CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed

SUBJECT: **JUNE BUDGET MESSAGE FOR FISCAL YEAR 2013-2014**

DATE: May 31, 2013

Approved: Chuck Reed

Date: 5/31/13

RECOMMENDATION

I recommend that the City Council:

1. Approve the City Manager's Proposed Budget with the additional direction outlined in this memorandum for purposes of adopting a final budget for Fiscal Year 2013-2014.

2. Adopt a resolution authorizing the City Manager to negotiate and execute agreements for projects approved in the Mayor's Budget Message when amounts exceed the City Manager's existing contract authority provided that any required environmental review for the project has been completed.

3. Authorize the changes proposed in the following Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where the Addenda are superseded by the contents of this Budget Message.

MBA #3:	Recommendation on the 2014-2018 Proposed Capital Improvement Program
MBA #8:	McKinley Neighborhood Center Funding
MBA #11:	City Council Policy - Debt Refinancing
MBA #12:	Arena Authority Funding
MBA #17:	2013-2014 Ice Centre Revenue Fund Amendments and Sharks Ice at San Jose 2013-2014 Proposed Capital Budget
MBA #18:	Construction Excise Tax and Building and Structure Construction Tax Additional Revenue
MBA #20:	2013-2014 Proposed City Advance Amount to the Successor Agency to the Redevelopment Agency
MBA #22	Fire Facilities Assessment and Funding
MBA #23:	Recommended 2013-2014 Proposed Budget Net-Zero General Fund Adjustments
MBA #25:	Elimination of the Development Services Technology Fee and Related Recommended Appropriation and Funding Sources Amendments in the General Fund
MBA #27	Adjustments to Public Works 2013-2014 Staffing

MBA #28	Amendments to the 2013-2014 Proposed Fees and Charges Document
MBA #29	Gaming Control Reorganization
MBA #32	Police Sworn Recruitment and Training Acceleration
MBA #33	City Council Policy - Reserves and Fund Balance
MBA #34	Public Data Initiative
MBA #36	CAL-ID Program
MBA #37	Additional 2013-2014 General Fund Funding Sources and Revised $20 Million General Fund Contingency Plan
MBA #38	Recommended Amendments to the 2013-2014 Proposed Operating and Capital Budgets

INTRODUCTION

As we enter the next fiscal year, we are grateful to not be cutting services and laying off employees to cover a major General Fund shortfall.

From Fiscal Year 2002-2003 to Fiscal Year 2011-2012, San José experienced ten straight years of budget shortfalls that forced us to continually cut core City services and eliminate approximately 2,000 jobs from our City workforce.

The largest single driver of these deficits was skyrocketing retirement costs, which jumped from $73 million in 2001-2002 to $245 million in 2011-2012 and squeezed out funding for basic City operations. For example, we have fewer police officers today even though we increased the Police Department budget by nearly $100 million during that decade.

Only two years ago, our General Fund shortfall was $115 million, which would have been enough to push us into a service-level emergency if we failed to act. The City Council took bold budget actions, which included 10% cuts in total compensation for all City employees, outsourcing work, and pension and healthcare reforms.

We have been able to bring our expenses under control and are in a position to adopt a second consecutive budget without General Fund service cuts. The elements of the Fiscal Reform Plan that we've implemented to date are savings us $59 million per year in the General Fund, which translates to $81 million per year in overall savings (all funds). In addition, the rate-of-growth for retirement costs is slowing down. This year we paid $65 million less than the independent retirement boards originally projected.

Despite the lower than projected rate of growth that helped keep this year flat, retirement costs resume their climb next year. This budget includes $277 million for retirement costs, which is $200 million more than we paid 10 years ago.

The actuaries for the two independent retirement boards are projecting significant increases in retirement costs for at least another decade. Those costs will exceed 25% of the General Fund by 2017-2018 unless we implement the additional employee contributions and lower-cost pension option for our current employees, and get all new employees into the Tier II plan, as approved in Measure B.

The various elements of Measure B and other reforms will generate significant General Fund savings:

- Supplemental Retirement Benefit Reserve (SRBR) elimination -- $13.4 million
- Lowest cost plan healthcare changes effective 2012-2013 -- $6.5 million (Federated only)
- Employee contribution increases -- $48 million over four years
- New tier benefits for new employees will increase savings annually

Unfortunately, all of these savings are subject to litigation by our employee unions. The proposed General Fund budget includes approximately $20 million of General Fund savings from the SRBR elimination and lowest cost healthcare plan changes. The matters are set for trial in the Superior Court on July 22, 2013. Some spending will have to be delayed at least until we get a favorable verdict.

Even with that uncertainty we are fortunate to be able to begin to improve and enhance some core services, starting with public safety. While there are many more services that need additional funding, the proposed budget addresses our most pressing needs and reflects input gathered during our Community Based Budget Process.

As we restore services, we also need to take steps to help retain experienced and talented employees. Maintaining an Employee Compensation Planning Reserve will allow us to restore some of the 10% pay cuts that our employees have taken as soon as negotiations are completed with our 11 bargaining units.

