Economic and Neighborhood Development

Mission: *To manage the growth and change of the City of San José in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities*

The City of San José's continuing transformation as the largest city in the world's most important region of innovation and technology, presents three major long-term challenges. The first is to sustain a vital local economy despite growing competition from high-quality, lower-cost regions nationally and globally. The area's ability to create jobs for San José residents and revenue for City services depends on the health of "driving industries" – those that serve outside markets.

The second is to create livable urban neighborhoods with an adequate supply of safe, affordable housing, preserving the community's high quality of life, natural environment, and heritage.

The third challenge is to meet evolving community and business expectations regarding the safety and conditions in their neighborhoods. This includes providing services that enrich neighborhoods, creating a sustainable business environment for growth and expansion, and governing so that City strategies and decisions are open, consistent, and understood.

The Economic and Neighborhood Development City Service Area (CSA) partners are working harder with fewer resources to meet the community's varied housing needs, foster a positive business climate to encourage job creation and revenue generation, and support a vital community with a safe, attractive physical environment.

Primary Partners

Conventions, Arts & Entertainment
Office of Economic Development
Fire
Housing
Planning, Building & Code Enforcement
Public Works
Redevelopment Agency

CSA OUTCOMES

- Strong Economic Base
- Diverse Range of Housing Opportunities
- Safe, Healthy, Attractive and Vital Community

BUDGET SUMMARY

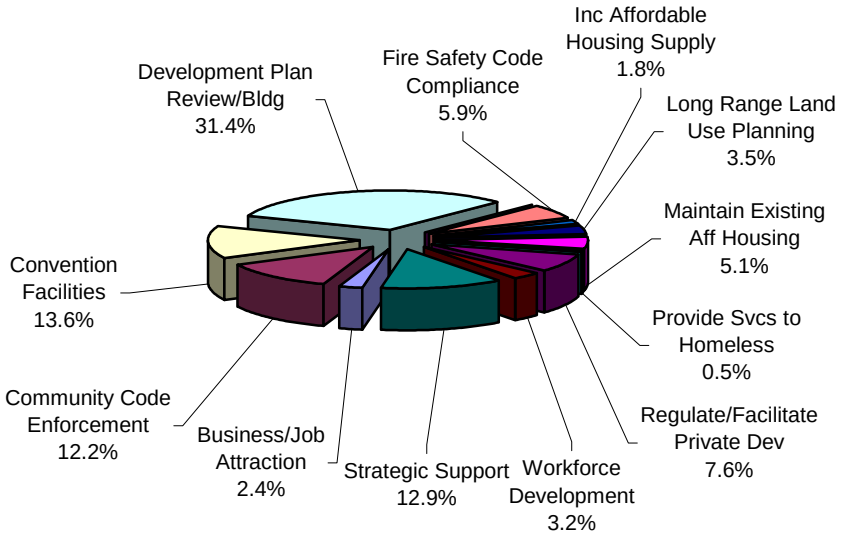
Budget at a Glance

	2003-2004 Adopted	2004-2005 Adopted	% Change
Total CSA Budget (All Funds)	$94,054,228	$106,545,795	13.3%
Total Authorized Positions	675.03	632.91	(6.2%)

Budget & Performance Highlights

- The City will aggressively implement the Economic Development Strategy, particularly the four City Council priorities.
- Land use and zoning changes to facilitate economic development such as the North San José Area Development Policy will be completed.
- After the 2004-2005 Operating Budget was adopted by City Council, the contract to operate the Convention Facilities was awarded. Beginning in 2004-2005, the Convention Facilities will be operated by "Team San José, a local non-profit organization, under a five-year management agreement.
- The Workforce Investment Network Program will expand through an emphasis on assisting residents to access employment opportunities in the areas of bio/life sciences, software, retail, healthcare and hospitality.
- Total housing production in San José will again outstrip that of other jurisdictions in the region.
- City loan and grant programs to increase and preserve the affordable housing stock will continue, though at a reduced level.
- The City's housing rehabilitation programs will continue to respond to the emergency home repair needs of the City's lowest income residents. Services to the City's homeless will continue at the current level.
- The Evergreen Smart Growth Strategy/ Visioning Project Growth will be completed and work on the Coyote Valley Specific Plan will continue.
- Land use and planning actions to further the goals of the adopted SNI plans and specific plans will be undertaken.
- Excellent customer service with a predictable and timely development review process will be maintained by emphasizing a facilitation approach and providing seamless "one-voice" service delivery.
- The ongoing dialog with development customers to set service goals and budget levels, resolve concerns, and set priorities for continually improving the development process and customer service will continue.

2004-2005 Total Operations by Core Service



City Service Area Budget Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
Business/Job Attraction	$ 1,988,879	$ 1,771,931	$ 1,762,064	$ 1,707,431	(3.6%)
Community Code Enforcement	7,848,280	9,217,879	8,647,582	8,833,476	(4.2%)
Convention Facilities	11,242,611	10,868,778	10,867,712	9,775,906	(10.1%)
Development Plan Review/Bldg	19,775,579	21,602,453	22,713,497	22,682,235	5.0%
Enhance the Quality & Supply*	N/A	N/A	N/A	N/A	N/A
Fire Safety Code Compliance	4,254,126	4,864,366	4,518,578	4,246,140	(12.7%)
Inc Affordable Housing Supply	1,225,036	1,328,752	1,389,505	1,275,613	(4.0%)
Initiate & Facilitate Public Fac*	N/A	N/A	N/A	N/A	N/A
Long Range Land Use Planning	3,052,073	2,981,632	2,647,538	2,532,979	(15.0%)
Maintain Existing Aff Housing	3,425,324	4,434,191	3,993,760	3,653,986	(17.6%)
Promote & Imp N'hood Impvt*	N/A	N/A	N/A	N/A	N/A
Provide Svcs to Homeless	349,401	387,212	353,711	353,711	(8.7%)
Regulate/Facilitate Private Dev	5,675,480	4,781,939	5,166,054	5,460,770	14.2%
Workforce Development	2,673,368	2,039,643	2,299,507	2,299,507	12.7%
Strategic Support	9,007,945	10,180,138	9,843,438	9,321,605	(8.4%)
Subtotal	**$ 70,518,102**	**$ 74,458,914**	**$ 74,202,946**	**$ 72,143,359**	**(3.1%)**
Other Programs					
City-Wide Expenses	$ 17,351,203	$ 17,248,910	$ 23,647,182	$ 26,356,039	52.8%
General Fund Capital, Transfers and Reserves	0	2,346,404	0	8,046,397	242.9%
Subtotal	**$ 17,351,203**	**$ 19,595,314**	**$ 23,647,182**	**$ 34,402,436**	**75.6%**
Total	**$ 87,869,305**	**$ 94,054,228**	**$ 97,850,128**	**$ 106,545,795**	**13.3%**
Authorized Positions**	**715.66**	**675.03**	**656.25**	**632.91**	**(6.2%)**

* The San Jose Redevelopment Agency (SJRA) Core Service budget is not part of the City's Operating Budget. For display purposes only, however, SJRA budget information can be found in the Core Services section of this document.
** Authorized positions only include SJRDA positions that are funded in the City's Operating Budget. For display purposes only, total SJRA position information can be found in the Core Services section of this document.

Current Position *How are we doing now?*

- The Economic Development Strategy contains a new set of priorities for San José's successful response to a changing economy.
- Since April 2002, over 2 million square feet of vacant space has been occupied by 49 companies using the City's Special Tenant Improvement Program generating an estimated 650 jobs.
- The development fee programs are meeting performance targets and have moved closer to financial stability with service levels and cost-recovery fees established through close consultation with the development industry.
- Health and safety issues remain the priority for code enforcement services, with zoning and blight violations now handled through neighborhood-based delivery and volunteer assistance.
- The City's 1999-2004 Affordable Housing production goal of 6,036 units was exceeded in June, 2004.
- Important long-range planning efforts are underway including the Coyote Valley Specific Plan, the Evergreen Smart Growth Strategy/Visioning Project, and the North San José Project Area Redevelopment Policy Update.

Selected Community Indicators *What external conditions influence our strategies?*

- More than 230,000 jobs have been lost in Santa Clara County since the height of the economy in late 2000.
- In 2003, San José housed 53% of the population in Santa Clara County but is estimated to have only 39% of the County's jobs.
- In February 2004, 27% of households in Santa Clara County could afford to purchase a "median" priced home, an increase since February of 2003, when the figure was 25%. The median priced home is $566,000.
- Total construction activity (residential and non-residential) has begun to recover and is now $916 million-up from $884 million the previous year but still down from $1.7 billion in 2000.
- Combined Office/R&D Vacancy Rate: 20% in January 2004 compared to 5% in January 2000.
- Visitor Activity: 2003 Lodging Index (total hotel room revenue ÷ total rooms) is down 13% from 2002. The decline from 2000 to 2002 was 46%.

Trends / Issues / Opportunities *What developments require our response?*

- San José faces aggressive global competition to maintain its position as the world's leading concentration of technical talent and innovation.
- Lower real estate costs, large land reserves and an available experienced, diverse talent base are making the area more attractive to business expansions including retail.
- The lack of availability of housing priced at rates within reach of many San José residents continues to pose social and economic problems. Short-term housing growth continues, but overall zoning and permitting activity is significantly lower than in previous years.
- 3,000 new units of housing in the greater downtown over the next 5 years will add substantial tax investment and support retail growth.
- BEA, eBay and the subsequent efforts to intensify development in North San José will provide substantial job growth potential.
- Biotech incubation will position Edenvale to capture additional biotech, life sciences, and nanotech companies.
- Opportunities have been identified to apply for state and federal funding sources for new housing development and rehabilitation programs. Alternative funding sources are also being sought for other core services.
- Expanding blight reduction partnerships with neighborhoods, such as the Vehicle Spotter Program, will be used to offset reduced City resources.

Policy Framework *What policies guide our strategies?*

- City of San José 2020 General Plan
- "Getting Families Back to Work" Direction (2003)
- Economic Development Strategy (2003)
- "One Voice" Economic and Neighborhood Development (2003)
- Fee/Service Agreement with Development Community (2003)
- Framework for Evaluating Proposed Conversions of Industrial Lands (2004)
- Five-Year Housing Investment Plan (September 2002)
- The City of San José 2000-2005 Consolidated Plan
- Homeless Strategy (2003)
- Downtown Strategy, prepared by the San José Redevelopment Agency (2000)
- Adopted Strong Neighborhoods Initiative Plans

Key Strategic Goals & Objectives *Where are we going?*

This CSA generates revenues for the City through its business attraction/retention efforts as well as its facilitation of private development. This CSA is responsible for a continuum of services from long-range planning and development review to programmatic implementation aimed at job creation/retention/expansion, housing development and rehabilitation, convention and visitor services, and overall quality of life in San José's diverse neighborhoods.

Outcome 1: Strong Economic Base

- **Economic Development Strategy** – To renew opportunity and prosperity for residents and continued revenue growth for City services through expansion of the economy, the City of San José adopted its first-ever city-wide Economic Development Strategy in fall 2003. The new Strategy provides a broad vision of the City's economic future and recommends 15 initiatives that build on San José's strengths and the immediate steps that the City is taking to improve the business climate as a result of the Getting Families Back to Work effort. It reinforces San José's identity as the Capital of Silicon Valley through the use of technology and enhancement of its entrepreneurial environment. San José's role as a creative community and global business gateway will be an important element in positioning San José as the world's most livable big city. Successful implementation of the initiatives will require a community-wide effort by the public, private, and non-profit sectors.

- **Long Range Land Use Planning** – Clear land use policies are necessary to guide housing, economic development, downtown revitalization, neighborhood preservation, open space and natural resource protection, and to create public facilities and services. This will be achieved through the completion of several major efforts, including the Coyote Valley Specific Plan, Evergreen Smart Growth Strategy/Visioning Project, North San José Area Development Policy Update, and the retooling of General Plan designations and zoning districts to capture housing and economic development opportunities. By the end of the five-year period, the City should have initiated a comprehensive update of the General Plan with extensive community involvement.

Key Strategic Goals & Objectives ***Where are we going? (Cont'd.)***

Outcome 2: Diverse Range of Housing Opportunities

- **Increase Availability of Housing** – A diverse supply of housing is needed to meet the City's housing needs—both in terms of affordability and in terms of product type. In the face of greatly reduced Tax Increment revenues, the City is exploring all options to maintain a well-balanced housing program that includes new production, rehabilitation of the existing housing stock, homebuyer assistance, and the implementation of the City's Homeless Strategy. Addressing the need for the increased production of extremely low-income housing units, which require greater subsidies than units for low or moderate-income households, puts further strain on limited resources. Strategic use of CDBG, HOME, CalHOME, and Prop 46 funds, as well as exploration of other grant sources, is a key focus.
- In 1999, the City Council approved a five-year plan for the construction of 6036 new affordable housing units. The goal will be met in June 2004. In September 2002, the City Council adopted a second five-year plan for 2002-2007, extending affordable housing targets and providing funding for 6,000 units over the five-year period.

Outcome 3: Safe, Healthy, Attractive and Vital Community

- **Code Enforcement Services** – The END CSA remains committed to providing priority response to health/safety complaints within 48 hours. Alternative enforcement methods are being developed to address non-health/safety complaints in partnership with various City Departments, Neighborhood Associations and residents in an effort to improve service delivery efficiency. These include expansion of the volunteer-based Vehicle Spotters Program (VSP).
- **Development Process and Fees** – The 5-year goal for the development process is to make San José the best place in America to do business through:
  - Establishment of a predictable and timely development review process by emphasizing a facilitation approach, providing seamless "one-voice" service delivery, and updating the General Plan;
  - Achievement of financial stability and full cost recovery for the development fee programs by implementing a development services enterprise fund, adjusting hourly rates annually for changes in staff costs, and performing periodic cost of service analyses;
  - Provision of enhanced service options at a premium fee for those who are willing to pay for expedited service; and
  - Continually improving the process and customer service through an ongoing dialog with development customers about their concerns and priorities.

Overview

In 2004-2005 the Economic and Neighborhood Development (END) CSA is preserving essential core services in the short term while preparing to emerge from the current recession in a strong position to continue to implement the General Plan, quality growth policies and a well conceived economic development strategy. A major emphasis is to meet client expectations for service delivery across all of the functional components of the END CSA while remaining within resource constraints.

A number of strategies will be employed by the END CSA to maximize the provision of services to the public with reduced resources including increased efficiencies and delivery consolidation, aligning costs and fees for service, use of one-time funding sources to bridge funding gaps, renegotiating contracts and leases, reducing subsidies to outside groups and finally, where necessary, impacting service delivery by reducing staff and non-personal costs. The net result of these actions is a reduction of 42.12 positions and an increase of $12.5 million in expenditures for the END CSA compared with 2003-2004. The budgetary increase is primarily the result of a $7.6 million increase for the privately funded Coyote Valley and Everygreen long-range planning efforts and masks the size of reduction that were necessary in other program areas in this CSA.

Key Investments & Objectives *How will we accomplish our goals?*

Outcome 1: Strong Economic Base

Reprioritize Economic Development Programs – Significant modification will be undertaken to align activities with the Getting Families Back to Work Initiative and the San José Economic Development Strategy document while recognizing falling funding levels. The following service augmentations will be accomplished through a combination of outside funds, redirection of existing economic development related funds, and consolidation of activities with the Redevelopment Agency:

- **Museum/cultural growth facilitation** will advance the downtown's reputation as a cultural center. (ED Strategy #3 – Council Priority)
- **Augmented interface with San José State University** and other local universities to encourage new entrepreneur/business development. (ED Strategy #4 – Council Priority)
- **Attract & retain businesses of all sizes.** (ED Strategy #5 – Council Priority)
- **Additional retail attraction** will provide residents with more convenient services and help overcome San José's significant retail leakage to other communities. (ED Strategy #13)

15 STRATEGIC ECONOMIC DEVELOPMENT INITIATIVES

Global Gateway
1. Build a World-Class Airport Facility and Air Services.
2. Forge Connections to Innovation Regions Globally for Mutual Economic Benefit.

Creative Community
3. Develop Strategic Partnerships with San Jose State and Other Universities to Drive Innovation and Economic Impact.
4. Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley.

Entrepreneurial Environment
5. Support Start-Up and Growth of Local Businesses, Small and Large, in Tech as well as Non-Tech Fields.
6. Improve Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating in San Jose.

Tech-Savvy City
7. Make San Jose a Tech-Savvy City; Lead the Way in Using Technology to Improve Daily Life.

Place of Opportunity
8. Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs.
9. Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning.

