



COUNCIL AGENDA: 3/18/25
FILE: 25-242
ITEM: 3.3

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: COUNCILMEMBER ORTIZ

SUBJECT: See Below

DATE: 3/18/25

Approved:

Date:
3/18/25

SUBJECT: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

RECOMMENDATION

1. Accept the memorandum from Councilmember Campos.
2. Amend the recommendation under "Protecting Our Immigrant Community" from the Mayor's Budget March Message to read instead, "The City Manager is directed to provide \$500,000 in one-time funding for services to support and protect our immigrant community, which could include expanding legal services, counseling and peer support networks, family preparedness plans, and strengthening privacy systems for non-profit partners."
3. Direct the City Manager to reaffirm that the "Rent Stabilization Strategic Plan" Strategy 2.14 regarding the study of utility costs in older multifamily buildings remain in the Plan and not the budget and return to Council at the appropriate time with the results of the study.
4. Direct the City Manager to prepare an MBA that provides analysis on the impact of the changes to Measure E and a forecast of the remaining funding sources available to support the affordable housing pipeline projects to include:
 - a. Provide updated percentage allocations and spending priorities for the proposed changes to Measure E that compares the current percentages and proposed percentages.
 - b. Update the list of City owned sites listed in the June 1, 2023, MBA #45 and provide an update on the projected funding needed and progress made-to-date on city-owned sites. Include an analysis of affordable housing pipeline opportunities.
 - c. Additionally, present an updated analysis of Affordable Housing Revenue Projections as provided in the June 1, 2023 MBA #45 that lists all available funding sources for affordable housing projected out for the five years and include all funding sources in MBA #45.

Subject: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

Page 2

5. Direct the City Manager to develop an MBA evaluating city department contracts that could potentially be brought in-house to achieve long-term cost savings.
6. Direct the City Manager to develop an MBA identifying the additional staffing and technical support required for the long-term implementation of the Children and Youth Master Plan
7. Direct the City Manager to prepare an MBA on continuing to pursue the use of CDBG or any other eligible funds for the Mexican American Community Services Agency (MACSA) building as a potential Community Development Investment (CDI) project or other vehicle of investment to advance the project.

DISCUSSION

Further Protecting our Immigrant Community

This amendment increases the original allocation from \$200,000–\$250,000 to \$500,000 in response to ongoing discussions with a coalition of nonprofit organizations that serve our immigrant communities. These organizations have emphasized that while the need for resources far exceeds this amount, additional funding would provide critical support to expand vital services. Increasing this investment demonstrates the City's commitment to ensuring that immigrant residents have access to the protections and resources they need during this time of uncertainty.

Housing

As the Mayor references analysis around utility costs within older rental properties, much of this language has already been included as part of the Rent Stabilization Strategic Plan and thus that work should live in that space rather than the budget process.

Measure E

The City of San José conducts an Annual Community Opinion Survey to collect feedback from residents about the City's quality of life and identify areas for improvement. In the latest survey, residents were asked what their priorities were for specific changes to make San José a better place. The survey results revealed that the top three desired changes were addressing homeless issues, providing more affordable housing, and improving public safety and reducing crime.

By analyzing the current Measure E allocations compared to a scenario where all funds are directed toward shelter, the City can assess the extent of the divestment it is making in its efforts concerning the three P's: production, protection, and preservation. This approach will ensure that we have all the data presented to us to make data driven policy decisions before making significant funding shifts. Balancing the urgent need for

Subject: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

Page 3

shelter and homelessness services with the long-term goal of increasing affordable housing stock is essential to maintaining a sustainable and equitable housing strategy.

Contracting Out

A recent memo (Attachment A) shared to my office by IFPTE Local 21 highlights a significant cost difference between City classifications and contracted positions, with contractors costing 8% to 17% more than city staff.

In one instance, a contracted Program Manager alone cost the City more than the Director of Information Technology (Figures 2 and 3). On another occasion, a contracted offshore position still cost the City more than the lowest paid IT Department classification.

When applying the overall cost difference to total contract spending there is an estimated cost savings of up to \$2.9 million had the City kept contracted services in-house.