BACKGROUND

Our focus on economic development is beginning to pay off with increasing revenues, which are allocated in the proposed budget. I am grateful to City staff for their hard work to implement the City Council's highest priorities of the Economic Development Strategy. Actions taken by the Council and staff over the past 5 years are significantly contributing to job growth and revenue generation, including:

- Working at the speed of business
- Cutting City taxes and regulations
- Preserving employment lands
- Adopting a Jobs First General Plan 2040
- Adding development services staffing capacity
- Prioritizing driving industry sector business retention and recruitment
- Expediting major projects through the permitting process to generate billions of dollars of private investment

While we celebrate the good news of being the highest growing region in the country over the last couple of years, global, national and state uncertainties can adversely affect our continued growth. We face numerous threats to our fiscal stability, such as the litigation over pension reform and retirement costs that continue to grow. That's why we must be cautious with the funds we have available and focus our spending on the highest priorities of our community.

It is clear from our community-based budgeting process that improving public safety remains our top priority. Enhancing the capacity of our Police and Fire Departments and restoring some of the service reductions suffered over the past decade are very important to our community. The proposed budget and the recommendations included in this Budget Message reflect those community priorities and include the following spending on public safety:

- **Accelerating Recruitment, Hiring, and Training:** Allocates $3 million in one-time funding to the Police Department to: ensure that the upcoming academies are filled with 60 recruits, begin preparing to implement a "hire-ahead" program in Fiscal Year 2014-2015, and continue exploring alternative strategies for recruiting and training new officers. The budget also includes one-time funds to support recruiting and hiring efforts for the Fire Department and critical civilian public safety personnel (i.e. dispatchers).
- **Police Field Patrol:** Adds over $1 million for 21 Community Service Officers as of January 2014 for non-emergency calls and field reports, thereby increasing capacity for existing Police Officers to respond to higher priority calls.
- **Police Field Patrol and Investigations:** Adds $4 million in one-time overtime funds, which will be used as a stop-gap measure to backfill for patrol and investigation position vacancies, maintain targeted enforcement of high crime activity through suppression cars, and fill other needs as we bring on new officers and civilian personnel.
- **Fire Department Staffing:** Allocates $8 million in funding to cover the costs of 49 firefighters whose salaries have been underwritten with Federal SAFER grants.
- **Retention of Police Personnel:** Sets aside funds to restore pay for public safety employees (contingent on ongoing labor negotiations), including approximately $10 million in 2013-2014 and $6.4 million ongoing for raises and retention bonuses for sworn police officers, in addition to funding for salary step increases for junior personnel.
- **Gang Prevention Efforts:** Adds $3 million for gang prevention and suppression efforts, including the San Jose BEST program, Mayor's Gang Prevention Task Force, Safe Schools Campus Initiative, and the Safe Summer Initiative Program, bringing the total annual funding in 2013-2014 and 2014-2015 to $4.6 million.
- **Homeless Response Team:** Adds funding of $7.3 million in one-time funds over a two-year period to address concerns about homeless encampments and explore long-term strategies. Adds 4 Park Rangers, 1 Community Coordinator, and 1 Program Manager to provide enforcement of the encampments along Coyote Creek near Guadalupe River Park, facilitate encampment clean-ups, provide onsite assistance for waste disposal contractors, and connect encampment residents with services and housing. Also adds funds for property storage, security services, and encampment physical deterrents, such as fencing, as well as funds to pursue permanent housing options.
- **Truancy Abatement and Suppression:** Utilizes Police Department funding to partially restore the TABS program.
- **Police Crime Prevention & Crime Analysis Staffing:** Adds 3 Crime Prevention Specialists to increase community outreach, disseminate crime prevention information, and respond to residents' concerns about crime, and 1 Crime and Intelligence Analyst position to more effectively analyze crime data and better link crime analysis, community policing, and crime prevention programs. This is in addition to the 2 new Crime Analysis positions funded in the current year.

- **Fire Department Safety:** Adds funding for cardiac monitors/defibrillator units for front-line fire apparatus and funding to implement a screening/training program to reduce the frequency of injuries caused by strains and sprains.
- **Retirement Costs:** Retirement costs continue to go up and this Message includes nearly $20 million of additional spending to pay for retirement benefits for police officers and firefighters.

Contingent on the outcome of pending litigation, this Message also includes funding to open the South San José Police Substation (Phase 1) in January 2014. By shifting police personnel who serve the southern part of the city, we can decrease the amount of time spent commuting at the beginning/end of the shift, which leads to more proactive patrol time. The Police Department estimates that would reduce commute times by approximately 18,000 hours annually, which is the equivalent of approximately 8.5 officer positions.