World's Most Livable Big City
10. Continue Emphasis on Developing New Housing, Including New Housing Types in a Variety of Neighborhood Settings.
11. Revise Key Land Use and Transportation Policies to Reflect the New Realities of the San Jose Economy.
12. Encourage Sporting Teams, Events, and Facilities, Professional as well as Amateur.
13. Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability.

Capital of Silicon Valley
14. Communicate a Compelling, Consistent Community Identity for San Jose.
15. Engage Private-Sector Leadership for San Jose's Economic Strategy.

Key Investments & Objectives ***How will we accomplish our goals? (Cont'd.)***

Outcome 1: Strong Economic Base (Cont'd.)

- **Facilitate and initiate private development** through redevelopment (ED Strategy #8 – Council Priority)
- **International Delegations/ Sister City** - The City's international programs will be transformed to provide a greater emphasis on business. This activity is in support of forging connections to innovation regions globally for mutual economic benefit. (ED Strategy #2)
- **Workforce Investment Act** – Delivery of this federally funded program will expand through an emphasis on assisting residents to access employment opportunities in bio/life sciences, software, retail, health care, and hospitality. (ED Strategy #9)
- **Convention and Cultural Affairs Fund** – The City will provide Convention Center services (as determined by a competitive process) to evolve and position downtown as a unique creative and cultural center of Silicon Valley. After the adoption of the budget, City Council on June 29, 2004 approved a management agreement with Team San José , a new local non-profit organization, for the delivery of these services. (ED Strategy #3)
- **Community Based Organizations Funding** - Funding to Joint Venture: Silicon Valley Network, small business chambers of commerce, and other business associations, as well as the Convention and Visitors Bureau (CVB) subsidy, will be reduced by the same percentage as the rest of the City generating ongoing General Fund savings.
- **North San José Area Development Policy Update** – This area will be targeted for higher density office and mixed-use development requiring EIR and traffic studies to be jointly funded by this CSA and property owners. This action will revise key land use and transportation policies to reflect the new realities of the San José economy. (ED Strategy #11)

Outcome 2: Diverse Range of Housing Opportunities

- **Housing Resources** – Evaluation of funding sources, exploration of new resources and innovative alternative uses of current resources are required to ensure continued production of safe, affordable, and market rate housing. Developing new housing in a variety of neighborhood settings is one of the key elements in the San José Economic Development Strategy (ED Strategy #10). Housing development also supports strategies #13 (developing retail to full potential, maximizing revenue impact and neighborhood livability) and #3 (evolving and positioning downtown as a unique creative and cultural center of Silicon Valley).
- **Purchase of City-owned Land** – Provide approximately $1 million to the General Fund through the use of HOME funds to purchase three City-owned properties for affordable housing development
- **Reallocation of Housing Funds** –
  - Free up tax increment funds now used for Housing Rehabilitation efforts and the Teacher Housing Program through strategic use of HOME funds, enabling the City to issue approximately $60 million in bonds for new development projects
  - Reduce staff by 5 positions in 2004-2005 and delete 10.0 positions that were defunded in 2003-2004 to free up funding for program costs and to address workload reductions
- **Grantsmanship** – The END CSA will aggressively pursue grants from previously untapped resources and current sources. In 2003-2004, the Housing Department was awarded several State grants, including $1.5 million for housing rehabilitation programs and $1.5 million for projects that will provide permanent housing for homeless individuals.

Key Investments & Objectives ***How will we accomplish our goals? (Cont'd.)***

Outcome 2: Diverse Range of Housing Opportunities (Cont'd.)

- **Targeting Funds** – Because of a softening in market rental rates, emphasis will be placed on households that still cannot afford housing in San José. New development funds will be targeted towards production of units for those earning less than 50% of Area Median Income.
- **Cost Recovery for Rental Rights and Referrals Program** – In 2004-2005, the Non-Rent Control Tenancy Protection Program revenues will again be supplemented by CDBG funds, enabling the program to complete an in-depth evaluation and analysis of ongoing costs before making a recommendation for a fee increase to ensure the Non-Rent Control Tenancy Protection Program can become self-sustaining.
- **Creative Housing Initiatives** – These initiatives explore innovative housing developments such as high-rise and high-density housing in industrial areas, transit corridors, and employer-assisted housing. Additionally, staff will seek creative funding opportunities to supplement the City's new Housing Trust Fund by restructuring and refunding loans in the City's loan portfolio.
- **Infill Housing Development in Redevelopment Project Areas** – By facilitating market rate infill housing development citywide, the Redevelopment Agency and City are not only creating more market rate housing to meet demand, but are also creating hundreds of affordable units as a result of the Inclusionary Housing Policy for Redevelopment Areas. The Policy stipulates that all market rate for sale and rental housing projects eleven units or larger must include affordable units.

Outcome 3: Safe, Healthy, Attractive and Vital Community

- **Health/Safety Priority** - In order to maximize the effectiveness of community code enforcement, health/safety conditions such as substandard housing; improper occupancies of garages, sheds, and basements; sewage leaks; and inadequate fencing around pools will be investigated and resolved in 24 to 48 hours. This activity is in support of neighborhood livability. (ED Strategy #13)
- **Alternative Enforcement Techniques** - Code Enforcement will use alternative enforcement techniques and develop partnerships with neighborhood associations in an attempt to resolve non-health/safety conditions since field inspection services will be reduced or eliminated for these cases. This self-sufficiency promotes neighborhood livability. (ED Strategy #13)
- **Development Fee Program Coordination** - The integration of "Getting Families Back to Work" and Economic Development Strategy initiatives with operational changes arising from commitments made to the development industry will continue. The coordination effort of the City's development service partners will allow the continued improvement of speed and predictability in the development review process, reduce the costs of operating in San José (ED Strategy #6), and enable the City to speak with one voice on development issues.
- **Fee Adjustments** - Implement the third phase of a three-year fee increase plan approved in 2002-2003 and 2003-2004. This item also supports strategy #6.
- **Special Revenue Fund** – Preparatory efforts to implement a "Special Revenue Fund" for development fees continue. A special fund would improve the financial stability of the development fee programs and provide customers with a clear accounting of the City's use of fee revenue.

Key Investments & Objectives ***How will we accomplish our goals? (Cont'd.)***

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

- **Long-Range Land Use Planning** – Service levels will be reduced in this activity due to lower resources. These activities influence a wide variety of initiatives and actions contained in the ED Strategy.
- **General Plan Update Surcharge** – As permitted by State law, a nominal surcharge will be applied to building and planning permits to fund a future comprehensive update of the General Plan. General Plan modification allows the revision of key land use and transportation policies to reflect the new realities of the San José economy. (ED Strategy #11)

Performance Measure Development – The END CSA has undertaken a thorough review of the performance measures reported at the CSA level with the intention of focusing on those goals and measures that have specific value to the Council or are fundamental to understanding the impacts of budgetary changes. This review was based on the direction Council has given in 2003-2004 in the adoption of such documents as the San José Economic Development Strategy, the Five-Year Housing Investment Plan, Framework for Evaluating Proposed Conversions of Industrial Lands, and others.

Outcome 1: Strong Economic Base

New Economic Development Strategy

In December of 2003, the City adopted an Economic Development Strategy to provide vision for how San José can excel economically over the next five years and how the City and its partners (private, nonprofit, public sector) can work together to achieve success.

Council identified four initiatives for priority implementation in the first year:

- Diversify San José's economic base and preserve/create middle-income jobs.
- Support start-up and growth of local businesses, small and large, in tech as well as non-tech fields.
- Develop strategic partnerships with San José State University to drive innovation and economic impact.
- Evolve and position Downtown San José as a unique creative and cultural center of Silicon Valley.

San José has reason both to be optimistic about the future and concerned about staying ahead of competition. To succeed in an environment characterized by competition, uncertainty, and opportunity, San José must excel at productivity, creativity, and livability. A core challenge is to remain attractive to the entrepreneurs, talent, and companies in "driving industries" that have other location options nationally and internationally. (Driving Industries serve outside markets, pay above-average wages, and stimulate job growth in business-support and local-serving sectors.)

Aggressive competition from other innovation centers globally means that there is no guarantee of continued success in the absence of appropriate civic action.

Driving a Strong Economy

Retaining and attracting companies in "driving industries" is a major priority, as is nurturing the growth of new start-ups. The majority of the region's job growth will continue to come from new companies that start-up and retain their headquarters here. Diversifying San José's economic base is important for mitigating economic fluctuation and for ensuring career path opportunities for residents.

A new bioscience incubator, modeled on the nationally recognized software, environmental, and international business clusters already running in San José, was completed in June 2004. The goal is to catalyze a concentration of a bioscience companies in San José in and around the incubator.

Outcome 1: Strong Economic Base					
5-Year Strategic Goals/Objectives	**CSA Performance Measures**	**2005-2009 5-Yr Goal**	**2003-2004 1-Yr Target**	**2003-2004 Estimated**	**2004-2005 1-Yr Target**
A. ATTRACT, RETAIN AND EXPAND BUSINESS					
1. Facilitate Major Corporate Development	1. Estimated jobs generated through City/Agency attraction, expansion and retention				
	- Industrial	28,300	New Measure	4,350	4,400
	- Commercial/Retail	11,900	New Measure	2,400	2,725
2. Stimulate Tax Revenue for City Services	2. Amount of tax revenue generated by $1 of Convention Facilities operational expenditures.	$2.24	$1.98	$1.75	$2.14
	3. Actual FY 03/04 increase in sales tax from businesses which previously received assistance from the City.	$11M in new sales tax generated	$2.5M in new sales tax generated	$2.0M in new sales tax generated	$2.0M in new sales tax generated

Outcome 1: Strong Economic Base (Cont'd.)

5-Year Strategic Goals/Objectives	CSA Performance Measures	2005-2009 5-Yr Goal	2003-2004 1-Yr Target	2003-2004 Estimated	2004-2005 1-Yr Target
A. ATTRACT, RETAIN AND EXPAND BUSINESS (CONT'D.)					
3. Retain Industrial Jobs, Suppliers, and Industrial Land Uses	4. Retention of existing land with "heavy" and "light" Industrial General Plan designation	2,400 acres	2,400 acres	2,475 acres	2,420 acres
	5. Retention of other industrial land (Industrial Park, Campus Industrial, and other R&D)	7,800 acres	7,800 acres	8,568 acres	8,180 acres
4. Facilitate Small Business Expansion	6. Funding made available to small businesses through loans, guarantees and grants	$29.7 M	$8.6 M	$8.0 M	$4.8 M

At the same time, the City continues to help existing companies expand their operations. Some examples of recent recruitment and retention achievements include eBay, which has already begun occupying their new North San José campus with over 1,000 employees; Brocade Communications Systems, which purchased nearly 200,000 square feet of offices, and testing and laboratory space for its 1,000 employees; and Pemstar, one of San José's few remaining contract manufacturing firms, will consolidate operations to San José while growing to 300 employees. Other businesses supported include: Photon Dynamics, a producer of flat panel display diagnostics; Pericom Semiconductor, an integrated circuit provider; PGI, a wholesale food company; SNAP Appliance, a systems storage and enterprise software company; KLA Tencor, a semi conductor test equipment manufacturer; and Novellus, a semiconductor manufacturing equipment supplier.

A new measure of job growth reflecting total City business development activity is broken out by industrial versus commercial/retail and replaces the more detailed lease and construction measures which will be moved to the core service level.

The City also encourages the growth of local small businesses. Financial support for local incubators (mentioned above), the downtown Entrepreneur Center, and other business assistance organizations contribute greatly to increasing the capacity of local small businesses. Improvements to the City's loan programs including the reduction in the interest rate have offset some of the continuing loss of loan and grants available through Redevelopment Agency funding. Small and local business participation in City contracts and service agreements is being promoted through preferences, outreach, and process improvements.

The success of San José State University is a strategic economic priority. The launch of the MLK Library demonstrated the power of City-University collaboration to drive economic impact and livability improvements, especially in the Downtown. The City and University are now identifying other priority areas for collaboration.

Convention Facilities

As an economic driver, the Convention Facilities attract hundreds of thousands of out-of-town convention and meeting attendees who spend millions of dollars in hotels, restaurants, and other convention services creating economic benefit and tax revenue to San José. Since 1989, the Convention Facilities have attracted $1.5 billion in direct spending from out-of-town and local event attendees, creating $239 million in transient hotel occupancy, hotel property, and sales tax revenue.

The confluence of economic and terrorism-related issues the country has experienced over the past two years have created a reduction of demand in the global convention and hospitality industry previously unseen in the past 75 years. PriceWaterhouseCoopers forecasts that hotel occupancy nationwide will increase only slightly from 59.1% in 2003 to 60.7% in 2004. This high hotel room vacancy creates a buyer's market for meeting planners, and cities now have a greater

Outcome 1: Strong Economic Base (Cont'd.)

Convention Facilities (Cont'd.)

burden to provide value to meeting attendees. That value comes in the form of reasonable facility rates, hotel room rates, and exceptional services.

In 2003-2004, the City Council approved simplified contract language and flexible pricing of the Convention Facilities to increase San José's ability to compete in other national and regional markets.

After the 2004-2005 Operating Budget was adopted by City Council, the contract to operate the Convention Facilities was awarded. Beginning in 2004-2005, the Convention Facilities will be operated by Team San José, a local non-profit organization, under a five-year management agreement. The END CSA will continue to track and report on the performance of the Convention Facilities toward accomplishment of the CSA's strategic goal to stimulate tax revenue generated from City services. The actions taken by City Council on June 29, 2004 in awarding the contract have not been reflected in this document as they occurred after the budget was adopted for 2004-2005.

New Retail Development

Research has shown that San José is under-retailed by about 20%. This not only affects the City's General Fund, but also means that residents must drive to other communities to shop and eat. The CSA is intensifying its efforts to encourage and accommodate retail interest in San José. The continued growth of Santana Row is providing a strong mix of retailers in a unique environment and unparalleled shopping experience. Federal Realty, the owners of Santana Row have recently purchased the Westgate Mall in San José and expect to continue to enhance the offerings available. The renovation of Oakridge Mall has added over 70 new stores, a 20-screen theater and a larger, improved Macy's. General Growth, the owners of the Eastridge Mall have begun a $100 million investment. Many national retailers such as Barnes and Noble have already signed onto the project, significantly expanding the retail offerings available to Eastside and Evergreen residents.

Other retailers have opened or are pursuing new sites. Best Buy, the Container Store, and Target have recently opened major stores. Kohls will be adding two new stores replacing two K-Mart sites. Lowes will be opening their first location in south San José. Wal-Mart will be adding a location on Keyes Avenue in summer of 2004, replacing a Super K-Mart store. Beshoff Motors, selling Mercedes vehicles near Eastridge Mall, Honda Stevens Creek and Toyota Stevens Creek are also expanding.

Downtown retail development has continued to be strong. For the 2003 and 2004 calendar years, the new retail opened or under construction totals over 260,000 square feet. This is a larger amount of retail than the entire Pruneyard Shopping Center in Campbell. New openings for the 2003-2004 fiscal year total approximately 100,000 square feet, including P.F. Chang's, McCormick and Schmick, Artist and Craftsman Supply, Camera 12 Theaters, EB Games, and Paragon Restaurant. CIM Group broke ground on their multi-parcel mixed-use project at 2nd and Santa Clara Street, and announced a lease with Lucky Strike Lanes, a sophisticated new bowling concept. Other new leases include Lee's Sandwiches at the 4th Street Garage, The Melting Pot at the Letitia Building, and Black Sea Gallery at the Woolworth Building.

Employment (Industrial) Lands

In April 2004, the City Council approved a "Framework for Evaluating Proposed Conversion of Industrial Lands to Other Uses". This Framework will be used by professional staff in the analysis of pending General Plan amendment applications. If all of the proposed conversions were approved in 2004-2005, the supply of Light and Heavy Industrial land as well as Industrial Park designated employment lands would decrease considerably, bringing the supply down to near the five-year retention target for each category.

In an attempt to increase jobs and facilitate business expansions, END CSA staff is continuing to evaluate and propose changes to zoning and other regulations to streamline the development review process and encourage the absorption of vacant buildings.

Outcome 1: Strong Economic Base (Cont'd.)

Workforce Development

A strong and prepared workforce qualified for jobs that pay enough to support living in the area is of vital importance. The City's Silicon Valley Workforce Investment Network (SVWIN) works with local businesses and residents to provide resources to develop a skilled, self-sufficient workforce. These federally funded efforts are accomplished through public and private partner organizations that form the network.