Figure 2

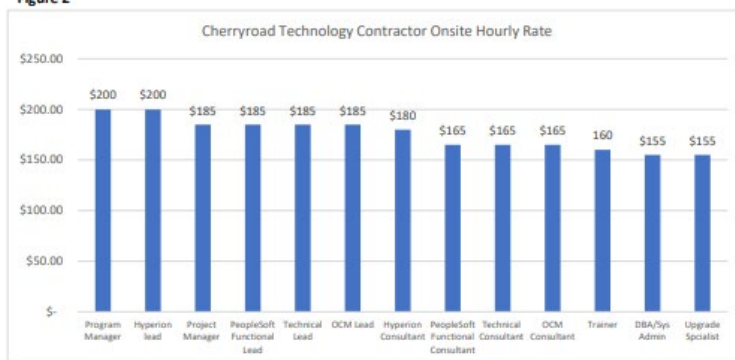
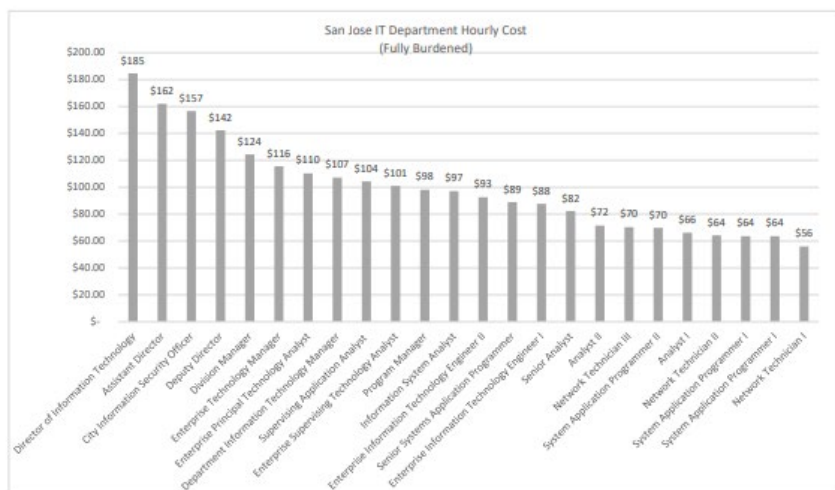


Figure 3²³⁴⁵



Subject: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message
Page 4

Children and Youth Master Plan

To successfully achieve the Children and Youth Master Plan goals by 2027, it is critical to ensure adequate staffing and technical support for its long-term implementation.

By providing comprehensive support and resources to young people, including education, mentorship, and recreational activities, we can empower them to reach their full potential and become productive members of society. This proactive approach not only fosters personal development but also reduces the likelihood of negative outcomes such as delinquency, substance abuse, and unemployment in the future. Ultimately, prioritizing youth programs demonstrates a commitment to building a stronger, healthier community for generations to come.

CDBG Funds for the Mexican American Community Service Agency

In its heyday, the Mexican American Community Services Agency was a shining example of unwavering support for students and their families. Its web of interconnected social services, community education, cultural events, recreational activities, parenting workshops, and participation in special events made it a beacon of hope for the youth of our community.

As part of our ongoing efforts, our office has been collaborating with a coalition of community organizations, including SOAC, SOMOS, Grail Family Services, Amigos de Guadalupe, Veggielution, Center for Employment Training, Health Services, Universities/Colleges, City of San Jose, Santa Clara County, and philanthropic partners. Together, we are working toward the revitalization of MACSA in a way that directly benefits the community.

We strongly believe that supporting the community's vision of revitalizing the MACSA building and offering services to the families of San José is the best path the city could take. By doing so, the city will not only preserve a key part of the community's heritage but also provide a valuable resource for generations to come.



PROFESSIONAL & TECHNICAL ENGINEERS, LOCAL 21, AFL-CIO
An Organization of Professional, Technical, and Administrative Employees

March 5, 2025

Contracting Out IT: A Costly Expense for the City¹

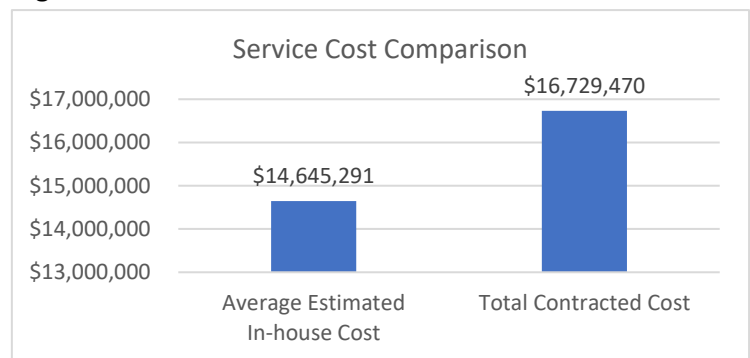
Over the past decade, the City has spent a combined \$16.7 million on four Information Technology contracts with \$7.6 million of total spending being allocated in the last five years. According to City communications, the four IT contracts include outsourced services that can be conducted in-house.