SPENDING PROPOSALS

1. Neighborhood Services and Public Safety

a. **Accelerating Recruitment, Hiring, and Training:** The City Manager is directed to allocate $3 million in one-time funding to the Police Department to: ensure that the upcoming academies are filled with 60 recruits; to implement a "hire-ahead" program in Fiscal Year 2014-2015, and to continue exploring alternative strategies for recruiting and training new officers. Funding for this program should come from a rebudget of department vacancy savings as detailed in MBA #38.

b. **Police Department Expanded Use of Cameras:** One item consistently heard from residents in our community budget meetings is a request to expand the use of cameras by the San José Police Department to help record graffiti and other crimes. Fixed cameras aimed at graffiti hot spots can help with these efforts. The City Manager is directed to allocate $150,000 in one-time funding to help with these efforts.

c. **Fire Department Regional Partnerships:** The Fire Department has been pursuing efforts to work on regional partnerships, most specifically related to regional dispatch. The City Manager is directed to continue these efforts and report back on further efforts during the 2014-2015 budget process. (BD #50 Constant, BD #75 Khamis)

d. **San Jose Parks Foundation:** The San Jose Parks Foundation has become a valuable partner and resource to the City. The Foundation has helped identify community partners and supporters of our park system. In order to continue their efforts and fully be able to operate on its own, the City Manager is directed to allocate $60,000 in one-time funding to support the San Jose Parks Foundation. Prior to receiving this funding, the San Jose Parks Foundation should submit a workplan to be approved by the Director of Parks, Recreation and Neighborhood Services which includes, at a minimum, specific three-year goals and strategies for (1) key Foundation sponsored initiatives; (2) membership; (3) fundraising; and (4) board development. (BD #20 Chu/Kalra)

e. **CommUniverCity Program:** San Jose State University's CommUniverCity program is an excellent partnership between residents, the campus community, and the City of San José. With the primary focus of CommUniverCity, residents of the neighborhoods set priorities, and the City and SJSU work with them to achieve their goals by relating the projects to service learning in SJSU classes - always with residents participating with students. The City Manager is directed to allocate $100,000 in one-time funding to continue to support this effort. (BD #42 Liccardo)

f. **Evergreen Branch Library:** District 8 is the only Council District with one library. The current system of pairing and rotating schedules with Hillview Library presents significant challenges for District 8 residents. Offering Saturday hours at this branch would temporarily assist this District until the new library comes online. The City Manager is directed to allocate $146,500 in one-time funding and 2.51 Library positions through June 30, 2014, to provide Saturday hours at Evergreen Branch Library. (BD #19 Herrera)

g. **Children's Health Initiative:** The City of San José provides $2.1 million annually in funding to the Children's Health Initiative. With the County's recent passage of a sales tax increase, the County is in a stronger position to fully fund this program and has expressed an interest in doing so. The City Manager is directed to allocate $1.1 million in the current year, $550,000 in 2014-2015, and $275,000 in 2015-2016. 2015-2016 will represent the last year of a 3-year phase-out of City funding.

   As reported in MBA #24, the majority of the $2.1 million awarded to the Santa Clara County Family Health Plan goes directly to pay for health premiums, and a portion, $262,993, is allocated for administrative expenses including salaries and benefits, occupancy, supplies, and professional fees associated with the Health Plan and outreach efforts.

   Before any additional funds are transferred to the Santa Clara County Family Health Plan staff must:

   1. Verify that none of the City funds spent since 2001 on administrative expenses and outreach efforts was spent on political outreach or in support of organizations or individuals who are engaged in any activities other than providing health insurance to children, and

   2. Amend the grant agreement to require that 100% of the funds provided by the City of San José are used to pay for health insurance premiums for children and that none of the funds are used for administrative expenses or outreach efforts.

h. **La Raza Study:** For years we have seen Latinos disproportionately represented in our criminal justice, juvenile justice, and child welfare systems. With many different causes and factors involved, this problem has long been considered impossible to solve. Through the leadership of La Raza Roundtable, and the Harvard Study Consensus Process, we have a broad collaborative effort that cuts across different agencies and levels of government to address the various pieces of the problem. The City Manager is directed to report to the

Public Safety, Finance, and Strategic Support Committee no later than December 31, 2013 regarding the status of this project.

i. **Overfelt Swimming Program:** The Parks, Recreation and Neighborhood Services Department offers an Aquatics Program featuring nine pools throughout the city with swim lessons and recreational swim opportunities. The pools are a vital community resource for families in San José. Councilmember Herrera has identified an opportunity to offer a summer swim program at Overfelt High School. The City Manager is directed to allocate $25,000 in one-time funding to support this program.

j. **Spartan Keyes Neighborhood Action (SKNA) Center:** The SKNA Center operates as a model partnership among volunteer residents, the City of San José, Second Harvest, Catholic Charities, First Five, CommUniverCity, and other agencies. However, City funding was not continued this year. The City Manager is directed to allocate $104,600 in one-time funding, in addition to a $30,000 rebudget as detailed in MBA #38, for total funding of $134,600. This would provide continued support for this center through June 2015. (BD #49 Liccardo)

k. **Code Compliance Campaign Signs:** The City Manager is directed to allocate $20,000 in one-time funding to support Code Enforcement sweeps to help address illegally placed campaign signs during the next election cycle.