The number of client visits to the SVWIN program one-stop service delivery centers in south Santa Clara County continues to rise. An estimated 110 businesses will receive recruitment assistance and 190,000 client visits will be accommodated in 2003-2004. Clients are provided with access to a resource library, training rooms, and, counselors for those needing additional assistance. Businesses are also encouraged to conduct seminars and recruitment activities at the one-stops. SVWIN will expand the number of clients served and the breadth of services offered by concentrating on five strategic industry sectors: retail, hospitality and tourism, healthcare, software and bioscience.

This year has seen a dramatic increase in the retention of jobs by youth clients from 45% in 2002-2003 to 83% in 2003-2004. Program restructuring to increase preparation before client graduation has been successful in improving retention, by offsetting the lower experience and education of youth participants, though at a reduction in initial placements. The program is among the most successful in California and is expected to continue to exceed most goals established by the State.

Outcome 1: Strong Economic Base					
5-Year Strategic Goals/Objectives	**CSA Performance Measures**	**2005-2009 5-Yr Goal**	**2003-2004 1-Yr Target**	**2003-2004 Estimated**	**2004-2005 1-Yr Target**
B. STRENGTHEN WORKFORCE					
1. Be Active Partner in Developing a Skilled Workforce	1. Estimated % of Workforce Investment Act (WIA) clients employed six months after initial placement				
	- Adults	Goals set annually by State of CA	74%	81%*	Goals set annually by State of CA
	- Dislocated Workers		85%	88%*	
	- Youth		78%**	83%*	
	2. Number of Business Clients Served by WIN Program.	785	New Measure	110	125
	3. Percent of Clients Placed in Jobs.				
	- Adults	76%	70%	63%	76%
	- Dislocated Workers	79%	75%	71%	79%
	- Youth	64%	70%	44%	67%

*** Estimate to date for 1st and 2nd quarter**

**** Reflects revised methodology.**

Outcome 2: Diverse Range of Housing Opportunities

5-Year Strategic Goals/Objectives	CSA Performance Measures	2005-2009 5-Yr Goal	2003-2004 1-Yr Target	2003-2004 Estimated	2004-2005 1-Yr Target
A. INCREASE THE SUPPLY OF HOUSING FOR ALL INCOME LEVELS					
1. Approve Development Permits for Residential Construction for a Variety of Housing Types	1. % of units receiving development permit approval compared to target (actuals in parentheses).	12,500 units	100% (2,500 units)	100% (2,500 units)	100% (2,700 units)
2. Increase the Number of Housing Units Developed in Greater Downtown Area	2. % of target for housing unit production completed in the Greater Downtown Area	3,000 units	100% (700 units)	89% (625 units)	100% (600 units)
3. Increase the City's Housing Unit Capacity	3. # of dwelling units added to the General Plan holding capacity annually	10,000 (2,000/yr)	10,000 (2,000/yr)	-60	2,200
4. Increase homeownership in SNI areas	4. % of graduates of Neighborhood Housing Service's Homebuyer Education class who become homeowners	25%	New Measure	-	25%

Diverse Range of Housing Opportunities

The City of San José is the leader in providing housing in Silicon Valley. While neighboring cities have expanded job-producing uses, San José has worked to ensure that its workers have places to both work and live. The City is a national leader in providing affordable housing opportunities for its residents. Over 11,000 new units of affordable housing have been constructed, and more than 2,700 have been acquired and rehabilitated since the Housing Department was created in 1988.

In 1999, the City Council approved a five-year plan for the construction of 6,036 new affordable housing units. That goal was met in June 2004. In September 2002, the City Council adopted a second five-year plan for 2002-2007, extending affordable housing targets and providing funding for 6,000 units over the five-year period.

Maintaining the existing supply of affordable housing through the use of grants and loans is the key component of the Housing Rehabilitation Program. The Program assists low and moderate-income residents by assisting in the physical maintenance of single-family homes, mobile homes and multi-family apartments, thereby extending the useful life of these units. In 2003-2004, over 300 rehabilitation projects will be completed and an additional 430 units will be assisted through the Paint Program.

Outcome 2: Diverse Range of Housing Opportunities (Cont'd.)

Increasing Homeownership Opportunities

Services for Teachers – The City continues to support its policy of being the most teacher-friendly city in the country. In April 2004, the City celebrated the 400th homebuyer loan to a San José teacher through the Teacher Homebuyer Program. In 2004-2005, the Housing Department will utilize $1 million in federal HOME funds to supplement $3 million in 20% Tax Increment revenue to support this program and meet the annual goal of providing 100 teachers with homebuyer loans of up to $40,000 each.

Outcome 2: Diverse Range of Housing Opportunities					
5-Year Strategic Goals/Objectives	**CSA Performance Measures**	**2005-2009 5-Yr Goal**	**2003-2004 1-Yr Target**	**2003-2004 Estimated**	**2004-2005 1-Yr Target**
B. ASSIST IN THE DEVELOPMENT OF AFFORDABLE AND FOR-SALE HOUSING					
1. Speed Up the Development Process for Affordable Housing Projects	1. % of affordable housing projects receiving building permit within 6 months of plan check submittal	65%	65%	100%	65%
	2. % of affordable housing projects ready to be issued building permits within 6 months of plan check submittal.	100%	New Measure	100%	100%
2. Increase the Supply of Affordable Housing	3. % of cumulative achievement toward each of two 5-year construction* completion goals (target in parenthesis)				
	- 1999-04 Spending & Operations Plan (target: 6,036 units)	N/A	100% (6,036 units)	100% (6,072 units)	N/A
	- 2002-07 Five Year Spending Target (1,200 units annually, 6,000 units cumulative total)	100% (3,600 units)	100% (2,400 units)	121% (2,910 units)	100% (3,600 units)
3. Disperse Affordable Housing Throughout the City (Dispersion Policy)	4. % of City funded lower income housing located outside of impacted neighborhoods (neighborhoods with a high concentration of low- and moderate-income households)	85%	85%	96%	85%
4. Direct Significant Affordable Housing Resources to Lower-Income Households	5. % funds reserved by income levels over 5 years:				
	- Very Low (<+50% of median)	60%	60%	54%	60%
	- Extremely low (<=30% of median)	30%	30%	22%	30%
	- Very Low (31 - 50% of median)	30%	30%	32%	20%
	- Low (51 to 63% of median)	25%	25%	37%	25%
	- Moderate (64%-120% of median)	15%	15%	10%	15%

Outcome 2: Diverse Range of Housing Opportunities (Cont'd.)

Housing Program Funding Sources

For 2004-2005, the Housing Department will manage funding of $143,070,000 from a variety of sources to support services and programs. A portion of these funds is used to administer housing programs. The large majority of these funds however are spent on direct program expense. The chart below lists all funding sources for 2004-2005.

2004-2005 Housing Program Funds	
1,700,000	Comm. Dev. Block Grant (CDBG) – Housing Rehab.
300,000	CDBG – Predevelopment Loan Program
1,000,000	CalHome
500,000	CalHome, EAGR
455,000	Emergency Shelter Grant
1,340,000	RRP Projects
9,800,000	HOME Investment Partnership Program Fund
792,000	Housing Opportunities for People with AIDS (HOPWA)
400,000	HOPWA Special Projects
1,500,000	Proposition 46 Housing Trust Fund Grant
468,000	Rental Rights and Referrals Program
47,000	CDBG – Rental Rights and Referrals Program
33,400,000	20% Redevelopment Tax Increment
2,500,000	80% Redevelopment Supplemental Funds
8,908,000	Loan Repayments, Interest Income, & Misc. Revenue
29,960,000	Line of Credit
50,000,000	Bond Sales
143,070,000	**Total Program Funding Sources**

First Time Homebuyers Assistance

Through a partnership with Neighborhood Housing Services Silicon Valley (NHSSV), hundreds of San José residents have received free Homebuyer Education and credit counseling services to help them understand, and prepare for, the challenges of homeownership. In the 12 months ending March 2003, 894 people attended an NHSSV Homeownership Orientation class, 281 participants completed eight-hour Homeownership Education Classes, and 70 of those became homeowners.

Proactively Identifying Housing Opportunities

San José continues to be a regional leader in the identification of under-utilized land for potential housing sites. Focusing primarily along the City's transit corridors, staff is expected to complete the third phase of the Housing Opportunities Study and initiate a fourth phase in 2004-2005. These sites are proposed for General Plan amendments to increase residential densities, capturing and protecting these potential housing opportunities.

Targeted Funding

The City Council has established specific funding goals by income level, targeting most of the funds for those households with the least ability to pay for housing. Since 1988 it has been the City Council policy that a minimum of 60% of funding is targeted to housing for very low-income households, and no more than 15% of funding will be reserved for moderate-income households. In February 2004, in the face of declining tax increment revenues, the City Council approved a funding strategy for the Housing Development Program that requires developers to compete for housing subsidies and encourages them to achieve affordability for those most in need.

Outcome 2: Diverse Range of Housing Opportunities (Cont'd.)

5-Year Strategic Goals/Objectives	CSA Performance Measures	2005-2009 5-Yr Goal	2003-2004 1-Yr Target	2003-2004 Estimated	2004-2005 1-Yr Target
C. IMPROVE AND PRESERVE THE EXISTING HOUSING STOCK					
1. Assist Homeowners, Rental Property Owners, and mobile Home Owners to Rehabilitate Their Dwellings	1. % of Target met for units rehabilitated through City action (Code Enforcement and Housing – target in parentheses)*	100% (21,250 units)	100% (4,250 units)	100% (4,250 units)	100% (4,400 units)
D. MEET HOUSING NEEDS OF SPECIAL POPULATIONS					
1. Assist the Homeless	1. Estimated number of clients receiving direct or indirect assistance in obtaining or maintaining housing.	90,000	15,000	14,500	15,000
2. Provide Housing Assistance to Teachers	2. % of target achieved for Teacher Homebuyer Program loans	100% (500)	100% (100)	90% (90)	100% (100)

Creative Solutions

Implementing creative solutions to the housing crisis continues to be a priority for the City.

Purchase of City-owned Property – Three City-owned surplus properties have been identified that may offer opportunities to develop affordable housing units. These sites will be evaluated for their feasibility with the hope of proceeding with small in-fill projects that will provide homeownership opportunities. If feasible, up to $1 million in federal HOME funds will be used to purchase the sites. Funds from the re-sale of the new homes will be used, to the extent possible, for acquisition of other small in-fill properties in targeted neighborhoods. This action has the added benefit of bringing an influx of funds to the General Fund for 2004-2005.

Homeless Services – In 2003-2004, the City Council approved the Homeless Strategy, which has a goal of eliminating chronic homelessness within ten years. This document serves as a City informational resource, strategic document, and action plan to address homeless issues and needs. Specific strategies identified in the plan include: seeking new funding sources for homeless prevention programs, developing new rental assistance programs, developing a pilot program for youth transitioning out of homelessness, preserving assisted units at risk of conversion to market-rate housing, offering counseling on credit problems, and focusing on rapid re-housing of homeless.

The Rental Rights and Referrals Program – In November of 2002, the City Council responded to landlord/tenant advocate concerns regarding illegal, no-cause evictions by amending the City's Rent Control Ordinance to protect tenants living in non-rent controlled units. Effective July 1, 2003, the Rental Rights and Referrals Program began providing mediation services to tenants living in non-rent controlled units. An annual fee of $.50 per unit provides $10,183 in revenue, significantly less that the estimated $90,000 needed to fund the program. The fee revenue has been supplemented by Community Development Block Grants (CDBG) for 2003-2004 and 2004-2005. At the end of 2004-2005, program staff will evaluate costs and develop a recommendation for a fee increase to allow the program to become financially self-sufficient.

Strong Neighborhoods Initiative Rehabilitation Program – In August 2002, the City Council approved the Strong Neighborhoods Initiative (SNI) Exterior Grant Program and the Hensley Historic District Home Rehabilitation Program with appropriations of $4 million and $1 million respectively. Due to funding reductions, the Redevelopment Agency was unable to sustain the support of SNI rehabilitation programs at that level. In 2004-2005, $2.3 million in SNI funding is scheduled to be provided, enabling the rehabilitation loan program to assist approximately 90 households in improving the livability and safety of their homes in SNI designated areas. A modified rehabilitation program has been developed to address the needs of the SNI neighborhoods, increase its targeting of rehabilitation activities and improve performance in achieving the Council Policy goal of spending a minimum of 75% of rehabilitation loan funds in targeted areas.

Outcome 2: Diverse Range of Housing Opportunities (Cont'd.)

Creative Solutions (Cont'd.)

Strong Neighborhoods Initiative Rehabilitation Program – (Cont'd.)

At the CSA level, the target of 4,400 total housing units rehabilitated through City action reflects all sub-standard housing units that are repaired either through the Housing Rehabilitation Loan Program or through enforcement of housing and building codes by Code Enforcement. The combined effect of the loan programs and code enforcement provide the CSA with an effective strategy to maintain and improve the overall quality of the City's existing housing stock.

Outcome 3: Safe, Healthy, Attractive and Vital Community

Partnerships with Neighborhoods

Code Enforcement has expanded its Vehicle Spotters Program (VSP) city-wide. This program, which creates partnerships between neighborhood residents, was developed in an effort to improve Vehicle Abatement effectiveness. Vehicle Abatement anticipates that it will have received and responded to approximately 26,000 requests for vehicle abatement services by the end of 2003-2004. The VSP was designed to reduce unnecessary second responses to complaints of excessive storage or abandoned vehicles on public streets by having vehicle spotters notify Code Enforcement when compliance is obtained through the initial placement of a warning notice on the vehicle. When the VSP was piloted, in Council District 1, the

Outcome 3: Safe, Healthy, Attractive, and Vital Community					
5-Year Strategic Goals/Objectives	**CSA Performance Measures**	**2005-2009 5-Yr Goal**	**2003-2004 1-Yr Target**	**2003-2004 Estimated**	**2004-2005 1-Yr Target**
A. DESIRABLE PLACE TO LIVE AND WORK					
1. Revitalize and Rehabilitate Uses, Sites, and Structures in Neighborhoods, Commercial and Industrial Areas	1. % of targeted properties in Strong Neighborhood Initiative areas with improved physical appearance as measured by the Blight Analysis (target in parenthesis)	100% (9,645)	100% (3,215)	100% (3,215)	100% (3,215)
	2. % of residents who indicate the physical condition of their neighborhood is about the same or better	85%	New Measure	84%	84%
	3. # of facades, streetscapes, and development projects completed*				
	a. Streetscapes	10	4	4	3
	b. Facades	80	50	50	30
	c. Development Agreement to Board	8	2	1	1
	d. Development Sites Marketed	10	5	5	5
2. Quality Living and Working Environment	4. % of community residents that feel that their neighborhood condition is good or better	75%	70%	67%	67%
	5. % of residents surveyed who rate the quality of architecture and landscaping design/maintenance in new development in their neighborhood as good or better	75%	New Measure	66%	70%
	6. % of time inspection / assessment for Code cases occurs within targeted times (target in parenthesis):				
	- Health Safety Cases (Within 72 hours)	95%	80%	80%	85%
	- Non Health-Safety Cases (Within 60 days)	50%	40%	69%	40%

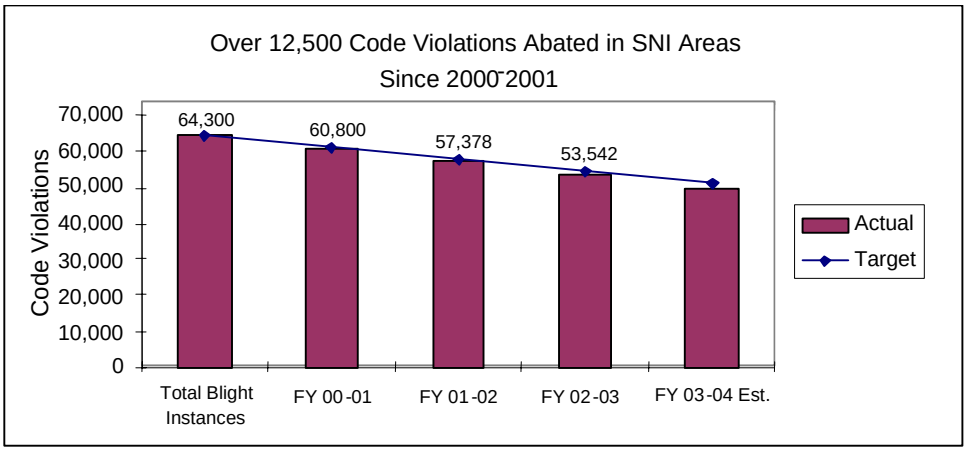
Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

Partnerships with Neighborhoods (Cont'd.)

results included a reduction in resident complaints and an overall improvement in timely resolution of violations.