Examination of contractor hourly rates show a significant cost difference between City classifications and contracted positions, with contractors costing 8% to 17% more than city staff. In one instance, a contracted Program Manager alone cost the City more than the Director of Information Technology (Figures 2 and 3). On another occasion, a contracted offshore position still cost the City more than the lowest paid IT Department classification (Figures 3 and 4). When applying the overall cost difference to total contract spending, we estimate cost savings of up to \$2.9 million had the City kept contracted services in-house.

Table 1

Top Contracted Position	Top IT SJ Classification	Percent Change
\$464,609.60	\$384,076.93	-17%
Bottom Contracted Position	Bottom IT SJ Classification	Percent Change
\$125,902.40	\$116,355.41	-8%

Figure 1



Notably, these estimates remain on the conservative side. All contracts included in our analysis carry stipulation around hourly rate adjustments, with Spruce Technology Inc. and Second Renaissance Inc. contracts allowing annual adjustments of up to 3% after their first two to three years. As a result, contractor hourly rates may be greater than figures included in the original contracts. Furthermore, only four contracts in the IT Department were examined, leaving room for cost savings across remaining contracts and other departments.

Figure 2

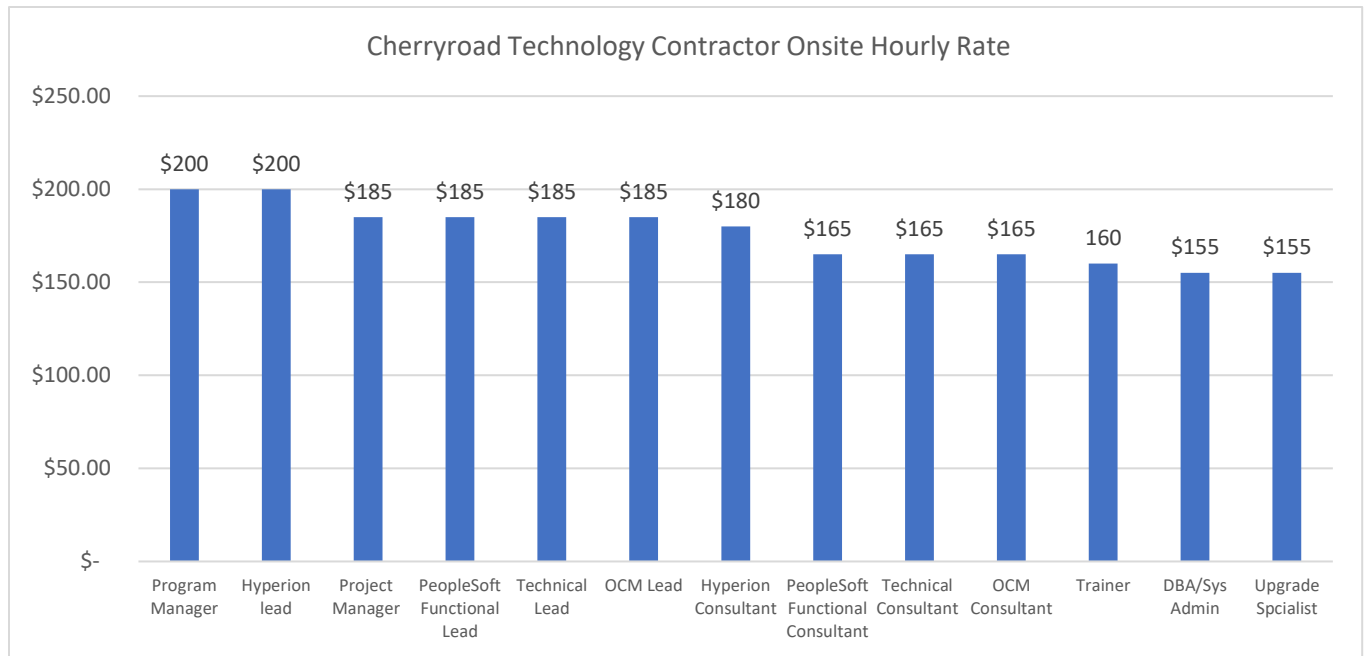
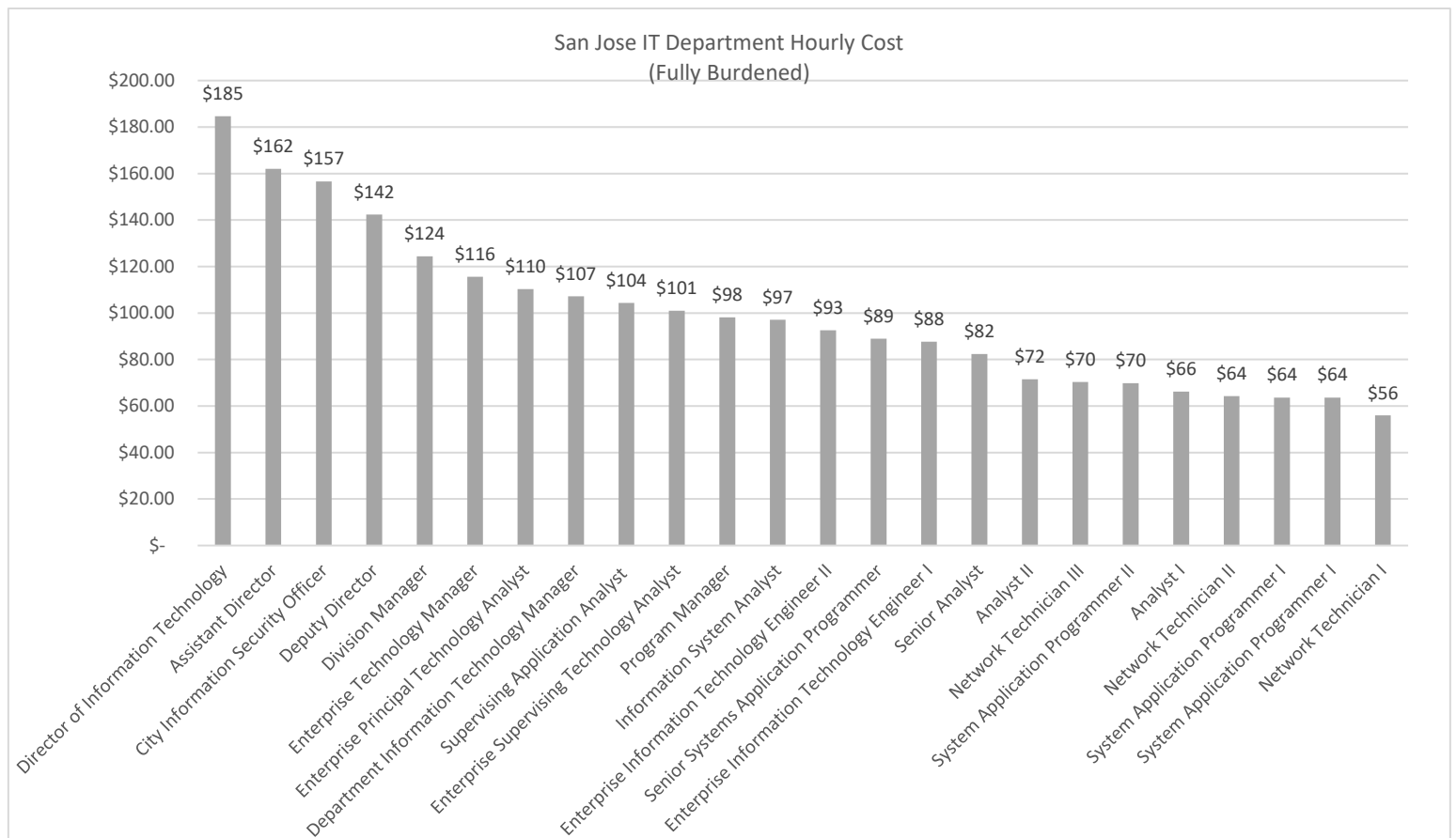