l. **Get Fit Camp for Kids:** The Get Fit Camp for Kids is a PRNS recreational program that will help kids build a healthy lifestyle. Youth will be exposed to activities such as martial arts, hiking, biking, swimming, and healthy cooking. The camp will be offered at four sites, including Mayfair, Seven Trees, Bascom, and Willow Glen. PRNS staff has raised $23,000 in outside funds but still needs $21,000 to meet the $44,000 in program costs. The City Manager is directed to allocate $21,000 in one-time funding to fully fund the program. (BD #71 Rocha)

m. **St. James Park Security Study:** $125,000 is currently allocated for a St. James Park security study. There are many needs at St. James Park and a security study is not one of the top priorities at this time. The City Manager is directed to reallocate the funding to the Subdivision Park Trust fund for use on another project. (BD #79 Liccardo)

n. **Roosevelt Park Softball Upgrades:** $350,000 is currently allocated for Roosevelt Park Softball upgrades. Because there are other priorities for these funds in the Council District, the City Manager is directed to return the funding to District 3 Construction and Conveyance Tax Fund for future use. (BD #79 Liccardo)

o. **African American Community Services Agency (AACSA):** AACSA is currently located in an old firehouse still owned by the City. The facility is in much need of capital repairs such as parking lot repaving. AACSA is currently undergoing a fundraising campaign to pay for these repairs. In order to assist this organization in leveraging private funding, the City Manager is directed to allocate $25,000 in one-time funding to help with these repairs. (BD #43 Liccardo)

p. **ACE Charter School Franklin McKinley Reserve:** ACE Charter Schools' mission is to help historically underserved students in traditionally low-achieving communities to transform their academic trajectory toward college success. ACE Charter School is currently identifying sites for a new school in the Franklin McKinley area. A new school benefits city residents by not just providing a place for learning but by providing the community with meeting rooms and park facilities which can be available to residents during non-school hours. The City Manager is directed to allocate $250,000 in a reserve from the District 7 Construction and Conveyance Tax Funds to support partnership opportunities with ACE Charter Schools for eligible expenditures of these funds. In order to avoid creating a negative fund balance in the out year of the CIP, the City Manager should reduce the funding for the Infrastructure Backlog Reserve. (BD #54 Nguyen)

q. **Franklin McKinley Children's Initiative (FMCI) Summer Programming:** The Franklin McKinley Children's Initiative is a partnership between the City, Franklin McKinley School District, Catholic Charities, and the residents of the Santee neighborhood. One of the primary concerns of residents in the Santee neighborhood is lack of open space. The City, in partnership with Franklin McKinley School District and other community based organizations, has been looking for open space sites to provide recreation activities in neighborhoods. Franklin McKinley Children's Initiative will be hosting Pop-up Parks along Santee Drive. The Santee Pop-up Park will allow FMCI to close Santee Drive once a week for 4 hours in order to provide activities for youth. The City Manager is directed to allocate $25,000 in one-time funding to support these efforts. (BD #55 Nguyen)

r. **Domestic Violence Coordination:** With the elimination of the Domestic Violence Coordinator two years ago, critical events that bring awareness to domestic violence were eliminated including the Annual Walk to End Domestic Violence. The City Manager is directed to identify potential strategies to address domestic violence prevention and awareness needs in San José. The City Manager is also directed to allocate $50,000 in one-time funding towards these efforts. (BD #52 Constant, BD #69 Rocha)

s. **San Tomas Aquino Pedestrian Trail Improvements:** The City has put an emphasis on expanding and improving its regional serving trail routes. An opportunity exists to partner with the City of Campbell and other agencies, including two school districts and the Santa Clara Valley Water District, in designing and constructing a new pedestrian bridge over the San Tomas Aquino Creek that connects two San José Schools: Forest Hill Elementary School and Westmont High School. The City Manager is directed to allocate initial funding of $100,000 and begin working with the City of Campbell on the project. Initial funding can begin the design process and help leverage other potential grant money including federal Safe Routes to School.

t. **211 Santa Clara County Information and Referral Service:** 211 is a free, 24-hour multi-lingual information and referral service for residents of Santa Clara County providing referrals for health and human services, such as housing and utilities assistance, food referrals, legal/consumer referrals, mental health/addiction referrals, clothing/food assistance, and drug and alcohol treatment. The City Manager is directed to allocate $75,000 in one-time funding for the 211 call center to provide information and referral services for residents of Santa Clara County. This funding will provide for the City's share

to continue streamlining access to critical housing, employment services, financial assistance and health and human services which address many of the needs of the residents in the community.