By shifting eligible expenses to Solid Waste fees in 2003-2004, the CSA was able to continue the city-wide Neighborhood Clean-Up Program. This popular partnership will continue with 5 clean-ups per City Council District annually.

Reductions in staffing over the past three years have caused Code Enforcement to focus field inspection services on health and safety violations. These would include such conditions as sewage leaks; substandard housing conditions; inadequate fencing around pools; and illegal occupancy of basements, attics, and garage-structures not intended for human habitation. Code Enforcement is currently meeting its inspection/ assessment response time target (80% within 72 hours) for 2003-2004 on health/safety cases. An improvement is that performance to 8% is expected in 2004-2005, a step toward achievement of the five-year goal (95% response to the 72 hours). Further inspection/assessment response delays on non-health/safety cases will be necessary however to meet that goal. Alternative enforcement methods, including other opportunities to partner with neighborhoods and other City Departments, are being explored for addressing non-health/safety violations.



Strong Neighborhoods Initiative

In 2002-2003, the City Council adopted 19 Strong Neighborhoods Initiative (SNI) Neighborhood Improvement Plans, each identifying the priority improvements for the respective plan areas. The plans, created by each community, are now being used as implementation tools to program delivery of services such as alleviation of blight, vehicle abatement, and neighborhood cleanups as well as to identify capital improvement projects such as park improvements and traffic calming projects within each community. Though some top-ten items requiring financial resources are unavoidably delayed in the short term, the SNI effort continues by leveraging the important relationships between staff and the Neighborhood Advisory Committees that were developed during the planning process. In this CSA these efforts include initiating planning actions to rezone property thereby facilitating reinvestment in the neighborhoods.

Community Survey results show that the City is properly targeting SNI resources to areas in need based on the percentage of residents' rating the overall physical condition of their neighborhoods as "good" or "excellent" (only 45% in SNI vs. 67% citywide), but they also show that a higher percentage of SNI residents perceive that their neighborhood has improved over the last two years (53% in SNI vs. 47% citywide) indicating our efforts in these areas may be paying off.

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

Strong Neighborhoods Initiative (Cont'd.)

With the Redevelopment Agency facing a significant budget shortfall, this budget eliminates the Agency-funded Code Enforcement Inspector that serves the Neighborhood Business Districts (NBDs). The Agency funded downtown Inspector will now cover the NBDs as well. In addition, the 2004-2005 Adopted Agency Budget continues funding for the 6-member Code Enforcement Driveway Team. This team proactively addresses blight conditions in a neighborhood including abandoned vehicles, property maintenance, outdoor storage and general blight elimination while emphasizing education and outreach. By the end of the 2003-2004, the Driveway Team, working in partnership with the various Neighborhood Action Committees, will have surveyed 16,900 parcels in the 19 SNI Neighborhoods. The Team will have identified and resolved over 2,670 blight cases and abated 1,125 abandoned vehicles from City streets.

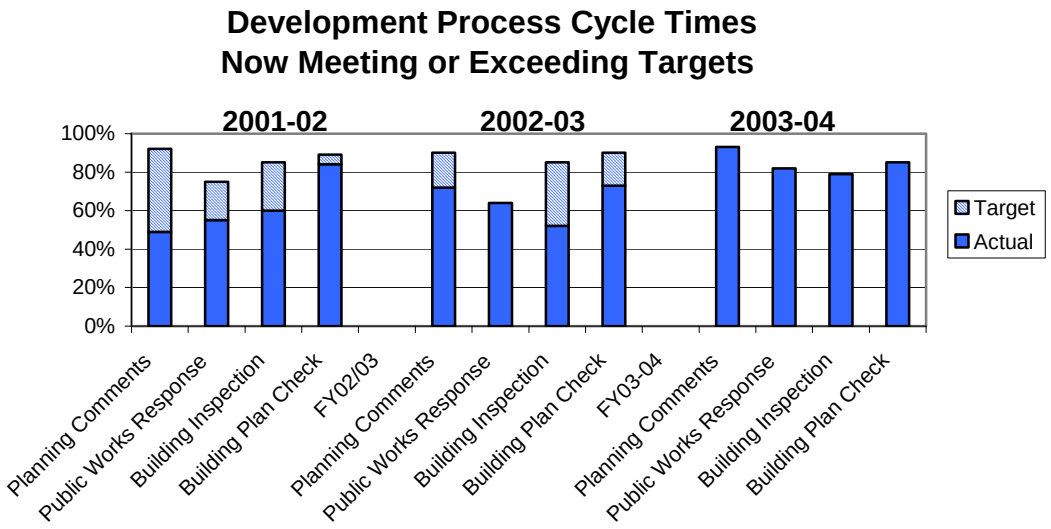
General Plan Update

The last comprehensive update of San José's General Plan was in 1994. Given the significant growth issues facing the City, another comprehensive update is needed to allow City staff and the City Council to engage the community in preparing a land use vision that will support future growth while preserving the quality of life in its neighborhoods. State law allows local governments to levy a fee on development permits to pay the costs of a comprehensive update of their General Plan. Planning will implement a nominal surcharge in 2004-2005 to fund a General Plan Update, a process that will take place over a two-year period from mid-2006 until mid-2008. The fee will be structured to raise $200,000 per year for 4 years to fully fund the consultant and non-personal costs of the process. The update would be completed with no additional City staff costs by reallocating long-range planning staff resources from other special studies for the duration of the project. Beginning in 2008-2009, the fee would be lowered to recover the cost of the next update over a 10-year period.

Development Review Process Improvements

In a coordinated effort by the City's development service partners to improve responsiveness, predictability, and performance, the following process improvement and cost containment initiatives have already been implemented, or are currently underway:

- Opening of the new One-Start Center to bring coordinated service to prospective applicants and customers of the Special Tenant Improvement Program



Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

Development Review Process Improvements (Cont'd.)

- Extension of the Special Tenant Improvement Program for an additional 18 months
- Extended hours of operation in the Building Permit Center for the convenience of customers who need evening or weekend access
- Online inspection requests – this service allows a customer to order inspections 24 hours/day
- Consolidation of services will provide customers with one point of access for general Public Works inquiries
- Enhanced (faster) service fee options - now being utilized by 60% of customers

This is only a partial list of innovations and improvements. A complete list was presented to the Driving a Strong Economy Committee in May, 2004.

Ensuring that San José remains a safe, attractive and vital place to live and work requires a comprehensive and efficient development review process. In response to the City Council's Getting Families Back to Work Study Sessions, the adopted Economic Development Strategy, and concerns voiced by development customers, the City's development service partners – Building, Fire, Planning, and Public Works – have invested considerable time and energy in the effort to meet cycle time targets and to create a consistent and predictable development process. The development partners now meet regularly to resolve process issues – not just issues related to a particular project. For 2003-2004, all of the core service cycle time measures for the process are at or above targeted levels. While Fire's cycle times were already above targeted performance, the measures for Planning 30-day letters (72% to 95%), next day Building inspection (52% to 78%), and Public Works Service Requests (65% to 81%) show a substantial increase in performance over 2002-2003.

New Process Measures – The selected cycle time measures that were included in the CSA section in the past will continue to be tracked and reported at the core service level. The CSA now reports cycle time performance in terms of meeting a processing target for the entire entitlement process and for the Plan Check and Inspection components of the construction process. These include the time for all process partners to complete their functions. The 2004-2005 cycle time targets for the entitlement process and plan check process have been set at 100% based on the Council's direction to eliminate delays in the development process.

A 5-Year Strategic Goal has been to achieve an 85% favorable response from development customers on the question of whether the multi-department development process functions as one seamless operation. City staff recognizes that there is still much improvement needed in this area. The current 70% response is partially attributable to a very low number of respondents, but could also be representative of some of the anecdotal feedback given to Council in the "Getting Families Back to Work" (GFB2W) Study Sessions. This measure is being revised for 2004-2005 to measure whether the applicant feels the information received from City staff is coordinated and consistent (one voice). The development service partners are also exploring the possibility of a coordinated, and simple, web-based customer survey form that may achieve a larger and more accurate sampling of performance in this area.

The intended result of the development review process is the construction of safe, quality development in the City. One measure of the success of the process is the opinion of the communities that live near new development projects. The most recent survey data shows that 66% of nearby residents stated that the City did a Good or Excellent job in ensuring that new development was appropriately designed to fit into their neighborhood. This result is still below the 75% target level for 2003-2004, but is 18% better than the previous year.

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

Development Fee Programs and Fee Adjustments (Cont'd.)

To build on the cycle time and quality improvements achieved in the past year, the City Council approved a package of resource and fee adjustments to meet the current and anticipated demand for service. Maintaining a fee structure that reflects the actual cost of service is a crucial part of this equation because it ensures the City's fiscal ability to adjust staffing to the level of activity. To that end, the City's development review programs sought input from development customers on a fee and performance package the industry can support.

Each partner's budget balancing package is slightly different. Included in this budget are the third-year increases of phased-in fee adjustment packages for Planning and Building initially approved in 2002-2003. An hourly rate adjustment, record retention increase, and the expansion of a successful fee methodology change to other sectors will allow Building to maintain necessary staffing for the anticipated service demand. The new fee methodology implemented for residential inspections in 2003-2004 has led to increased efficiency by City staff and Building customers. For this reason, most residential fees permit fees will actually decrease in the 2004-2005 package.

Third phase fee adjustments in Planning will generate 7% in additional revenue to close the base cost gap and allow the addition of 1.5 FTE to help offset Planning's loss, over the past year, of 3.28 FTE supported by other funding sources (General Fund and Building Fees).

Public Works experienced an increase in the demand for service in the current year and anticipates that this higher activity level will continue in 2004-2005. No fee increases are required because the increased activity has generated sufficient revenue to pay for the additional assigned staff. To close a cost recovery gap and maintain the staffing necessary to address the current service demand, Fire's fee package deletes a clerical position and non-personal funds, and adds a new record retention fee and a fee methodology change. The methodology change will create a fee structure that is consistent with the methodology adopted by the Building Division and achieve a cost recovery balance by adjusting the hourly rate over a two-year period.

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd.)

Development Fee Programs and Fee Adjustments

With the Fire fee adjustments and the adoption of the third phase of the 3-year fee increase plan for Building and Planning, the City's development service partners recognize their concurrent obligation to seek efficiencies and control costs. Staff believes that these ends can be achieved through the use of automated service provision options, the implementation of process improvements (integration of staff to deliver one voice processing), and by providing outreach material that will assist customers in navigating the development process as quickly and inexpensively as possible. Adoption of these fee changes will allow the development fee programs to recover 99% of their costs in 2004-2005 and meet customers' performance expectations. A more detailed discussion of fee and methodology changes is included in the 2004-2005 Fees and Charges document.

Outcome 3: Safe, Healthy, Attractive, and Vital Community (Cont'd.)					
5-Year Strategic Goals/Objectives	**CSA Performance Measures**	**2005-2009 5-Yr Goal**	**2003-2004 1-Yr Target**	**2003-2004 Estimated**	**2004-2005 1-Yr Target**
B. SAFE PLACE TO LIVE AND WORK					
1. Provide Seamless And Effective Development Review Including Implementation of Environmental Regulations, in a Customer-Friendly Fashion	1. % of projects that receive thorough, complete, consistent review in the first cycle of staff review				
	- Entitlement Process	95%	New Measure	90%	90%
	- Construction Process	85%	New Measure	80%	80%
	2. Ratio of current year fee revenue to fee program cost.	100%	98%	98%	99%
	3. Development projects completed within processing time targets:				
	- Entitlement Process	100%	New Measure	96%	100%
	- Construction Process				
	- Plan Check	100%	New Measure	85%	100%
	- Next Day Inspection	85%	New Measure	70%	85%
	4. % of customers surveyed rating service as good or better	85%	75%	70%	80%
	5. % of customers surveyed who indicate the City provided coordinated and consistent information on their project (one voice)	85%	85%	70%	80%

Service Delivery Framework

CITY SERVICE AREA
A cross-departmental collection of core services that form one of the City's 7 key "lines of business"

MISSION STATEMENT
Why the CSA exists

Economic & Neighborhood Development CSA

Mission:

To manage the growth and change of the City of San Jose in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.

CSA OUTCOMES
The high level results of service delivery sought by the CSA partners

Outcomes:

- Strong Economic Base
- Diverse Range of Housing Opportunities
- Safe, Healthy, Attractive and Vital Community

PRIMARY PARTNERS
Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES
Primary deliverables of the organization

Planning, Building and Code Enforcement Department

Core Services:

- Community Code Enforcement
- Development Plan Review and Building Construction Inspection
- Long Range Land Use Planning

Housing Department

Core Services:

- Increase the Affordable Housing Supply
- Maintain the Existing Affordable Housing Supply
- Provide Services to Homeless and At-Risk Population

Economic & Neighborhood Development CSA (Cont'd.)

PRIMARY PARTNERS (CONT'D)
Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES (CONT'D)
Primary deliverables of the organization

Fire Department

Core Services:

- Fire Safety Code Compliance

Conventions, Arts and Entertainment Department

Core Services:

- Convention Facilities

Public Works Department

Core Services:

- Regulate/Facilitate Private Development

Redevelopment Agency

Core Services:

- Enhance the Quality and Supply of the City's Housing Stock
- Initiate and Facilitate Private Development
- Promote and Implement Neighborhood Improvements Strategies

Office of Economic Development

Core Services:

- Business/Job Attraction, Retention, Expansion and Creation
- Workforce Development

OPERATIONAL SERVICES
Elements of Core Services; the "front-line" of service delivery

STRATEGIC SUPPORT
Organization-wide guidance and support to enable direct service delivery

Economic and Neighborhood Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation

City Manager – Office of Economic Development

Core Service Purpose

Promote business by providing assistance, information, access to services, and development permit facilitation.

Key Operational Services:

- Economic Development Strategy
- Corporate Outreach
- Small Business Assistance
- Loan Programs
- San José Enterprise Zone
- International Programs
- Retail Attraction and Retention

Performance and Resource Overview

The Office of Economic Development (OED) manages a comprehensive program designed to strengthen the economy of San José. Specific goals include increasing resources for businesses, expanding the City's tax base and increasing corporate locations in San José. The Office is responsible for providing and leveraging services for small businesses and for assisting in the retention, expansion and attraction of business. Specific targets encompass a range of diverse businesses including corporations, retailers, industrial suppliers/services and manufacturers. Highlights of the Office's programs are listed below.

Economic Development Strategy

On an ongoing basis, OED provides information and perspective about the San José/Silicon Valley economy for City decision makers, including the Mayor, Council, and Executive/Senior Staff. The Office also provides economic information to the City's economic development partners and the community at large.

In 2003-2004, the Office led the development of an economic strategy to guide City policy, investments, and partnerships over the next five years. The strategy established an achievable vision of how San José can excel economically, and key actions required by the City and its partners (private, public, non-profit) to achieve the vision. San José cannot continue to be a great community without a strong, resilient economy. The San José/Silicon Valley region has exceptional rates of productivity and a highly educated workforce, but faces aggressive competition from other communities in the Bay Area, nationally, and globally.

The new strategy provides a broad vision of the city's economic future and recommends 15 initiatives that build on San José's strengths. The vision stresses the reinforcement of San José's identity as the Capital of Silicon Valley through the savvy use of technology and enhancement of

Economic Development Strategy (Cont'd.)

its entrepreneurial environment. San José's role as a creative community and global business gateway will be an important element in positioning San José as the world's most livable big city providing opportunities for all residents.

In adopting the strategy, the City established four priority initiatives:

- Develop Strategic Partnerships with San José State and Other Universities to Drive Innovation and Economic Impact. (ED3)
- Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley. (ED4)
- Support Start-Up and Growth of Local Businesses, Small and Large, in Technology as well as Non-technology Fields. (ED5)
- Diversify San José's Economic Base and Preserve/Create Middle-Income Jobs. (ED8)

New performance measures for these and other economic strategy initiatives will be brought forward in the coming fiscal year where needed.

Corporate Outreach

Businesses seeking to locate or expand in San José often contact the City through the Office of Economic Development. OED staff works with other City departments to make the expansion or development process as smooth as possible for the company. The response typically requires researching potential sites, providing information or coordinating and facilitating meetings.

OED meets with companies, including significant and growing job/revenue-generators, on a proactive basis to get their views on the City's strategy and initiatives and to identify areas requiring City action. As part of the Economic Strategy Process, OED met individually with senior executives from 50 key companies.

In 2003-2004, an estimated 3,100 jobs were created or retained by assisted companies and $2 million in additional tax revenues generated due to OED actions to promote or assist businesses. The Special Tenant Improvement Program has been a valuable tool in encouraging the early occupation of vacant industrial and R&D space as well as commercial office space in downtown San José.