Figure 3²³⁴⁵



Contracts are also implemented with no end in sight, along with their excess cost. The oldest contracts in our analysis have been amended up to 19 times, extending their duration, expanding services, and increasing their “Not to Exceed Amount” far beyond what has been detailed in the original contracts. Cherryroad Technology alone had a cumulative increase of \$5.7 million (Table 2). More importantly, both the Cherryroad Technology and Application Software Technology (AST) agreements have had numerous amendments made throughout their lifetime despite having knowledge-transfer stipulations in their contracts as early as 2015. These knowledge transfer stipulations required City staff be trained to feasibly continue contractor work in-house, which has yet to take place. Even more concerning, both agreements include essential, long-term city services such as work related to HR, Payroll, and Timekeeping Systems, Customer Relationship Management Software Solutions, and the San Jose 311 system—all of which should absolutely be provided in-house. Had knowledge transfers occurred as promised the City would have been able to transition services out of unnecessarily costly contracts. Its time the City invest in its workers instead and staff up San Jose.

Table 2

Contractor Name	Contract Number	Current Contract Date (Including Changes, Extensions, and Amendments)	Not to Exceed Amount (Including Changes, Extensions, and Amendments)	Number of Times Changed, Extended, or Amended	Not to Exceed Amount of Original Contract	Cumulative Increase
Spruce Technology Inc	666068	6/3/21-6/30/25	\$750,000.00	3	\$320,000.00	\$430,000.00
Second Renaissance Inc	666939	6/17/21-6/30/25	\$900,000.00	1	\$500,000.00	\$400,000.00
Cherryroad Technology Inc.	660408	7/2/15-12/31/25	\$12,494,201.00	19	\$6,713,699.00	\$5,780,502.00
Application Software Technology (AST)	661960	11/16/16-11/30/25	\$2,585,268.54	18	\$374,483.00	\$2,210,785.54
Total Contracted Amount				Total Cumulative Increase		
\$16,729,469.54				\$8,821,287.54		