2. **Community and Economic Development Services**

   a. **Multi-Housing Occupancy Permit Program:** Code Enforcement spends time inspecting multi-housing units that do not have a history of violations and this takes resources away from spending time on the problem units. The City Manager is directed to develop and implement a self-certification pilot program which would allow staff to focus on the problem units and provide an informational memo to the City Council with associated analysis. (BD #53 Nguyen)

      The City Manager is further directed to return to Council mid-year and after the audit is completed with an analysis to implement a permit fee increase, if needed, to add two additional Code Enforcement Inspectors. (BD #11 Oliverio)

   b. **Homeless Rapid Rehousing:** This March, the City Council adopted my March Budget Message which gave direction to develop a strategy to support homeless outreach services, encampment clean-ups, and permanent housing. The proposed budget includes funding for dealing with the growing problem of homeless encampments and clean-ups. However, a long-term strategy of finding permanent housing needs to be developed. As detailed in MBA #9 there are a number of options that can be pursued, but staff needs to bring forward a plan on the most effective way to deal with homelessness. To support these efforts, the City Manager is directed to set aside $4 million in one-time funds as part of a two-year funding strategy. Given next year's shortfall, the second year's allocation will be contingent on our ability to resolve next year's deficit. (BD #44 Liccardo)

   c. **Neighborhoods of Distinction:** The Neighborhoods of Distinction program was brought to the City Council and approved. However due to ongoing budget deficits funding was not dedicated to the program. Preserving the ambiance of neighborhoods is a city-wide issue. The City Manager is directed to allocate $45,000 in one-time funding to implement this program. (BD #10 Oliverio)

   d. **San Jose Sports Authority Major Events Fund:** The San Jose Sports Authority has been instrumental in securing major sporting events in San José such as the NCAA Men's Basketball Championships, the 2012 U.S. Figure Skating Championships, and San José was one of the finalist cities being considered for the 2012 U.S. Olympic Trials in Gymnastics. These are three current examples of the importance of the role that the Sports Authority plays not only in securing first class sporting events, but also in ensuring their success. The Sports Authority needs to be adequately funded to continue booking such events. The City Manager is directed to allocate $200,000 in one-time funding ($100,000 to come from the Economic Development/Incentive Fund and $100,000 from other sources identified in this Message) to the San Jose Sports Authority Major Events Fund.

   e. **Downtown Ice Rink Capital Repairs:** Downtown Ice, the holiday ice rink at the Circle of Palms, attracts approximately 42,000 skaters and 80,000 spectators each season. The

attraction has been operating for 10 years and repairs are needed on the chilling equipment. The City Manager is directed to allocate $70,000 in one-time funding for the replacement of the chiller equipment. (BD #47 Liccardo)

f. **Downtown and North San José Transportation Fund:** In April 2013, the City Council approved a Development Agreement with Schmidt CS Seufferlein et al in which the property owner agreed to a monetary contribution of $2.6 million in consideration of an additional unit allocation for the Century Court high-rise residential development in North San José. The City Manager is directed to allocate the $2.6 million contribution to offset unfunded transportation improvements in Downtown and North San José when the funding is received.

g. **Development Services Staffing and Performance Targets Status:** The City Manager's proposed budget includes several new recruitments in addition to the 50 new positions approved by the City Council in 2010-2011 and January 2013. The City Manager is directed to return to Council in January 2014 with a status report on hiring of development services personnel and a progress report on development plan review and building construction inspection performance measure targets achieved to date. Budget Document #82 recommends the implementation of a Development Services Chess Clock. The City Manager is also directed to provide Council at the January 2014 meeting with an analysis of efforts underway to track time taken by both City staff and the project applicant in the development process and opportunities to formalize this approach in the future.

h. **Urban Village Plan Implementation:** The City Manager is directed to develop an internal accounting mechanism to help finance the implementation of Urban Village plans. It is recommended that a percentage of the property tax revenue received based on the construction valuation of the project be set aside in a special fund for a period of 20 years to be drawn for infrastructure and other amenities in each Urban Village.

i. **Filling Empty Storefronts Pilot Project:** Street level vacancies along pedestrian retail corridors have a negative impact on the surrounding communities. To help with these vacancies, incentives should be provided to offset the cost of City fees, charges and taxes associated with awarding approximately 15 grants under the Filling Empty Storefronts program through December 31, 2014. The City Manager is directed to allocate $250,000 in one-time funds from the Economic Development/Incentive Fund to fund this program. (BD #48 Liccardo)

j. **Plan to extend 2-Year Construction Tax Incentive Program:** In January 2012 the City Council approved a 2-year incentive program from March 2012 to March 2014 to partially reduce the collection of the Building and Structures Tax and the Construction Excise Tax for tenant improvements for Office, Research and Development; Data Centers; and Solar Photovoltaic Systems so that those uses would be eligible to pay the Industrial tax rate of 1% of valuation rather than the Commercial tax rate of 4.5% of valuation. The City Manager is directed to return to Council no later than December 31, 2013 with a plan to include Office, Research and Development; Data Centers; and Solar Photovoltaic Systems as Industrial Uses in Title 4 beyond the March 2014 sunset date.

k. **Airport Marketing:** The City Manager is directed to appropriate $500,000 in one-time funds from the Airport Maintenance and Operation Fund for marketing efforts focused on successful launches of new airline service. The program will work collaboratively with Virgin America, All Nippon Airways, and other airlines which are new to serving Norman Y. Mineta International Airport with domestic and international routes.