Small Business Assistance and Loan Programs

In addition to efforts to encourage corporate expansion and attraction, OED plays a role in stimulating the growth of small businesses. Efforts in this area range from business fairs, such as the annual Money Talks event, to financial support of local chambers of commerce and business loan programs.

Small Business Assistance and Loan Programs (Cont'd.)

The City has contracts with six small business chambers of commerce to provide activities of benefit to San José small businesses. City funding provides minority business owners with direct chamber support and alternative avenues for finding out about City and other assistance services. These contracts encourage direct technical assistance, workshops, networking and other company fostering activities as well as referrals to the Workforce Investment Network and Enterprise Zone programs for employee recruitment and hiring tax credits. For 2004-2005 the Mayor's March Budget Message recommended that community based organizations such as the chambers of commerce be reduced by the same average percentage reduction as approved for non-public safety departments. For the six Chambers of Commerce and Joint Venture Silicon Valley organization, this results in a reduction of $39,026. OED will work with these organizations to create efficiencies through enhanced partnerships with the City and other assistance organizations to minimize service delivery impacts.

As a group, the number of jobs created by the small chamber of commerce contracts have significantly rebounded from last year. Performance in this area, however, varies widely by group.

The San José Silicon Valley Chamber of Commerce has also provided assistance in establishing the Almaden Valley Business Association. The new organization is a largely independent group discussing local business concerns and serving as a central point of contact for City outreach. Plans for additional associations are also being considered.

Two loan programs administered by OED are the Revolving Loan Fund and the Development Enhancement Special Fund (DESF). The Revolving Loan Fund (RLF) provides funds to small businesses in the amount of $10,000 to $40,000 for working capital, equipment and other purposes. The DESF provides loan guarantees and direct loans to businesses in the amount of $40,000 to $300,000 for business expansion, equipment, working capital and other normal business uses. These programs provide loans to businesses that have sound business practices, but due to being a start-up or past credit history, are normally unable to obtain private sector financing.

In 2003-2004, approximately $1.4 million in funds were made available to small businesses. Performance by the RLF increased by 32% due in part to a reduction in the interest rate intended to encourage business growth as the economy recovers from the recession. Funding constraints will keep the program from further increasing the loan amounts in 2004-2005. An application for an additional $275,000 in CDBG funding for the following year (2005-2006) has been given preliminary approval, to allow future growth.

San José Enterprise Zone

Businesses within the 18 square-mile Enterprise Zone in central San José are eligible for State tax credits and incentives through December 2006. In addition to hiring tax credits, benefits of locating in the Enterprise Zone include: sales tax credits on the purchase or lease of manufacturing and

San José Enterprise Zone (Cont'd.)

communications equipment; accelerated depreciation; net operating loss carryover as well as a net interest deduction for lenders.

Through the increased outreach and marketing efforts of the Office of Economic Development and partners, an estimated 1,600 hiring tax credits were issued to businesses within the Enterprise Zone during 2003-2004. While less than the target, this maintains the record levels of vouchers issued to San José businesses the previous year, and with the anticipated employment growth the goal of 2,000 in 2004-2005 should be achievable. Enterprise Zone companies can receive tax credits for hiring individuals from one of 13 eligibility categories. The hiring tax credit can lower the company's state tax liability per eligible employee by as much as $31,590 over a five-year period.

International Programs

International business activity continues to be strong with OED hosting or facilitating over 50 delegations representing over 30 nations. Foreign delegations are often exploring the possibility of establishing a business in the region and hosting them is an effective way to make sure they consider San José as their final location. San José's innovative government has also attracted international attention and OED often organizes meetings with the mayor, council offices and other city departments.

OED is responsible for the Sister Cities Program and has worked this year to restructure the program to increase participation and visibility. The City's Foreign Trade Zone program, a federal designation San José received in 1974, provides advantages to businesses importing materials or products by delaying, reducing or even eliminating importation taxes.

Retail Attraction and Retention

The Office of Economic Development also works to encourage retail development to increase the products and services available to residents and enhance their quality of life. For instance, Santana Row, Oakridge Mall, and Eastridge Mall have all completed improvements, or are undergoing or considering improvements, facilitated by OED. Other significant retailers are opening or pursuing new sites in San José including Target, Best Buy Company, Inc. and the Container Store. Beshoff Motors, selling Mercedes vehicles, has opened close to Eastridge Mall and is doing extremely well. Other dealerships are expanding such as Honda Stevens Creek and Toyota Stevens Creek. Retailers new to our area, such as Kohl's Department Store, Lowe's Home Improvement, and WalMart will be in place soon.

Performance and Resource Overview (Cont'd.)

Business/Job Attraction, Retention Expansion and Creation Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
Number of jobs created or retained by assisted companies	3,400	3,000	3,100	3,000
Number of jobs created or retained by chambers of commerce assisted companies (Operational Measure)	13	30	50	100
Percent increase in dollars lent through the Revolving Loan Program (RLF) (Operational Measure)	(20%)*	10%	32%	0%
Ratio of tax revenues generated by assisted companies per OED expenditure	20:1	20:1	19:1	21:1
Percentage of requests for assistance responded to within one work day	92%	90%	90%	90%
Percentage of customers rating quality of assistance provided as good or excellent	94%	95%	91%	95%

* Including the Small Business Loan Program there was an increase in dollars loaned by 115%

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Sales Tax revenues generated by OED actions	$2 mil	$2.5 mil	$2.0 mil	$2.0 mil
$'s made available to San José businesses	$1.9 mil	$1.5 mil	$1.4 mil	$1.5 mil
Number of companies receiving permitting assistance	52	55	52	50
Number of delegations/groups hosted/facilitated	45	55	56	50
Number of job placements resulting from Enterprise Zone vouchers	1,688	2,000	1,600	2,000

Core Service: Business/Job Attraction, Retention, Expansion and Creation

City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Business/Job Attraction, Retention, Expansion and Creation Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 1,323,566	$ 1,139,444	$ 1,201,826	$ 1,130,849	(0.8%)
Non-Personal/Equipment	665,313	632,487	560,238	576,582	(8.8%)
Total	**$ 1,988,879**	**$ 1,771,931**	**$ 1,762,064**	**$ 1,707,431**	**(3.6%)**
Authorized Positions	**11.25**	**10.10**	**10.40**	**9.30**	**(7.9%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
STRONG ECONOMIC BASE			
1. Administrative Support Staffing	**(1.10)**	**(70,977)**	**(70,977)**

This action eliminates a filled Senior Office Specialist and a filled Senior Account Clerk. This will eliminate all front desk support functions. Accounting and clerical support services work will be divided among the remaining strategic support staff. Positions identified for elimination in the Business/Job Attraction, Retention, Expansion and Creation Core Service include 1.0 Senior Office Specialist and 0.1 Senior Account Clerk. (Ongoing savings: $77,149)

Performance Results:
Quality Minimal reduction in service to customers.

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
STRONG ECONOMIC BASE (CONT'D.)			
2. Community Based Organizations Funding Reduction		**(39,026)**	**(39,026)**

This action reduces funding for community based organizations by the same average percentage reduction as approved for non-public safety city service areas. For the Office of Economic Development, (OED), this action reflects a 12.2% reduction for the six chambers of commerce and Joint Venture Silicon Valley, resulting in total savings of $39,026 in this core service. OED will work with these organizations to minimize service delivery impacts. (Ongoing savings: 39,026)

Performance Results:
Quality Service level impacts will be determined by each community based organization as appropriate.
Cost This funding reduction is consistent with the average percentage reduction for non-public safety city service areas.

3. Cellular Telephone Service Cost Efficiencies		**(4,630)**	**(4,630)**

This action reduces the cost of cellular telephone service by 15% as a result of purchasing cellular telephone services and equipment under the Western States Consortium Agreement (WSCA) and optimizing rate plans to avoid overage charges. The impact of this reduction is a cost savings of $254,372 city-wide, of which $204,296 is generated in the General Fund. The cost savings in the Business/Job Attraction, Retention, Expansion and Creation Core Service is $4,630. (Ongoing savings: 4,630)

Performance Results:
No change to service levels will result from this action.

4. Rebudgets: Baytrade Program		**60,000**	**60,000**

The rebudget of unexpended 2003-2004 funds will allow for the completion of the Baytrade Program in 2004-2005. (Ongoing cost: $0)

Performance Results: N/A (Final Budget Modification)

2004-2005 Adopted Core Service Changes Total	**(1.10)**	**(54,633)**	**(54,633)**

Core Service: Community Code Enforcement

Planning, Building and Code Enforcement Department

Core Service Purpose

Enforce and promote compliance with local and State codes to ensure a safe, healthy and attractive community.

Key Operational Services:

- Community Outreach
- General Code Enforcement
- Housing Code Enforcement
- Proactive Code Enforcement
- Vehicle Abatement

Performance and Resource Overview

The desired outcomes for this core service are decent, safe, and sanitary housing and neighborhoods; the prevention of property damage; and the preservation of the condition of the City's housing stock. To further these goals, Code Enforcement, working in partnership with customers, emphasizes education and outreach as a means to achieve community support and compliance. Enforcement efforts are utilized when voluntary compliance is not achieved. The Community Code Enforcement core service contributes to all of the Economic and Neighborhood Development City Service Area outcomes, but most directly to the *Safe, Healthy, Attractive, and Vital Community* outcome.

Resource Changes

To help address the projected General Fund shortfall for 2004-2005 two Code Enforcement Inspector positions and one Senior Office Specialist position assigned to the General Code Program were deleted in March 2004. A modest 1.6% fee increase in the Multiple Housing Occupancy Permit Fee was approved to cover a funding shift of 0.50 Code Enforcement Inspector to Multiple Housing fee support for the Property Owner Training Program. A 6.7% increase was also approved for the Solid Waste Enforcement Fee to cover base cost increases. Further, a 5% increase in the CDBG percentage of five administrative positions from 20% to 25% was approved to more accurately reflect current funding sources in the Division. The Division submitted a three-year CDBG proposal, which sought full funding for the Code Enforcement Programs that benefit low-income residents. One Code Enforcement Inspector position assigned to the Neighborhood Business Districts and previously funded by the Redevelopment Agency was approved for deletion due to that Agency's budget problems. These functions will be consolidated with the Inspector that is assigned to the Downtown.

While funding shifts can preserve valuable resources that provide needed service, funding from grant or fee revenue sources usually limits the scope or area in which this staff can work. Approval of the proposals in this budget, coupled with the deletion of five Code Enforcement Inspector

Resource Changes (Cont'd.)

positions in 2003-2004, will result in a 62% decrease in General Fund inspection staff over the two year period. These resource changes required the implementation of an alternative service delivery model for routine complaint cases. Field inspection services for "health/safety" cases with immediate dangerous or hazardous conditions will be unaffected and continue to receive a priority response.

General Code Enforcement/Housing Code Enforcement

In light of the economic downturn and the constrained budget outlook, resources have been redirected to focus upon the priorities outlined by the community through ongoing outreach efforts. Previous General Code Program reductions have resulted in significant reductions to the Community Code Enforcement core service. It is anticipated that General Code staff will resolve 17% fewer General Code Compliance Cases in 2003-2004 than were resolved in 2002-2003. During 2004-2005, a further reduction of 10% in the number of cases being resolved is anticipated. Staff will concentrate on health and life safety cases.

While General Fund resources for Code Enforcement have been severely reduced, there has been no reduction in requests for service. Code Enforcement anticipates a moderate increase in requests for service in 2004-2005. Reduced staff due to budget cuts, attrition, and inability to fill vacant positions will result in an approximate increase from 2002-2003 of 17% in cycle times to resolve complaints.

Since 2002-2003, several specialized enforcement services have been amortized into day-to-day inspection activities as a result of budget reductions. Code Enforcement no longer has individual Code Enforcement Inspectors dedicated to monitoring neglected vacant buildings, preparing Notices for the San José Appeals Hearing Board and the Abandoned Shopping Cart Program.

Additional reductions in staffing have occurred as a result of shifting funding from the General Fund to other funding sources. For example, a General Fund position was shifted from the General Code Program to the Healthy Neighborhood Venture Fund (HNVF) and that Inspector now provides proactive inspection services to ensure compliance with smoking regulations. This funding shift has impacted the delivery of other services to neighborhoods. The continuation of HNVF funding for that position was approved for 2004-2005.

Approved reductions in staffing will directly impact Code Enforcement's ability to respond to resident complaints. The optimum caseload for a Code Enforcement Inspector is 60-80 cases. Prior to 2002-2003, the Inspector caseload was within this range. These cases run the gamut from illegal signage to auto repair in a residential neighborhood to tenants living in residential units without heat. The vast majority of code enforcement cases are not immediate health/safety conditions, but rather violations that impact the quality of neighborhoods, such as violations of the community preservation ordinance. As staffing resources are reduced, caseloads per Inspector

General Code Enforcement/Housing Code Enforcement (Cont'd.)

will naturally increase. Inspectors are currently managing caseloads of 100-120 cases. It is anticipated that as Code Enforcement Inspector positions are deleted or remain vacant for budget savings, the caseloads will increase to 150 or more per Inspector.

The percentage of code violations needing to be resolved with compliance orders (as opposed to verbal/written warnings or administrative actions) has been reduced from 54% in 2002-2003 to 42% in 2003-2004. This reflects sending out more letters to lower priority cases and the adoption of the Community Preservation Ordinance in July 2003, which substantially expanded the City's ability to use more efficient administrative citation tools instead of compliance orders for a greater number of enforcement cases.

Code Enforcement has completed two years of a six-year inspection program to inspect multiple-family dwelling units. This program for which the City of San José receives occupancy permit fees and is fully funded, requires Code Enforcement to inspect apartment units, motels, hotels, guest houses, and State licensed facilities to ensure minimum health and safety standards are maintained. For 2003-2004 the number of multiple housing complaints received is expected to decrease by 21% from the 2002-2003 level. In 2004-2005, it is anticipated that the number of multiple housing complaints will be further reduced by 3%. The effectiveness of routine inspections and property owner trainings organized by the Code Enforcement Division has resulted in fewer complaints being received from tenants.

Community Outreach/Neighborhood Empowerment

At the 2004 State of the City Address, the Mayor identified citywide expansion of the Vehicle Spotters Program as a key initiative for the City. That expansion is currently underway. The Vehicle Spotters Program, which was piloted in Council District 1, was developed to engage neighborhood residents in an effort to more efficiently deploy vehicle abatement services. The Vehicle Spotter reports suspected abandoned vehicles in their neighborhood. Within one to two days, a Vehicle Abatement Officer marks the identified vehicle. The Vehicle Spotter reports, after three days, those vehicles that have not been moved. The Officer reinspects the area within one day and either issues a citation or tows the subject vehicle. Code Enforcement Division staff conducted a training and recruitment program for interested neighborhood associations and residents on March 25, 2004. This training opportunity was featured in the Mercury News and invitational fliers were sent to all community coordinators, Neighborhood Advisory Committees (SNI), Council Offices, the Call Center, the City Volunteer Coordinator and others for distribution via e-mail groups. Forty residents, representing Council Districts 1 through 7 and District 9, attended and 32 residents completed volunteer agreement forms and designated the area they would adopt. The number of abandoned cars in voluntary compliance after receiving an initial warning remains at a constant level.

Proactive Code Enforcement

Under the Adopted 2004-2005 Redevelopment Agency Budget, the Code Enforcement "Driveway Team", which provides proactive code enforcement in SNI areas, will receive continued funding from the Redevelopment Agency. The Team, which is a joint City/Agency partnership, was created to identify blight conditions in the Project Areas. During 2003-2004, the Team will complete neighborhood sweeps in all of the active SNI areas. These sweeps will encompass an estimated 21,814 parcels and will result in the alleviation of an estimated 2,670 blight conditions. A 29% increase in parcel inspections between 2002-2003 and 2003-2004 is a reflection of larger SNI areas being targeted for proactive inspections in 2003-2004. The Team will have abated over 1,600 abandoned vehicles from SNI neighborhoods. In addition to identifying and addressing blighted conditions, the Team has attended and actively participated in the Neighborhood Advisory Committee meetings.

Special Strong Neighborhood Clean-ups were defunded in 2003-2004. However, several of the SNI areas have indicated that neighborhood cleanups are a priority by placing them in their "Top Ten". Because of this, the Driveway Team will continue to coordinate sweeps with the existing Neighborhood Clean-up Program. This gives the residents an opportunity to clean their property of the blight noted by the Driveway Team for free.

Over the long term, proactive code enforcement will help improve communication with the community, reduce violations, improve neighborhood appearance, and tailor enforcement services to the needs of the community. In 2004-2005, the Driveway Team anticipates inspecting 20,000 parcels. These inspections are expected to reveal 2,750 violations, which will be resolved through education, outreach and enforcement techniques, as necessary.

