

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Debra Figone
City Manager

SUBJECT: SEE BELOW

DATE: January 10, 2008

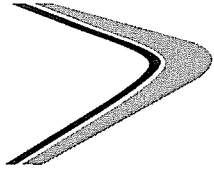
**SUBJECT: SUPPLEMENTAL MEMORANDUM: CITY OF SAN JOSE –
DEVELOPMENT OF STRATEGIES TO ADDRESS THE CITY’S GENERAL FUND
STRUCTURAL DEFICIT REPORT**

INFORMATION ONLY

Attached is a supplemental memorandum issued by Management Partners to the recently released report entitled: *City of San Jose – Development of Strategies to Address the City’s General Fund Structural Deficit*, addressing an adjustment to the Service Delivery Model Change Top Priority Strategy 2 – *Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to the Maximum Extent Possible*. The calculated fiscal impact for consolidation savings was originally overstated in the report. This has been corrected and reference to the Agency’s debt limit (‘CAP’) restrictions has also been included in the strategy discussion.

This strategy is referenced on pages 6, 58, 82 through 84, and 136 in the Management Partners report.

Debra Figone
City Manager



MANAGEMENT PARTNERS

I N C O R P O R A T E D

To: Debra Figone, City Manager
From: Andrew Belknap, Regional Vice President
Subject: Adjustment to Service Delivery Model Change Top Priority Strategy 2 –
Combine Redevelopment and City Corporate Support Functions and Shift
Economic Development Costs to the Maximum Extent Possible
Date: January 10, 2008

Management Partners used the 2007-2008 adopted San José Redevelopment Agency budget to develop the Service Delivery Model Change Top Priority Strategy 2 – *Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to the Maximum Extent Possible*. The estimate of potential consolidation savings utilized the budget reported for strategic support services. The budget totals \$6.1 million in 2007-2008. The budget narrative, performance summary and activity and workload highlights all concern the support functions of finance, purchasing, human resources and information technology - corporate support functions that the City also provides on a separate basis. However, we have subsequently learned that only \$2.5 million of the overall \$6.1 million specifically relates to these support services. The remainder of the budget supports executive management and other functions. Therefore, we have adjusted the preliminary estimate of potential consolidation savings to a maximum of \$2.2 million annually. We continue to believe that the issue of consolidating these functions, along with economic development services, would translate into tangible savings for the City and that the strategy should be pursued. The majority of other large cities in California including San Diego, Oakland, Sacramento, Santa Ana and Anaheim all operate their redevelopment agencies with shared corporate support services.

Another cautionary issue should also be considered with respect to the Redevelopment Agency, and that is that as the Agency is approaching its debt limit. Unless this can be changed, which requires agreement from other local governments, notably Santa Clara County, Agency operations will have to be substantially downsized. In this eventuality, long term savings from consolidation would also be reduced.