Figure 4

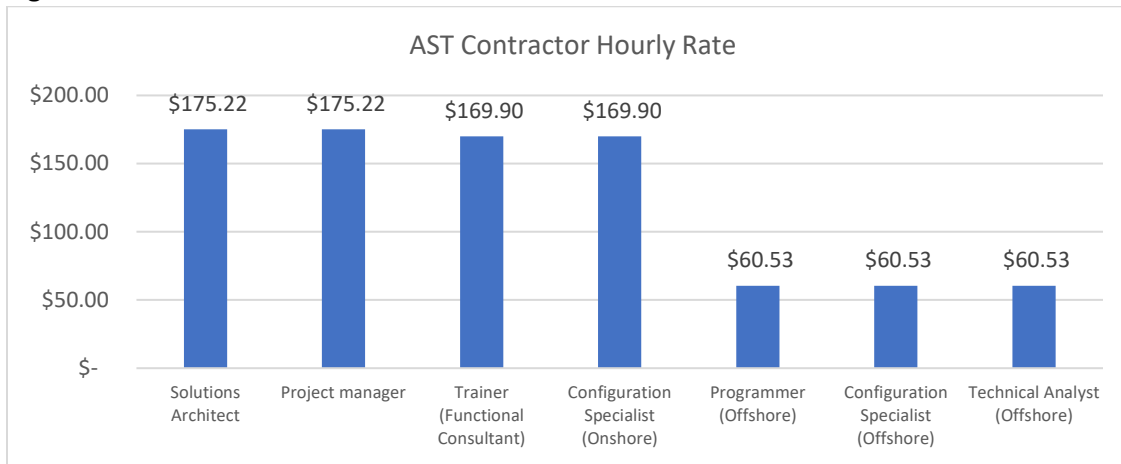


Figure 5

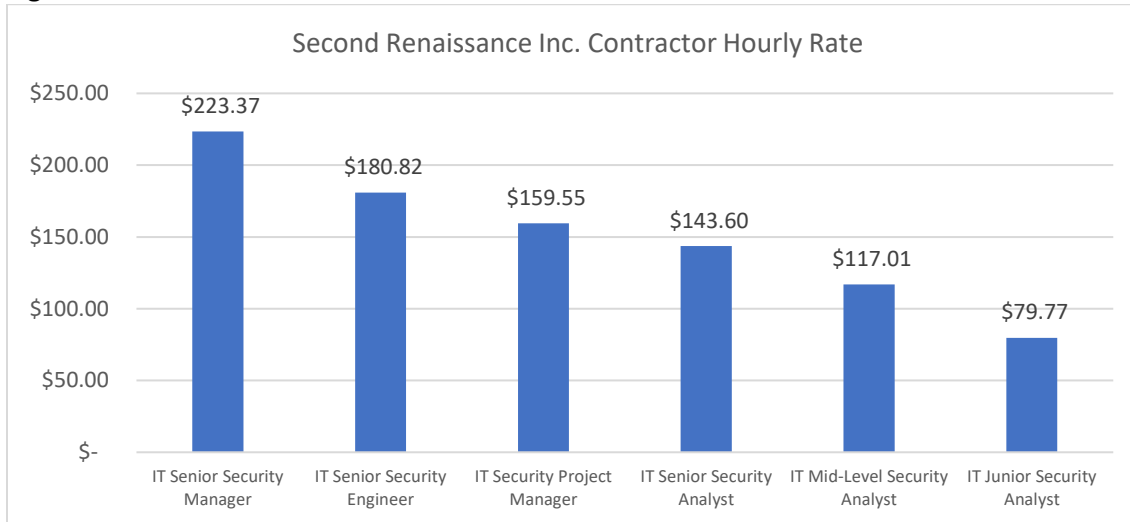
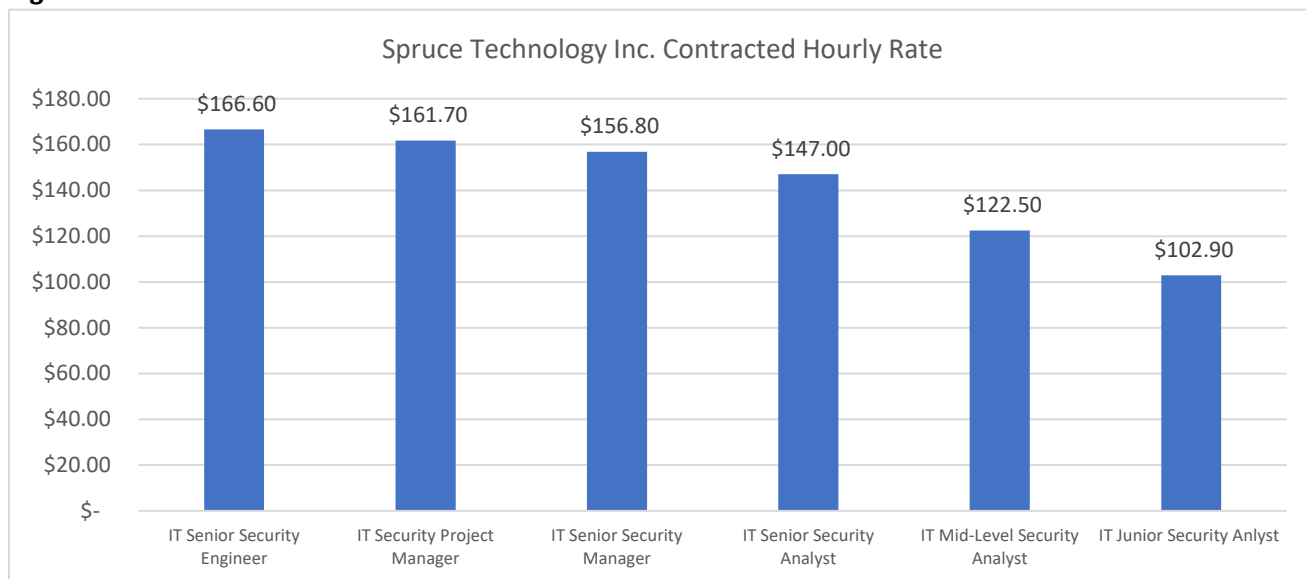


Figure 6



End Notes

- 1 All contract data and information referenced in this memo can be found on GILES, the San Jose City Clerks Records Database using contracts corresponding reference number (<https://records.sanjoseca.gov/Pages/Search.aspx>).
- 2 “2025 City of San Jose Pay Plan” February 2025, <https://www.sanjoseca.gov/home/showpublisheddocument/108062/638385702105870000>
- 3 ,
“2024-2025 Adopted Operating Budget” <https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents/2024-2025-budget-documents/2024-2025-adopted-operating-budget>.
- 4 Request for Information on employee pension costs.
- 5 “2025 Medical Plan Semi-Monthly Rates” San Jose Human Resources Department, <https://www.sanjoseca.gov/home/showpublisheddocument/114383/638616705566630000>