Performance and Resource Overview (Cont'd.)

Community Code Enforcement Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of neighborhoods in "good" or better condition, based on a city-wide survey	68%	70%	70%	70%
% of violations resolved through voluntary compliance, based on complexity of case types	83%	90%	89%	90%
Cost to resolve cases through voluntary compliance				
Blight	$132	$131	$130	$130
Housing	$744	$750	$750	$750
Cost to resolve cases through involuntary compliance				
Blight	$521	$514	$520	$500
Housing	$833	$826	$963	$850
% of violations resolved within estimated processing standards, based on type and complexity of violations	77%	80%	60%	60%
% annual fee based inspections completed on schedule, including multi-year programs	96%	100%	100%	100%
% of residents who feel their neighborhood is in the same or better condition compared to previous year (annual survey)	85%	85%	85%	83%
% of customers who feel they received courteous treatment and timely service from their interaction with Code Enforcement staff	75%	75%	75%	73%

Selected Operational Measure	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of abandoned cars in voluntary compliance after initial notification	82%	82%	82%	85%

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Staff hours devoted to outreach/education prevention	4,480	5,200	5,200	5,200
Number of multiple housing dwelling units proactively inspected	10,574	12,000	12,000	12,000
Number of proactive parcel inspections (Driveway Team)	16,912	15,000	21,814	20,000
Number of proactive violations identified and resolved (Driveway Team)	2,608	2,750	3,418	2,750
Neighborhood Clean-ups	50	50	50	50
Project Crackdown Clean-ups	4	4	4	4
Public Right-Of-Way Clean-ups	20	20	20	20
Strong Neighborhoods Clean-ups	15	-	-	-
Total Number of Clean-ups	89	74	74	74
Number of proactive cases (Driveway Team):				
Opened	3,096	2,750	2,850	2,750
Resolved	2,907	2,750	2,670	2,750
General Code Compliance Cases:				
Opened	9,244	8,000	8,000	9,000
Resolved	9,396	8,500	7,900	7,000
Vehicle Abatement Complaint Cases:				
Opened	26,515	25,500	25,500	28,000
Resolved	25,760	25,700	25,000	27,700
Multiple Housing Complaint Cases:				
Opened	659	800	520	500
Resolved	766	850	520	500
% of Violations Resolved:				
with verbal/written warning	36%	34%	40%	40%
with compliance order	54%	48%	42%	42%
with administrative action	10%	18%	18%	18%

Core Service: Community Code Enforcement

Planning, Building and Code Enforcement Department

Performance and Resource Overview (Cont'd.)

Community Code Enforcement Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 7,217,382	$ 8,226,536	$ 7,980,353	$ 7,979,747	(3.0%)
Non-Personal/Equipment	630,898	991,343	667,229	853,729	(13.9%)
Total	**$ 7,848,280**	**$ 9,217,879**	**$ 8,647,582**	**$ 8,833,476**	**(4.2%)**
Authorized Positions	**97.00**	**95.20**	**89.20**	**89.20**	**(6.3%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. General Code Enforcement Program	**(1.00)**	**(95,378)**	**(113,907)**

This action eliminates one vacant Code Enforcement Inspector position and reallocates .20 FTE Code Enforcement staffing to be supported through Community Development Block Grant funding. Currently there are two Code Enforcement Inspector positions that are dedicated to the Downtown core and the Neighborhood Business Districts and are supported by reimbursements from the Redevelopment Agency. The duties of the inspector position will be absorbed by the remaining inspector and will result in reduced field inspection services. This action was necessitated by reduced Agency funding levels. (Ongoing savings: $95,378)

Performance Results:
Customer Satisfaction The number of residents who feel their neighborhoods is in the same or better condition compared to the previous year may decrease.

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY (CONT'D.)			
2. Vehicle Maintenance Funding Reduction		**(10,000)**	**(10,000)**

This action reduces vehicle maintenance and operations costs as a result of eliminating two Equipment Mechanic Assistant positions in the General Services Department and decreasing contractual services funding. The impact of this reduction is a cost savings of $492,788 city-wide, of which $394,230 is generated in the General Fund. The cost savings in the Planning, Building and Code Enforcement, Community Code Enforcement Core Service, is $10,000. (Ongoing savings: $10,000)

Performance Results:
Cycle Time Cycle times for preventative maintenance and minor repairs may increase due to the elimination of staff and reduction in the ability to use contractual services for peak workload periods. ***Customer Satisfaction*** Customer satisfaction may be impacted due to possible cycle time increases, however, they are anticipated to be minimal due to the reduced fleet size.

3. Code Enforcement Fee Program	**0.00**	**0**	**0**

This change reallocates funding for 0.5 Code Enforcement Inspector that provides landlord training in the Multiple Housing fee program. To maintain existing service levels and continue service to rental properties and tenants on a city-wide basis, half of the Code Enforcement Inspector position has been shifted to the Residential Occupancy Permit fee. (Ongoing cost: $0)

Performance Results:
Quality/Customer Satisfaction Prevents deterioration of current service levels.

4. Local Enforcement of Tobacco Control Regulations	**1.00**	**94,772**	**0**

This change restores the Tobacco Enforcement program and a Code Enforcement Inspector funded by the Healthy Neighborhoods Venture Fund in 2004-2005. In 2003-2004, PBCE received resources on a one-time basis from the HNVF Fund to continue its Tobacco Control Enforcement program. (Ongoing cost: $0)

Performance Results:
Quality/Customer Satisfaction Prevents deterioration of current service levels.

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY (CONT'D.)			
5. Rebudget: Code Enforcement Grant		**196,500**	**196,500**
The rebudget of unexpended 2003-2004 funds will allow the Department to complete the purchase of vehicles and miscellaneous equipment that were awarded in a grant from the State of California Department of Housing and Community Development Division of Codes and Standards. (Ongoing cost: $0)			
Performance Results: ***Quality/Customer Satisfaction*** N/A (Final Budget Modification)			
2004-2005 Adopted Core Service Changes Total	**0.00**	**185,894**	**72,593**

Economic and Neighborhood Development CSA

Core Service: Convention Facilities

Conventions, Arts and Entertainment Department

Core Service Purpose

To provide facilities and services that attract conventions and events that contribute to the City's economy.

Key Operational Services:

- Sales and Marketing
- Event Services
- Technical Services
- Food and Beverage Services
- Facility and Infrastructure Maintenance
- HVAC, Electrical, and Co-Generation Services
- Public Safety Services

Performance and Resource Overview

The Convention Facilities core service has an integral role in the following Economic and Neighborhood Development (END) CSA outcome: *Strong Economic Base*. This core service also relates to END's strategic goal to attract, retain and expand business by satisfying the demand for convention, meeting, event and visitor needs. Convention and trade show delegates fuel the economy by bringing new money to local hotels, restaurants, attractions, transportation, and other hospitality related businesses. These activities are monitored and measured, the results of which demonstrate overall impact to the local economy. The Convention Facilities include the Convention Center, Civic Auditorium, and Parkside Hall.

This core service is the principal driver of revenues to the Convention and Cultural Affairs Fund, the largest of which are operating revenues and a transfer from the Transient Occupancy Tax (TOT) Fund. Even though some areas of the economy are showing signs of a modest recovery, no gains have yet been seen in the convention and hospitality sector. The current nationwide buyer's market means that even cost sensitive events now have the opportunity to meet in a wide range of first-tier and second-tier cities. Due to the increased competition nationwide for conventions and trade shows, average hotel room rates continue to drop, thereby reducing TOT receipts.

Competing in this global marketplace requires competitive pricing and exceptional services. In 2003-2004, City Council approved staff's recommendation to offer flexible rates for the Convention Facilities, and to simplify the standard Facility Use Agreement. The convention sales team continues to diversify business by booking more associations, the largest segment of the convention and trade show market, to provide better insulation against economic fluctuations. As a result, San José's association business has increased from 19% in 2002-2003 to 40% in 2004-2005. Local event sales of $4.5 million will bridge the gap between convention and trade show revenues and the division's operating expenses.

Performance and Resource Overview (Cont'd.)

Significant changes to the operation of these facilities will be implemented in 2004-2005 based on the approval of Team San José's budget submittal approved by Council on June 29, 2004, after the adoption of this budget. Team San José is the new management team that will operate the City's Convention & Cultural Facilities. Significant changes to the Adopted Budget were approved as part of that action. Some of the major changes include the restoration of 10.25 positions, addition of one position, and the elimination of 20 positions. These changes are not reflected in this document as the changes were adopted subsequent to the approval of the 2004-2005 Adopted Budget.

Convention Facilities Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
Direct delegate spending	$98M	$120M	$100M	$112M
Tax benefit from delegate spending per dollar of operating costs*	$1.68	$1.98	$1.75	$2.14
% of operating expenses recovered from earned operating revenue (excluding TOT)	65%	65%	68%	66%
% of customers rating overall service good to excellent based on satisfaction with facilities and services provided	** Survey tool to be implemented as funding and staffing permit**			

* Operating cost figures do not include Convention Center Lease Payment.
** New questions will be developed and incorporated into existing survey to provide baseline data for this measure.

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of events at Convention Facilities	284	275	278	310
Attendance at Convention Facilities	599,876	600,000	600,000	600,000
Number of Convention Delegates	150,000	160,000	150,000	162,000
Delegate Expenditures	98,000,000	120,000,000	100,294,152	111,567,000
Total Tax Benefit ($)	18,548,734	22,020,000	20,028,170	21,977,000
Operating Revenues ($)	7,199,118	7,314,652	7,733,203	6,758,850
Operating Expenses ($)	11,028,503	11,232,708	11,428,061	10,261,840
Overall Occupancy Rate (%)	57%	57%	57%	60%

Performance and Resource Overview (Cont'd.)

Convention Facilities Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 6,522,542	$ 6,788,079	$ 7,026,568	$ 5,965,322	(12.1%)
Non-Personal/Equipment	4,720,069	4,080,699	3,841,144	3,810,584	(6.6%)
Total	**$ 11,242,611**	**$ 10,868,778**	**$ 10,867,712**	**$ 9,775,906**	**(10.1%)**
Authorized Positions	**102.74**	**96.87**	**87.21**	**73.36**	**(24.3%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)
STRONG ECONOMIC BASE		
1. Convention and Cultural Facilities Operating Costs	**(13.85)**	**(1,090,267)**

This action eliminates 16 positions (13.85 of which are in this Core Service) and miscellaneous non-personal/equipment totaling $161,996 department-wide and converting a Marketing/Public Outreach Representative to a Sales Representative. Of the 16 positions approved for elimination, nine are filled. This package mirrors the City's response to the RFP for continuing to maintain the convention and cultural facilities. All operations were thoroughly analyzed and evaluated to determine appropriate level of resources to maintain exemplary service levels. Some of the highlights include absorption of grounds and fountain maintenance by staff and revised staff schedules in various trades and custodial to provide quality service to clients in a more efficient manner. The positions approved for elimination in the Convention Facilities Core Service include: 4 Custodian, 0.7 Events Coordinator, 3.65 Facility Attendant, 1.0 Facility Sound Light Technician, 0.8 Marketing/Public Outreach Manager, 1.0 Security Officer, 0.8 Senior Facility Attendant, 0.9 Senior Security Officer, and 1.0 Supervisor of Facilities. The remaining positions approved for elimination are budgeted in the Art and Cultural Development Core Service and Strategic Support. (Ongoing savings: $1,153,883)

Performance Results:
This action intends that by working more efficiently there will be no reduction in service levels and no reduction in CSA and core service performance measures.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)
STRONG ECONOMIC BASE (CONT'D.)		
2. Cellular Telephone Service Cost Efficiencies		**(1,539)**
This action reduces the cost of cellular telephone service by 15% as a result of purchasing cellular telephone services and equipment under the Western States Consortium Agreement (WSCA) and optimizing rate plans to avoid overage charges. The impact of this reduction is a cost savings of $254,372 city-wide, of which $204,296 is generated in the General Fund. The cost savings in the Convention Arts and Entertainment Department, Convention Facilities Core Service is $1,539. (Ongoing savings: $1,539)		
Performance Results: No change to service levels will result from this action.		
2005-2005 Adopted Core Service Changes Total	**(13.85)**	**(1,091,806)**

Economic and Neighborhood Development CSA

Core Service: Development Plan Review & Building Construction Inspection

Planning, Building and Code Enforcement Department

Core Service Purpose

Manage and review development and construction applications to allow issuance of permits in compliance with applicable codes and policies.

Key Operational Services:

- Review of Land Use, Rezonings, Development Applications & Plans for Compliance with Zoning Code, Standards, Policies and Guidelines
- Review of Construction Plans and Calculations for Compliance with Building Code Standards, Policies and Guidelines
- Environmental Review
- Construction Inspection
- Permit Issuance
- Public Information Services

Performance and Resource Overview

The desired outcomes for this core service are to facilitate issuance of permits and compliance with codes, policies, guidelines and standards and, through these efforts, to ensure safe, healthy and attractive development. The Department's continued challenge is to provide planning and building services that allow development to be planned, approved and inspected at a pace that is consistent with the economic realities of the competitive development environment.

Development Activity

Development activity in terms of Planning permit applications, Building permits, plan reviews and inspection activity has remained relatively constant over the last three years after the tremendous development boom that ended in 2000-2001. There has, however, been a significant shift away from commercial and industrial construction activity (where valuations are higher relative to corresponding service demand) toward residential construction activity which has resulted in declining construction valuations while service demand has continued to grow slightly.

Cost Recovery and Staffing

As part of the 2002-2003 budget, the City Council adopted the first phase of a proposed 3-year phase-in plan for Planning fee increases and a 2-year phased plan for Building fee increases. This action was taken in accordance with the Council policy which states that development services should be 100% cost recovery and recognized the increased need for the City to maintain service level competitiveness in an economy with more limited development opportunities. The fee proposal in 2003-2004 included second phase fee increases for both Planning and Building, but

Cost Recovery and Staffing (Cont'd.)

deferred some of the increase necessary for Building to reach cost recovery to a third year to mitigate some of the impact on development customers.

The City's development service partners made considerable efforts in both years to consult with development customers and garnered support from various industry groups who were primarily concerned with service delivery. A similar effort has been underway since January 2004 to work with industry organizations to develop the third phase increases and methodology changes approved in this budget. The approved third phase fee increases for Planning (generating a revenue increase of 7%) and Building (an increase of 4.3%) are intended to bring these two programs to what is essentially (99%) a cost recovery level. The approved fee and methodology changes, which included some decreases for residential customers, are discussed in more detail in the 2004-2005 Fees and Charges Report.

Also as part of the 2004-2005 Adopted Budget, the deletion of a Planner supporting City-initiated rezonings, funded by the General Fund was approved to address the General Fund shortfall. The addition of 1.0 Planning Technician and the conversion of a part-time Planner position to full-time in the Planning Fee program were also approved to offset the loss of the General Fund Planner and the reduction of Planning staffing supported by Building Fees (2.0 positions) and the Redevelopment Agency (0.78 positions) in 2003-2004. No staffing changes were approved for the Building Fee Program at this time.

Performance, Efficiency and Service Improvements

All of the City's partners in the development review process – Planning, Public Works, Building, and Fire – are meeting or exceeding their cycle time targets. In fact, it is anticipated that all of Planning and Building's 2003-2004 performance measures will show improvement over 2002-2003 – some of it quite substantial. Planning and Plan Check cycle time targets will be set at 100% for 2004-2005.

In response to the City Council's Getting Families Back to Work Study Sessions, the adopted Economic Development Strategy, and recommendations from development industry groups, the City's development service partners are making great strides in the effort to provide seamless, predictable, and timely service to development customers. With a new emphasis on facilitating as opposed to simply regulating, Planning, Building, Fire, and Public Works managers now meet regularly in an effort to ensure that the development process speaks to customers with one voice.

While Council policy and the funding realities facing local government require the City to pass on service cost increases to development customers through higher fees, San José's development service providers recognize their obligation to limit costs, seek operational efficiencies, and continuously improve the service provided so that applicants receive good value for their money. Customer service and cost containment improvements that are already implemented or underway include:

Performance, Efficiency and Service Improvements (Cont'd.)