l. **City Cultural Facilities Capital Maintenance:** The San Jose Museum of Art, the Tech Museum of Innovation, the Repertory Theatre, and the Children's Discovery Museum all operate out of City facilities. Unfortunately, a number of significant and high critical capital needs have arisen that are posing challenges for these facilities. The City Manager is directed to allocate $400,000 in one-time funds to help address some of these critical needs. $150,000 of this would be funded from the Economic Development/Incentive Fund and $250,000 will be funded from other sources identified in this Message. The Museum of Art and Repertory Theater should also be encouraged to participate in the Cultural Facilities Capital Maintenance Cost Sharing Program as do the Tech Museum and Children's Discovery Museum already. (BD #70 Rocha)

m. **Visitor's Study:** The last visitor study was completed in 2005 and we are in need of updating that study if we are to remain competitive. The City Manager is directed to allocate $50,000 in one-time funding to update this study.

3. **Transportation and Environment**

a. **Traffic Calming:** Traffic calming is a way of managing traffic so that its negative impacts on residents, pedestrians, and schools are minimized. Traffic calming solutions include traffic and parking enforcement services, educating school children and neighborhood groups about traffic safety, and/or installing various engineering devices, such as a crosswalk to enhance visibility of pedestrians or a traffic island to slow traffic movements. Traffic calming continues to be a priority for our residents and our neighborhoods. The City Manager is directed to allocate $1.5 million to implement a 2-year traffic calming program as detailed in MBA #18. The City Manager is further directed to broaden the scope of traffic calming uses to include school safety. To provide an additional $200,000 towards radar speed display signs, the City Manager is directed to decrease the additional funding from LED Streetlight conversions from $2 million to $1.8 million. In addition, to provide funding for other items in this Budget Message, the reallocation of $100,000 in funding for radar speed display signs from the General Fund to the Building and Structure Construction Tax Fund ($100,000 from LED streetlight conversion) is recommended. (BD #15 Herrera, BD #61 Rocha)

b. **Pre-Tax Transit/Vanpooling/Bicycling Expense Accounts for City Employees:** Providing incentives to City employees to choose environmentally-friendly alternatives is a simple option to encourage public transportation. One option is to establish IRS-allowed pre-tax transit/vanpooling/bicycling expense accounts for City employees. Allowing employees to set aside up to $245 of their own pay, tax-free, is a simple way to provide employees with flexibility and cost-savings related to their daily commute. The City Manager is directed to explore this idea and return to Council no later than December 31, 2013 with the results of the analysis. (BD #6 Khamis)

c. **Senior Nutrition Program Participants Gas Cards:** Limited mobility and transportation can leave seniors isolated and unable to participate in the senior nutrition program. Gas cards are the most cost-effective method of providing transportation for seniors traveling to and from senior nutrition sites. The current gas card program is at capacity. The City Manager is directed to allocate $10,000 in one-time funding towards the purchase of senior gas cards. (BD #16 Herrera)

d. **Department of Transportation Front Loader:** The Department of Transportation regularly responds to illegal dumps in the streets. This illegal dumping poses major risks to our storm and sewer system. A front loader can help deal with these illegal dumps and clean them up quickly. The City Manager is directed to allocate $250,000 in one-time funding towards the purchase of a new front loader. Based on the recent history of usage by hours (Fiscal Year 2010-2011 to Present), the usage of a front loader is 70% for sweeper dump and 30% for illegal dumps. The funding should be split proportionally from the Storm Sewer Operating Fund ($175,000) and the General Fund ($75,000). (BD #14 Herrera)

e. **Energy Efficiency Program:** The City of San José's Energy Efficiency Program installs energy efficient improvements in City facilities. Estimated energy savings from the implementation of energy projects over a two or five year period and PG&E rebates are the only dedicated funding sources, aside from new Capital projects, available for this program. Due to the extensive administrative burden to determine savings available for this program in any given year, it is recommended that one-time funding in the amount of $150,000 instead be added to this program in 2013-2014. This will be in addition to the $245,484 that is recommended in 2013-2014 from estimated energy savings and PG&E rebates, and the remaining $1.14 million from a prior PG&E settlement. The Energy Services Company, Chevron, is currently completing an audit on approximately twenty City facilities to determine energy efficient opportunities in lighting, HVAC, water, renewable energy, and waste. Upon completion of this audit, the current Energy Efficiency Program will be reassessed based on the findings of the audit and the appropriate amount of future funding for the program should be determined as part of the 2014-2015 budget process.

