core city services. The city is currently researching how to best manage this program. The city spent \$250,000 on contracted professional services, among other expenses.















Service Agreement for Sewer Line Cleaning Program: The city's Department of Transportation has initiated the preliminary steps to develop the Sewer Line Cleaning staff and the associated High Performance Service Agreement. The city plans to assemble baseline service and cost data, develop a database that will automate the tracing of inventory, service requests performance results, costs and productivity, among other things.

City of San Jose Currently Outsources a Number of Projects:

The City of San Jose currently solicits bids on a variety of projects from private vendors at <http://www.sanjoseca.gov/purchasing/default.asp>. Projects include contract opportunities for professional services and consulting, non-professional services, supplies, equipment, and Information technology. The city routinely solicits contracts for the city's Capital Improvement Program (Public Works) for construction and construction related consulting services as well as request for proposals from the Environmental Services Department.

The city also lists past bids for contract opportunities in these areas. Contractors must register online with Bidline. A vendor's guide is available here: <http://www.sanjoseca.gov/purchasing/vendors.asp>

Summary of Recent Bids:

091003 E...	Cooling Tower and Industrial Use Consultant Services					n/a
	RFP  	City of San Jose - Consulting...	CA	Nov 16, 2009	n/a	
RFQ NUMBER ...	REQUEST FOR QUALIFICATIONS FOR PUBLIC ART CONSULTANT					n/a
	RFP  	City of San Jose - Consulting...	CA	Nov 9, 2009	n/a	
RFP 09-10-DO...	Signal Retiming for San José Traffic Light Synchronization...					n/a
	RFI   	City of San Jose - Consulting...	CA	Oct 30, 2009	n/a	
PRNS-PA-10-0...	Food and Beverage Services for Happy Hollow Park and...					n/a
	RFP  	City of San Jose - Consulting...	CA	Oct 27, 2009	n/a	
RFP 08-09-DO...	TiMC Systems Manager Consultant Services					n/a
	RFP  	City of San Jose - Consulting...	CA	Oct 27, 2009	n/a	
RFP 09-10-DO...	Preparedness and Action Plan for Catastrophic Incidents					n/a
	RFP   	City of San Jose - Consulting...	CA	Oct 23, 2009	n/a	
RFP 08-09-DO...	Network Re-Design, Installation, and Configuration...					n/a
	RFP  	City of San Jose - Consulting...	CA	Oct 20, 2009	n/a	
08-09-DOTAD-...	San José Automated Transit Network FFRDC Development...					n/a
	RFP  	City of San Jose - Consulting...	CA	Oct 16, 2009	n/a	
2009-02-ML	Forensic Investigator					n/a
	RFP  	City of San Jose - Consulting...	CA	Oct 5, 2009	n/a	
0908-001	1072 & 1082 Vermont Street Acquisition Opportunity					n/a
	RFP  	City of San Jose - Consulting...	CA	Sep 14, 2009	n/a	
RFP 8/09 RB	Food & Beverage Service at Various City of San...					n/a
	RFP  	City of San Jose - Consulting...	CA	Sep 11, 2009	n/a	
RFQ 091002 E...	Consultant Services for Organics Conversion					n/a
	RFP  	City of San Jose - Consulting...	CA	Sep 10, 2009	n/a	
ES-2009-01	Swom Promotional Assessments					n/a
	RFP  	City of San Jose - Consulting...	CA	Sep 8, 2009	n/a	
PRNS-PA-07-0...	Food and Beverage Services for Happy Hollow Park and...					n/a
	RFP  	City of San Jose - Consulting...	CA	Sep 2, 2009	n/a	
PRNS-PA-07-0...	Retail Services for Happy Hollow Park and Zoo					n/a
	RFP  	City of San Jose - Consulting...	CA	Aug 26, 2009	n/a	

Source: City of San Jose BidLine

San Jose's Prevailing Wage & Living Wage rules are a barrier to Competition:

In 1989, the City of San Jose passed a prevailing wage resolution which affirms that all city projects that are publicly funded in part or in full are subject to the California Department of Industrial Relations prevailing wage rates (Resolution 61144).

Prevailing wages are the basic hourly rate being paid to a majority of workers engaged within a given area and include per diem payments for benefits such as health, pension, vacation and travel time. The Beacon Hill Institute at Suffolk University found that prevailing wage requirements added 22% to labor costs and 9.9% to overall construction costs.

The city's threshold for prevailing wage requirements for projects is \$1,000, the same as California Law for State funded projects. The City of San Francisco's minimal threshold for triggering prevailing wage is \$100,000 and the City of Sacramento's threshold is \$25,000.

As a charter city chartered in 1850, San Jose is not bound by the California Constitution to pay prevailing wages on municipal contracts. California general law cities must pay prevailing wages for labor on public works projects of more than \$1,000 (California Labor Code 1771).

Charter cities can opt out of prevailing wage requirements at the time of their charter. The cities of Vista and Palo Alto have both opted out of prevailing wage requirements. Of California's 478 cities, roughly 116 are charter cities and the rest are general law cities.

The City of San Jose has also passed a living wage requirement on contracts that do not fall under the Department of Industrial Relations prevailing wage policy (Resolution 68900). This rate can be adjusted annually and is currently \$14.08 per hour.

Suggested Steps for Privatization of Government Services

Before steps are taken to privatize publicly delivered goods and services a committee should be formed to analyze the efficiency and cost of existing goods and services delivered by the public. The committee should consist of administrators, citizens, civil servants, and public officials whom are knowledgeable of services provided by the public sector.

Efficiency, cost, and quality of service provided should all be considerations when each service or good is analyzed by the committee. If the service or good is not meeting the expectations of the public, the service may be deemed inefficient.

Before a service is privatized public policy actors must decide whether the conditions for privatization are right and will create net benefits. Strong competitive forces should be present for services and goods that are chosen for privatization. If competitive forces are not present privatization may not lead to cost savings and may in fact increase costs. After a service or good is deemed inefficient and appropriate for privatization public policy actors should consider these other factors before entering private-public partnerships.

- **Accountability** – Competitive contracts should be written with appropriate accountability measures and clear goals and expectations from both parties. There should be stipulations where contracts can be nullified and changed where appropriate.
- **Quality Control** - Oversight and quality control mechanisms should be put into place to ensure taxpayer money is being spent efficiently.
- **Legal Considerations** – There are legal considerations when contracting with a private entity. Public policy actors should understand the legal and regulatory issues with private-public partnerships.
- **Finance** – The cost and finance should be determined and how the project is going to be funded including staffing and operating costs.
- **Net Benefits** - If government services and goods are contracted to private entities services and goods should be cheaper and delivered at the same rate and quality as publicly delivered goods.

Vetting Contractors - Contractors chosen should be licensed with the appropriate agency where necessary and should provide a list of prior projects carried out successfully, that are relevant to the contracted project. Contractors should be financially viable and stable.