- Changed zoning code to allow up to 500 square foot additions without public hearing
- Single-family house permits no longer require City Council approval
- Adoption of Downtown Zoning and Design Guidelines
- Opening of the new One-Start Center to bring coordinated service to prospective applicants and customers of the Special Tenant Improvement Program
- Extended hours of operation for the convenience of customers who need evening or weekend access
- Detailed application submittal information handouts to help customers assemble a complete plan submittal package for review
- On-line inspection requests – this service allows a customer to order inspections 24-hours/day, 7 days/week
- Launching of a two-stage online permit application module that allows all customers to apply, pay for, and obtain permits on-line 24-hours/day, 7 days/week

In addition, the new optional "Expedited Plan Review" service that offers faster turn around times at a higher fee has been a great success. Currently 60% of Building Division customers are utilizing one of the premium service options that are tailored to different size projects. The pending integration of the "Express Plan Review" and "Intermediate Plan Review" processes will allow a wider range of projects to be processed with same-day over-the-counter service.

Fee Methodology Adjustments

The methodology shift made by Building at the beginning of 2003-2004, was designed to fix the structural imbalance that existed and allow Building to meet established customer service targets more consistently than in previous years. The changes were the first phase of the implementation of a fee structure based on the time it takes to deliver service. The new methodology has two components: 1) The initial fee assessment is based on the average service time invested in the particular product type; and 2) the establishment of a new time tracking methodology that limits service to the amount paid for by the initial fee.

The new time tracking methodology has been fully implemented across all sectors in Building, but the new initial fee assessment methodology has only been implemented for residential inspection fees. The Building Division has now completed the analysis of residential plan review fees and will be implementing the new assessment methodology in this sector for 2004-2005. Both Fire and Building will be completing an analysis of commercial and industrial projects within the next 6 months. Once this analysis is completed, the City's development service partners will return to the City Council with a proposal to change the initial fee assessment methodology for all Building and Fire fees to a time based system.

Fee Methodology Adjustments (Cont'd.)

The new methodology changes have generated very positive results. Requests for inspection stops have declined, inspection time per stop has declined, and the percent of inspections requested that are actually ready for inspection has greatly increased. As a result, inspector productivity and efficiency have increased. For the customer, this means City staff are more likely to be able to respond to their request in a timely manner. Building has also experienced an increase in the quality of plans submitted which has resulted in reduced review cycles and less time required per review cycle. Once Building has fully implemented all phases of the new fee methodology across all product types, the fees assessed to deliver service will be directly tied to the cost of delivering service. This change will provide continued fiscal stability for the future regardless of activity shifts that may occur across construction sectors. Staff believes that automated service provision options, better educational handouts to help customer prepare plans for review and work for inspection, and process improvements (integration of staff to deliver one stop processing) can help to contain costs and even reduce them in some areas.

Performance Measure Development

There are only two minor changes to the performance measures for this core service. The language for the measure that gauges the neighborhood's assessment of the quality of new development projects after completion has been simplified and now is focused specifically on the architecture and landscape design of the project. In addition, the activity/workload measure for Planning Applications has now been broken out into major applications, minor applications, and application adjustments. This approach is more useful for measuring workload due to the differences in review time and effort required by the different applications. The performance measure for cycle time on Planning 30-day letters is being replaced with a measure of the cycle time for the whole Planning entitlement process. Measuring the whole process rather than one segment will prove more useful to customers.

Performance and Resource Overview (Cont'd.)

Development Plan Review & Building Construction Inspection Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of projects that receive thorough, complete and consistent processing in the first cycle of the staff review process:				
Development Review Process	62%	90%	91%	90%
Building Plan Check Process	84%	90%	85%	90%
Inspection Process	75%	75%	76%	75%
Ratio of current year fee revenue to Development fee program cost	92.4%	98.0%	98.0%	99.0%
Selected cycle time measures for development services:				
Building Inspections Within 24 Hours	52%	70%	79%	85%
Planning Processing Targets Met*		New Measure		100%
Bldg. Plan Check Processing Targets Met **	80%	75%	85%	100%
% of process participants rating service "good" or better				
Development Review Process	72%	75%	73%	75%
Building Plan Check Process	76%	75%	88%	75%
Inspection Process	75%	75%	77%	75%
% of citizens/neighbors rating new development in the community "good" or "excellent" based on completion of new project requirements and the maintenance of the projects and surrounding neighbor-hoods at 2, 3, 5 years after completion	48%	75%	66%	75%

* New measure gauges cycle time success for whole entitlement process.
** Targets are 2-6 weeks depending on size of project.

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of building permits issued	31,977	32,000	33,000	33,000
Number of customers served in Permit Center	30,859	31,000	30,500	31,000
Number of plan checks	9,669	7,000	9,500	9,000
Number of field inspections	208,279	227,000	190,000	200,000
Number of planning applications - Major	590	650	550	600
- Minor	270	350	330	350
Number of planning adjustments	1,302	1,500	1,350	1,400

Performance and Resource Overview (Cont'd.)

Development Plan Review & Building Construction Inspection Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 18,817,305	$ 20,395,577	$ 21,496,073	$ 21,457,511	5.2%
Non-Personal/Equipment	958,274	1,206,876	1,217,424	1,224,724	1.5%
Total	**$ 19,775,579**	**$ 21,602,453**	**$ 22,713,497**	**$ 22,682,235**	**5.0%**
Authorized Positions	**208.45**	**204.45**	**207.95**	**207.45**	**1.5%**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Planning Fee Program	**0.50**	**50,879**	**50,879**

In order to respond to projected activity levels and to achieve agreed upon cycle time and quality standards, various actions are necessary. These actions include a net increase of 0.50 positions to the planning fee program, implementation of the last phase (7%) of a three-year plan to increase fees to 100% cost recovery and use of the existing fee reserve ($152,242). This net increase includes the elimination of a filled Staff Specialist, transfer of a Planning Technician from the Long Range Land Use Planning Core Service and conversion of 0.50 Planner PT to 1.0 Planner FT. (Ongoing costs: $50,879)

Performance Results:
Cycle Time Development review fee program will achieve agreed upon response times for services.
Cost Implements phased fee changes to match projected development activity.

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY (CONT'D.)			
2. Development Review Team	**(1.00)**	**(89,841)**	**(89,841)**
Eliminates 1.0 filled Planner position on the Development Review Team that processes development and zoning projects that are not supported by development fee revenue. The deletion of this position will limit processing of City-initiated rezonings to only SNI and/or Specific Plan areas. (Ongoing savings: $97,687)			
Performance Results: ***Cycle Time*** Limits processing of Council and Director-initiated rezonings to only SNI and/or Specific Plan areas.			
3. Rebudget: Modular Furniture		**7,700**	**7,700**
The rebudget of unexpended 2003-2004 funds will allow the Department to complete the purchase of modular furniture and communications equipment for additional building fee-supported positions as described in the 2003-2004 Mid-Year Report. (Ongoing cost: $0)			
Performance Results: ***Quality/Customer Satisfaction*** N/A (Final Budget Modification)			
2004-2005 Adopted Core Service Changes Total	**(0.50)**	**(31,262)**	**(31,262)**

Economic and Neighborhood Development CSA

Core Service: Enhance the Quality and Supply of the City's Housing Stock

The Redevelopment Agency of the City of San José

Core Service Purpose

Enhance the supply of quality, affordable, and market-rate housing through rehabilitation and new construction.

Key Operational Services:

- Site Identification
- Developer I.D./Selection
- Education Workshops
- Individual Technical Counseling
- Home Ownership Programs
- Rehabilitation Loans & Grants
- Project Financing Assistance

Performance and Resource Overview

Agency housing activities are supplementing the community's ability to meet the housing demand. The strategic location of projects and the type of projects contribute to the revitalization of neighborhoods, including business areas. These housing activities serve several purposes such as:

- Meeting the demand for quality market rate and affordable housing through efforts such as Legacy at Museum Park, Century Center and the Twohy Building; and
- Encouraging public/private partnerships through issuing Requests for Proposals for properties designated for housing development.

The Agency in cooperation with the Departments of Housing and Planning, Building and Code Enforcement will facilitate the construction of approximately 600 housing units in the Greater Downtown, in addition to completing housing projects currently planned or underway. The Agency continues to coordinate Design Review on projects with Agency assistance or Development and Disposition Agreements as permitting authority was assumed by the City in January. Because of declining revenues, the Agency has allocated only a small amount of funds ($2.5 million) for affordable housing in addition to the 20% housing fund, which is anticipated to be $33.6 million.

The Agency will continue to focus on potential housing opportunities in the following areas in the downtown frame including the Block 8, the Dimensions Site, North San Pedro, the West San Carlos Street/Park Avenue area, and the East Gardner area. Additionally, the downtown core will benefit from approximately four hundred housing units as part of the CIM Group Mixed-Use project.

Performance Measure Development

Performance targets for 2004-2005 will not be set until the Redevelopment Agency's revenue and budget picture are clarified.

Core Service: Enhance the Quality and Supply of the City's Housing Stock

The Redevelopment Agency of the City of San José

Performance and Resource Overview (Cont'd.)

Enhance the Quality and Supply of the City's Housing Stock Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target*
% of Agency target met for annual new housing construction	89%	100%	89%	N/A
% of surrounding residents who feel that the conditions of the neighborhood have improved as a result of Agency-assisted housing**	61%	75%	73%	N/A
Ratio of non-Agency funds to Agency funds by project type***:				
- For Sale	N/A	5:1	8.3:1	N/A
- Rental	3.6:1	5:1	N/A	N/A
Number and % of housing projects completed within the timeframe stated in the Board-approved development agreement schedule of performance	N/A (3 of 3)	N/A (1of 1)	100% (0 of 1)	N/A N/A
% of occupants who rate their satisfaction with Agency-assisted housing projects as good or excellent on a 5-point scale*	75%	85%	77%	N/A

* Targets for 2004-2005 were not developed because new property assessment figures were not available to calculate revenue estimates.

** Based upon survey results from residents in Redevelopment Agency-funded housing projects.

*** Completed Rental and For Sale housing projects measured.

Core Service: Enhance the Quality and Supply of the City's Housing Stock

The Redevelopment Agency of the City of San José

Performance and Resource Overview (Cont'd.)

Enhance the Supply of the City's Housing Stock	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 2,296,110	$ 2,166,409	$ 3,095,300	$ 1,979,031	(8.6%)
Non-Personal/Equipment	2,978,624	2,832,271	3,694,859	2,070,294	(26.9%)
Total	**$ 5,274,734**	**$ 4,998,680**	**$ 6,790,159**	**$ 4,049,325**	**(19.0%)**
Authorized Positions	**22.00**	**29.00**	**29.00**	**18.00**	**(37.9%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Economic and Neighborhood Development CSA

Core Service: Fire Safety Code Compliance

Fire Department

Core Service Purpose

Minimize loss of life and property from fires and hazardous materials releases. Provide on-site code inspections and code plan review services to the City of San José business community and residents in the San José service area, resulting in a fire and chemical safe environment.

Key Operational Services:

- ❑ Permitted and Special Occupancies
- ❑ Hazardous Materials
- ❑ Engineering (Development Review)

Performance and Resource Overview

The goal of the Fire Safety Code Compliance core service is to enforce the Fire and Health and Safety Codes and ensure that the customer understands the requirements of each. This goal is attained through customer education during the plan review consultations, inspection process, and enforcement. This core service contributes to the Economic and Neighborhood Development (END) City Service Area outcome *"Safe, Healthy, Attractive and Vital Community"*. In cooperation with the Planning, Building and Code Enforcement and Public Works Departments, there is an ongoing effort to streamline the development permit and plan check review process.

The Fire Safety Code Compliance core service is composed of three operational services. Each operational service performs various tasks including inspections, plan reviews and investigations. These three services are quite distinct due to their focus and technical differences, as detailed below.

Permitted/Special Occupancies and Hazardous Materials

Certain types of building uses (permitted activities) are required by law to be inspected on a regular basis for compliance with fire safety codes. The State mandates that the Fire Department perform specific types of inspections on an annual basis. These include, but are not limited to, high-rise buildings, board-and-care facilities, place-of-assembly occupancies, and facilities with underground fuel tanks. Also, at a minimum, all businesses required to file a State Hazardous Materials Business Plan should be inspected every three years.

Engineering (Development Review)

The City-adopted California Fire Code also requires inspections of all new and tenant-improvement construction related to fire and life safety. Site inspections prior to construction are required to ensure adequate water supply and fire apparatus access.

Fire Fee Program Cost Recovery Status

By Council policy, the Fire Fee Program revenues should recover 100% of costs. In 2003-2004, the Fire Fee Program experienced lower than anticipated revenues in all areas of the program. In the 2003-2004 Mid-Year Budget Review, several actions were taken to bridge the gap between costs and revenues: the elimination of 2.0 vacant Fire Prevention Inspector and 0.9 vacant Associate Engineer positions, and the use of the Fire Fee Reserve ($99,828).

With the estimated level of activity for 2004-2005, base costs for providing services were projected to exceed the estimated revenues for this cost-recovery fee program. To bring costs in line with revenues, several actions were approved in the 2004-2005 Adopted Budget. The elimination of a vacant Hazardous Materials Inspector and a vacant Fire Captain position were approved as part of the effort to balance the projected shortfall in the non-development program. In addition, a funding shift of 0.5 Senior Office Specialist in the Environmental Services Department from the Fire Fee Program to other funds is included in the Protect Natural and Energy Resources Core Service section of this document. Fee increases of 5% for the Permitted/Special Occupancy and the Hazardous Materials Divisions were also approved to further close the gap between costs and revenues in the non-development program.

In the Development Review service area, the addition of a Record Retention Fee, a restructuring of its service fee to align with other development review partners in the END CSA, and the elimination of a filled Account Clerk II (further discussed in the Strategic Support – Fire Department section) were approved. A reduction in non-personal/equipment funding was also included to close the remaining portion of the funding gap in Development Review.

Fee Program Performance

In 2003-2004, the development Code Compliance staff met or exceeded its targeted performance levels in development review and is projected to continue to meet cycle time and quality targets for 2004-2005 set by the END CSA partner departments in consultation with customers.

In 2004-2005, the non-development Code Compliance staff is expected to continue to achieve its targeted performance levels, with 80% of inspected occupancies brought into compliance. While compliance will be on target, the ability of the Fire Fee Program to accomplish its desired workload will continue to be affected by approved budget changes. In the effort to achieve 100% cost-recovery, vacant positions and related resources have been eliminated, affecting the abilities of the Code Compliance staff to perform the desired number of inspections per year.

The approved deletion of a vacant Hazardous Materials Inspector position will result in the redistribution of workload to the remaining inspectors and elimination of a Fire Captain will result in the remaining staff assuming the more important duties, including interacting with the State Department of Social Services regarding mandated inspections of day care facilities.

Fee Program Performance (Cont'd.)

While state-mandated and hazardous materials occupancies will be inspected on schedule as required by law, inspections of other permitted occupancies will drop from 44% annually in 2002-2003 to 23% in 2004-2005. Reductions may also increase the cycle time for non-development plan reviews, delay customer response and inspection scheduling, and result in a loss of ability to coordinate inspections of non-permitted apartment complexes, hotels, and motels.

Performance Measure Development

The Hazardous Materials and Permitted/Special Occupancy performance measures have been altered slightly to better reflect the goals of the Divisions, by measuring the overall compliance rate with the percentage of signed off inspections to inspections initiated.

New Activity and Workload Highlights present a breakout of the various types of inspections, including state mandated occupancies and hazardous materials to reflect the capacity of staff to meet required workload.

Performance and Resource Overview (Cont'd.)

Fire Safety Code Compliance Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of signed off inspections/number of inspections initiated	88%	80%	83%*	80%
% of projects that receive thorough, complete and consistent processing in the first cycle of the staff review process				
- Fire Plan Check	97%	90%	94%	90%
- Inspections	96%	85%	91%	85%
% of inspection sites in compliance within 2 inspections	84%	80%	80%	75%
Ratio of estimated current year fee revenue to fee program cost	80%	98%	95.6%	100%
Selected cycle time measures for Development services:				
- Fire Plan Check processing targets met **	94%	75%	90%	100%
- Fire inspections within 24 hours	97%	70%	93%	85%
% of time complaint investigations initiated within 4 working days	100%	100%	100%	100%
% of Development process participants rating service as good or excellent	***	75%	91.8%	75%

* Percentage reflects only inspections initiated and signed off. It does not reflect the decrease in total inspections initiated from 50% to 32% due to a reduction in staff. See Activity and Workload Highlights for permitted inspection breakdown.