4. Strategic Support

a. **Human Resources Training and Development:** Due to budget reductions in prior years, there is no longer a Workforce Training and Development Division in Human Resources and no dedicated resources to that important function. The addition of one Analyst II position would begin to add back that important function by providing one person who can coordinate and communicate training opportunities to City employees. The position would also work on restarting the Employee Survey, as well as coordinating Exit Surveys, both of which are audit recommendations. In addition, the position would work on tracking and following up with City departments on the completion of performance appraisals. The City Manager is directed to fund an Analyst II position to support these functions. (2013-2014 $84,400/Ongoing $94,000) (BD #67 Rocha)

b. **Retirement Board Position:** Given the independence of the retirement boards and the significant impact of retirement issues on the City, it is important that the City Manager have dedicated resources to assist on the many complex retirement issues. These include coordinating with the retirement boards on various issues, including the recent hiring of a Director of Retirement Services. In addition, the City Administration needs to follow issues coming before the Boards and represent the City Administration at Board meetings. This position is also needed to continue work on the governance issues that the Boards have continued to study through their outside consultant. The City Manager is directed to fund an Assistant to the City Manager position to represent the City's interest on retirement issues. (2013-14 $110,000/Ongoing $123,000)

c. **Funding Sources:** To fund many of the items included in this Message that have not been discussed, the City Manager is directed to use funding identified in MBA #27 (additional overhead of $102,000), MBA #37 (additional essential services reserve funding of $3,125,000), savings of $50,000 from the City Council choosing not to increase their salaries, and $2,000,000 from the Essential Services Reserve.

5. Rebudget Proposals

For Mayor and Council Offices, I recommend the following rebudgets subject to final verification of accounts by the City Clerk's Office. Councilmember Pete Constant has offered to forego his office's rebudget of $38,600 to help fund the Domestic Violence services. I also recommend the Council General Rebudget be reduced by $255,900 to fund proposals contained in this Message. The Mayor's Office Rebudget will be reduced by $10,000 which will be used to fund the Mayor and City Council Travel appropriation.

	Net Office Rebudget	Constituent Outreach Rebudget	Total Rebudget
Mayor's Office	$525,000	$0	$525,000
Council General	$494,100	$0	$494,100
District 1	$0	$2,500	$2,500
District 2	$19,800	$0	$19,800
District 3	$7,400	$0	$7,400
District 4	$15,200	$0	$15,200
District 5	$80,800	$5,400	$86,200
District 6	$69,000	$0	$69,000
District 7	$80,000	$0	$80,000
District 8	$33,000	$7,900	$40,900
District 9	$105,500	$31,900	$137,400
District 10	$32,600	$2,300	$34,900
Mayor and City Council Travel (from Mayor's Office)			$10,000

COORDINATION

This memorandum has been coordinated with the City Manager and City Attorney.

ATTACHMENT

CITY SOURCE AND USE OF FUNDS

	GENERAL FUND	2013-2014	Ongoing
	SOURCE OF FUNDS		
Page 13	Adjustments to Public Works 2013-2014 Staffing - Transfers and Reimbursements (Overhead)	102,000	102,000
Page 13	Beginning Fund Balance - Mayor and City Council Rebudgets	1,816,900	0
	Total General Fund Source of Funds	**1,918,900**	**102,000**
	USE OF FUNDS		
Page 5	Police Department Expanded Use of Cameras	150,000	0
Page 5	San José Parks Foundation	60,000	0
Page 6	CommUniverCity Program	100,000	0
Page 6	Evergreen Branch Library Saturday hours (Adds 1.0 Librarian II PT, 0.84 Library Page PT unbenefited, 0.50 Library Clerk PT, 0.17 Library Aide PT unbenefited effective August 4, 2013 through June 30, 2014)	146,500	0
Page 6	2014-2015 Children's Health Initiative Earmarked Reserve	(450,000)	0
Page 6	2015-2016 Children's Health Initiative Earmarked Reserve	275,000	0
Page 7	Overfelt Swimming Program	25,000	0
Page 7	Spartan Keyes Neighborhood Action Center	104,600	0
Page 7	Code Compliance Campaign Signs	20,000	0
Page 7	Get Fit Camp for Kids	21,000	0
Page 7	African American Community Services Agency	25,000	0
Page 8	Franklin McKinley Children's Initiative Summer Programming	25,000	0
Page 8	Domestic Violence Coordination	50,000	0
Page 8	San Tomas Aquino Creek Pedestrian Trail Improvements	100,000	0
Page 8	211 Santa Clara County Information and Referral Service	75,000	0
Page 9	Homeless Rapid Rehousing	2,000,000	0
Page 9	2014-2015 Homeless Rapid Rehousing Earmarked Reserve	2,000,000	0
Page 9	Neighborhoods of Distinction	45,000	0
Page 9	San Jose Sports Authority Major Events Fund	200,000	0
Page 10	Downtown Ice Rink Capital Repairs	70,000	0
Page 10	Filling Empty Storefronts Pilot Program	250,000	0
Page 9 & 10	Economic Development/Incentive Fund	(500,000)	0
Page 11	City Cultural Facilities Capital Maintenance	400,000	0

CITY SOURCE AND USE OF FUNDS

	GENERAL FUND	2013-2014	Ongoing
	USE OF FUNDS (Cont'd.)		
Page 11	Visitor's Study	50,000	0
Page 11	Radar Speed Display Signs (reallocate to Building and Structure Construction Tax Fund)	(100,000)	0
Page 12	Senior Nutrition Program Participants Gas Cards	10,000	0
Page 12	Department of Transportation Front Loader	75,000	0
Page 12	Energy Efficiency Program	150,000	0
Page 12	Human Resources Training and Development (1.0 Analyst II)	84,400	94,000
Page 13	Retirement Board Position City Manager's Office (1.0 Assistant to the City Manager)	110,000	123,000
Page 13	Essential Services Reserve (2013-2014 Proposed Budget and MBA #37)	(5,125,000)	0
Page 13	Mayor and City Council Council General (Mayor and City Council Salary Increases)	(50,000)	(50,000)
Page 14	Mayor and City Council Rebudgets - Council District 1 (Constituency Outreach $2,500)	41,100	0
Page 15	Mayor and City Council Rebudgets - Council District 2	19,800	0
Page 16	Mayor and City Council Rebudgets - Council District 3	7,400	0
Page 17	Mayor and City Council Rebudgets - Council District 4	15,200	0
Page 18	Mayor and City Council Rebudgets - Council District 5 (Constituency Outreach $5,400)	86,200	0
Page 19	Mayor and City Council Rebudgets - Council District 6	69,000	0
Page 20	Mayor and City Council Rebudgets - Council District 7	80,000	0
Page 21	Mayor and City Council Rebudgets - Council District 8 (Constituency Outreach $7,900)	40,900	0
Page 22	Mayor and City Council Rebudgets - Council District 9 (Constituency Outreach $31,900)	137,400	0
Page 23	Mayor and City Council Rebudgets - Council District 10 (Constituency Outreach $2,300)	34,900	0
Page 24	Mayor and City Council Rebudgets - Mayor's Office (Constituency Outreach $45,000)	535,000	0
Page 25	Mayor and City Council Rebudgets - Council General	750,000	0
Page 26	Mayor and City Council Travel	10,000	0
Page 27	Mayor and City Council Rebudgets - Council General Rebudget Reduction	(255,900)	0
Page 28	Mayor and City Council Rebudgets - Council District 1 Rebudget Reduction	(38,600)	0
Page 29	Mayor and City Council Rebudgets - Mayor's Office Rebudget Reduction	(10,000)	0
	Total General Fund Use of Funds	**1,918,900**	**167,000**
	Remaining Balance	**0**	**(65,000)**

CITY SOURCE AND USE OF FUNDS

	AIRPORT MAINTENANCE AND OPERATION FUND	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE		
	Total Airport Maintenance and Operation Fund Source of Funds	**0**	**0**
	USE OF FUNDS		
Page 11	Airport Marketing	500,000	0
Page 11	Operating Contingency	(500,000)	
	Total Airport Maintenance and Operation Fund Use of Funds	**0**	**0**

	BUILDING AND STRUCTURE CONSTRUCTION TAX FUND	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE	0	0
	Total Building and Structure Construction Tax Fund Source of Funds	**0**	**0**
	USE OF FUNDS		
Page 11	LED Streetlight Conversion	(300,000)	0
Page 11	Traffic Calming - Radar Speed Display Signs	300,000	0
	Total Building and Structure Construction Tax Fund Use of Funds	**0**	**0**

	CONSTRUCTION TAX AND PROPERTY CONVEYANCE TAX FUND: PARKS PURPOSES COUNCIL DISTRICT 3	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE		
	Total Council District 3 Parks C&C Tax Fund Source of Funds	**0**	**0**
	USE OF FUNDS		
Page 7	Roosevelt Park Softball Upgrades	(350,000)	0
Page 7	Ending Fund Balance	350,000	
	Total Council District 3 Parks C&C Tax Fund Use of Funds	**0**	**0**

CITY SOURCE AND USE OF FUNDS

	CONSTRUCTION TAX AND PROPERTY CONVEYANCE TAX FUND: PARKS PURPOSES COUNCIL DISTRICT 7	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE		
	Total Council District 7 Parks C&C Tax Fund Source of Funds	**0**	**0**
	USE OF FUNDS*		
Page 8	ACE Charter School Franklin McKinley Reserve	250,000	0
Page 8	Ending Fund Balance	(250,000)	0
	Total Council District 7 Parks C&C Tax Fund Use of Funds	**0**	**0**

* In 2015-2016 of the Capital Improvement Program, the Infrastructure Backlog Reserve will be reduced by $177,000 to avoid a negative Ending Fund Balance.

	STORM SEWER OPERATING FUND	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE		
	Total Storm Sewer Operating Fund Source of Funds	**0**	**0**
	USE OF FUNDS		
Page 12	Department of Transportation Front Loader	175,000	0
Page 12	Ending Fund Balance - Unrestricted	(175,000)	0
	Total Storm Sewer Operating Fund Use of Funds	**0**	**0**

	SUBDIVISION PARK TRUST FUND	2013-2014	Ongoing
	SOURCE OF FUNDS		
	NONE		
	Total Subdivision Park Trust Fund Source of Funds	**0**	**0**
	USE OF FUNDS		
Page 7	St. James Park Security Study	(125,000)	0
Page 7	Reserve: Future PDO/PIO Projects	125,000	0
	Total Subdivision Park Trust Fund Use of Funds	**0**	**0**