** Targets are 2 to 6 weeks depending on size of project.

*** Survey developed and baseline established in 2002-2003.

Core Service: Fire Safety Code Compliance

Fire Department

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Plan Reviews Performed*	3,770	3,600	4,000	4,000
Inspections Performed*	4,133	3,200	3,000	3,200
Complaints Investigated*	680	700	750	700
Total Renewable Permitted Occupancies:				
- Hazardous Materials Inspections	312	312	312	312
- State-Mandated	640	640	640	640
- Other Occupancies	5,723	5,309	5,300	5,300
Renewable Permitted Inspections Initiated:				
- Hazardous Materials Inspections	150	150	137	109
- State-Mandated	640	640	640	640
- Other Occupancies	2,518	1,858	1,225	1,225

* These highlights reflect summation of all three divisions within Code Compliance (Special Occupancy, Engineering, and Hazardous Materials). Details of each division are expressed in operational performance measure results.

Fire Safety Code Compliance Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 4,058,053	$ 4,634,608	$ 4,345,135	$ 4,083,426	(11.9%)
Non-Personal/Equipment	196,073	229,758	173,443	162,714	(29.2%)
Total	**$ 4,254,126**	**$ 4,864,366**	**$ 4,518,578**	**$ 4,246,140**	**(12.7%)**
Authorized Positions	**39.50**	**38.50**	**33.50**	**31.50**	**(18.2%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Fire Fee Program	**(2.00)**	**(272,438)**	**(272,438)**

Several actions were approved to bridge the gap between anticipated revenues in 2004-2005 of $5.9 million and base expenditures of $6.7 million, while aligning staffing levels with customer service demands in the Fire Fee Program. In this core service, these actions include the following: elimination of 2.0 vacant positions (1.0 Hazardous Materials Inspector, 1.0 Fire Captain); an increase to existing fees by 5% in the Permitted/Special Occupancy and Hazardous Materials areas to cover increases in benefit and retirement costs and bring these programs closer to cost-recovery; the implementation of a new record retention fee for development-related projects; the restructuring of development-related fees to align cost of services; and the reduction of non-personal/equipment funding. (Ongoing savings: $272,438)

Performance Results:
Cost To achieve full cost-recovery, these actions will reduce resources and increase revenue to match the projected workload for the Fire Fee Program. ***Cycle Time*** Increased response time in non-development plan review may occur. ***Customer Satisfaction*** Delays in customer response and inspection scheduling, as well as a loss in the ability to coordinate inspections of non-permitted apartment complexes, hotels, and motels may result.

2004-2005 Adopted Core Service Changes Total	**(2.00)**	**(272,438)**	**(272,438)**

Core Service: Increase the Affordable Housing Supply

Housing Department

Core Service Purpose

Provide funding and technical assistance for the creation of new affordable housing and homebuyer assistance.

Key Operational Services:

- Make Loans to Developers
- Provide Homebuyer Assistance

Performance and Resource Overview

This core service increases the supply of affordable housing by funding the construction of new housing units and by improving homeownership opportunities for San José residents. In the construction program, technical assistance and low-interest gap loans are provided to housing developers for the construction of rental and for-sale housing projects that are affordable to extremely low, very low, and moderate-income households. The homeownership program provides homebuyer assistance by working in partnership with a number of organizations. This core service administers a loan assistance program for San José public school teachers. This core service contributes to the Economic and Neighborhood Development CSA outcome: *Diverse Range of Housing Opportunities*.

In 1999-2000, the City Council adopted a five-year plan for the production of 6,036 affordable housing units from new construction and preservation projects. In June 2004, the Housing Department met that goal through the completion of 6,072 units. Of this number, 4,637 were newly constructed units and 1,435 were units that were acquired and rehabilitated. This core service is estimated to fall below its leveraging goal of 3 to 1 by achieving a 2.5 to 1 ratio of non-city funds to City funds, due mainly to increased spending on extremely low-income units, which require higher amounts of City subsidy.

In 2001-2002, the Redevelopment Agency made available $15.1 million for financing of Extremely Low-Income (ELI) housing. In 2002-2003, another $7.1 million was made available to finance over 70 ELI units. Due to the reduction of the RDA's funding capacity related to State budget impacts and declining tax-increment, ELI funding was reduced to $2.5 million for both 2003-2004 and 2004-2005.

During the course of 2003-2004, the Department worked with financial advisors to develop a new analysis of the Housing Department's bonding capacity, based upon anticipated declining tax increment levels. Bond proceeds for 2003-2004 were $27 million and it is expected that the Department will have sufficient capacity to cover the $50 million in bonds that are anticipated to be issued in 2004-2005 as part of the Adopted Budget.

The Teacher Homebuyer Program (THP) performance continued strong for 2003-2004, with an expected 91 San José public school teachers assisted to purchase homes by year-end. A major landmark of 400 teachers assisted was reached in March 2004. In 2004-2005, federal HOME funds of $1 million will help keep the funding of this vital program at the target of $4 million annually, enabling the program to continue to assist approximately 100 San José public school teachers annually with home loans of up to $40,000 each.

In 2003-2004, the Department continued its partnership with the non-profit Neighborhood Housing Services Silicon of Valley (NHSSV). The City provided $700,000 from 20% Tax Increment funds for deferred down-payment assistance loans for low- and moderate-income households. The Redevelopment Agency provided an additional $500,000 in 80% Tax Increment funds for this purpose. The City also provided $550,000 in 20% Tax Increment funds to support NHSSV's homebuyer education and counseling programs. Fully 25% of participants who complete their Homeownership Education Classes become homebuyers. Additionally, the Housing Department was able to facilitate California Housing Finance Agency (CHFA) funds in the amount of $1.5 million to enable NHSSV to continue providing loans to low and moderate-income households.

Performance Measure Development

As of June 2004, the goal of 6,036 units of affordable housing in 1999-2004 Five Year Housing Production Plan was met and exceeded. Measures toward the 2002-2007 five-year plan will continue to be tracked until the conclusion of that plan in June 2007. The Housing Department has also revised a measure that had tracked the percentage of projects that were completed within 30 months of application. The new measure tracks projects completed within 36 months of City funding commitment, which is a benchmark in the new Notice of Funding Availability (NOFA) process approved by the City Council on February 24, 2004.

Performance and Resource Overview (Cont'd.)

Increase the Affordable Housing Supply Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of cumulative target achieved toward 1999-2004 affordable housing production completion goal	77%	80%	101%	N/A
% of cumulative target achieved toward 2002-2007 affordable housing production completion goal	N/A	100%	125%	100%
% of annual Teacher Homebuyer Loans[1] target achieved	141% (99 loans)	100% (70 loans)	130% (91 Loans)	100% (100 Loans)
Cumulative ratio of non-City funds to City funds in 1999-2004 New Construction Program	2.7: 1	3 : 1	2.5: 1	N/A
Cumulative ratio of non-City funds to City funds in 2002-2007 New Construction Program	N/A	New Measure	2.5: 1	3 : 1
% of Teacher homebuyer loans funded within 15 days of receipt of loan package	100%	95%	95%	95%
% of new construction developments completing construction within 36 months of initial City funding committment	N/A	New Measure	N/A	85%
% of homebuyer clients (approved or denied) satisfied or very satisfied with the programs based on overall service	90%	90%	90%	90%
% of developers satisfied or very satisfied with the Department based on timeliness	100%	100%	100%	100%

[1] Newly constructed units only

Core Service: Increase the Affordable Housing Supply

Housing Department

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of teacher homebuyers assisted	99	100	91	100
Number of other homebuyers assisted	36[1]	220	20[1]	180
Number of total homebuyers assisted	135	320	111	280
Number of affordable housing units for which the City has made a funding commitment has been made since 2002				
Annual	1,077	New	659	375
Cumulative	1,077	Measure	1,736	2,111
Number of City-funded affordable housing units starting construction since 1999				
Annual	1,027	1,109	1,297	925
Cumulative	3,380	7,474	5,786	6,711
Number of City funded affordable housing units completed Since 1999				
Annual	1,541	1,455	1,369	1,278
Cumulative	4,703	6,347	6,072	7,350
Average per-unit subsidy in funding commitments for new construction projects ($)	81,023	82,000	60,700[2]	60,000[2]

[1] Delay in construction of two homebuyer developments and funding delays affecting Home Venture Fund.
[2] Decreased results from decreased number of ELI units, which have higher per-unit costs due to higher subsidies required.

Increase the Affordable Housing Supply Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 1,002,135	$ 1,102,229	$ 1,159,691	$ 1,045,799	(5.1%)
Non-Personal/Equipment	222,901	226,523	229,814	229,814	1.5%
Total	**$ 1,225,036**	**$ 1,328,752**	**$ 1,389,505**	**$ 1,275,613**	**(4.0%)**
Authorized Positions	**12.00**	**11.30**	**10.80**	**9.80**	**(13.3%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
DIVERSE RANGE OF HOUSING OPPORTUNITIES			
1. Housing Department Reorganization	**(1.00)**	**(113,892)**	**0**
This action eliminates a total of three positions (one in this Core Service) in the Housing Department by consolidating management functions in the department. The Housing Department remains committed to reaching the goal of 6,000 new affordable units constructed in the five-year period ending 2006-2007. In order to maximize limited funding, administrative expenses are being reduced as much as possible. Evaluation of staffing and department structure has revealed opportunities to reorganize and consolidate functions, while improving oversight and efficiency. The resulting cost savings will be directed to development of affordable housing units. Bond issuance results in available funds of ten times the amount of Tax Increment revenue. Thus the $400,000 savings in operating costs will potentially provide $4 million in bond revenue for this purpose. A Principle Development Officer position has been approved for elimination in the Increase the Affordable Housing Supply Core Service. (Ongoing savings: $113,892)			
Performance Results: No change to service levels will result from this action.			
2004-2005 Adopted Core Service Changes Total	**(1.00)**	**(113,892)**	**0**

Economic and Neighborhood Development CSA

Core Service: Initiate and Facilitate Private Development

The Redevelopment Agency of the City of San José

Core Service Purpose

Initiate and facilitate quality development by the private sector through land assemblage, permitting, public improvements, and other appropriate assistance.

Key Operational Services:

- ❑ Retention and Recruitment
- ❑ Facilitate Permitting
- ❑ Historic Preservation
- ❑ Commercial Rehabilitation

Performance and Resource Overview

The encouragement of private investment in all of the Agency's project areas is a primary function of the Agency and serves several purposes:

- To correct blight conditions found in neighborhoods, such as the West San Carlos Shopping Center and in the Neighborhood Business Clusters;
- To create jobs and tax revenue through the development of new office/R&D development in the industrial areas; and
- To encourage retail and housing opportunities and re-tenanting of office space downtown.

The Greater Downtown continues to experience growth in the midst of a recession as a result of a number of public and private projects that have been underway for some time. The Agency will continue to initiate and facilitate the production of retail space, hotel rooms, housing units and the re-tenanting of office space. Additionally, the Agency will continue to support the Software/Environmental Business Cluster and leases with the Small Business Administration, Software Development Center and International Business Cluster.

The Agency has a number of programs designed to assist the needs of small businesses and to facilitate the re-use of the vacant un-reinforced masonry structures. In Fall 2003, the Agency Board combined these programs into the Downtown Business Improvement Pool. Pool funds are targeted to specific vacant buildings in the downtown core. The Agency has also invested in numerous historic preservation projects such as: 2nd/San Fernando Street, Storm Property and Montgomery Hotel. In addition, the Agency has executed a Disposition and Development Agreement with the CIM Group for mixed-use construction on major development and infill sites to add 85,500 square feet of retail and over 405 housing units to the Downtown's retail and entertainment core.

The industrial areas continue to be burdened for the third year in a row by the impacts of local economic and real estate market conditions. However, after 33 consecutive months of poor

performance, Q4 absorption of space in all 4 markets (R&D, office, industrial & warehouse) were positive, with large gains in the office, industrial and warehouse markets and slight gains in the R&D markets. Average lease rates, however, still tend to be decreasing. The unemployment rate is moving in a positive direction as well and the development community remains slightly optimistic about the current market conditions.

While no new development is anticipated to occur until 2005-2006, the Redevelopment Agency seeks to capitalize on the emerging bioscience industry by investing in a 36,500 square foot Bioscience Incubator and Innovation Center in Edenvale which opened in June 2004. Additionally, the Agency will focus on re-tenanting existing vacant properties through the Special Tenant Improvement Program. Over 49 buildings totaling 3 million square feet have been re-tenanted with permits issued within hours of review. Several of these buildings are in the Rincon, Edenvale and Monterey Corridor. The Agency also continues its investment in providing infrastructure improvements in those areas; Rincon Flood Control project, Edenvale roadway and intersection improvements, and interchange improvements at Hellyer/101 and Blossom Hill/101. These investments serve to strengthen the business climate in the industrial areas and provide support to the corporate and development communities.

The industrial work program also devotes much of its staff resources toward retention of its corporate community. From July 1, 2003 to April 2004, 154 retention site visits were performed. The industrial advertorial and marketing campaign is underway, and staff continues to support the efforts of the International, Software, and Environmental Incubators located in downtown San José. Supporting small business will be critical to ensuring economic success in the future.

- Advertorials thanking business for operating in San José have also been published in the SJ Biz Ink and San José Business Journal.
- A number of companies have been assisted with the permit process including BEA Systems, Marquez Brothers, Photon Dynamics, etc.

In addition, the investments in the Rincon Flood Control Project are expected to attract and retain businesses and jobs as the economy improves.

Performance Measure Development

The performance measures for private development focus on the Agency's leveraging ability demonstrating the viability and economic strength of the project area. The effectiveness of the Agency's investment is measured by jobs created per dollars spent and the quality of the Agency's customer service.

The quality performance measure has been revised to more clearly track the relationship between the number of jobs created or sustained by Agency projects and the amount of Agency funding committed to such projects.

Performance and Resource Overview (Cont'd.)

Initiate and Facilitate Private Facilities and Spaces Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target*
Ratio of # of jobs created or sustained to Agency $ spent	4/$100,000	6/$100,000	6/$100,000	N/A
Ratio of Agency assistance to other public and private investment by project type (adjusted for market conditions)				
- Hotel	1:10.7	1:1.4	1:1.4	N/A
- Office	0	0	1:6.5	N/A
- Mixed Use/Retail Lease	1.72:1	1:1	1:1.2	N/A
- Industrial	1:2.05	1:3	1:3	N/A
Number and % of Agency clients (development proponents and applicants) rating service as good or excellent on a 5-point scale**	53% (8 of 15)	75%	75%	N/A

* Targets for 2004-2005 were not developed because new property assessment figures were not available to calculate revenue estimates.

** Based upon survey conducted by Zucker Systems.

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of jobs created	543	1,000	1,481	N/A
Total Agency expenditures for private development projects	$13,441,995	$15,930,088	$25,449,856	N/A
Total public funds by project type:				
- Hotel	$10,000,000	$10,665,232	$10,665,000	N/A
- Office	N/A	N/A	$10,000,000	N/A
- Retail Lease	$3,441,995	$5,264,856	$4,784,856	N/A
Total private funds by project type:				
- Hotel	$107,000,000	$15,292,000	$15,292,000	N/A
- Office	N/A	N/A	$65,000,000	N/A
- Retail Lease	$3,441,995	$5,930,000	$5,930,000	N/A
Number of Agency's clients rating service as good or excellent*	8/15	10/15	10/15	N/A

* Based on survey results by Zucker Systems.

Core Service: Initiate and Facilitate Private Development

The Redevelopment Agency of the City of San José

Performance and Resource Overview (Cont'd.)

Initiate and Facilitate Private Facilities and Spaces Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 1,156,565	$ 1,828,603	$ 1,222,138	$ 2,954,743	61.6%
Non-Personal/Equipment	1,500,350	2,396,183	1,458,867	3,091,000	29.0%
Total	**$ 2,656,915**	**$ 4,224,786**	**$ 2,681,005**	**$ 6,045,743**	**43.1%**
Authorized Positions*	**11.00**	**11.00**	**11.00**	**27.00**	**145.5%**

* The San José Redevelopment Agency (SJRA) budget is listed for display purposes only in the City's Operating Budget. For more information on the SJRA budget, please refer to the SJRA Operating Budget document.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Economic and Neighborhood Development CSA

Core Service: Long Range Land Use Planning

Planning, Building and Code Enforcement Department

Core Service Purpose

Develop land use plans and policies to guide the future physical growth of the City.

Key Operational Services:

- City-wide Land Use Planning (General Plan)
- Historic Preservation
- Specific/Area Planning
- Neighborhood Revitalization
- Policy/Ordinance Development

Performance and Resource Overview

The following are desired outcomes of this core service: a General Plan that is kept relevant and current through the incorporation of approved amendments; a Zoning Code that is clear and current; and land use plans, maps, and documents that are clear, comprehensive, and accessible to customers. This core service contributes to all three primary outcomes of the Economic and Neighborhood Development City Service Area: 1) *Strong Economic Base;* 2) *Diverse Range of Housing Opportunities*; and 3) *Safe, Healthy, Attractive and Vital Community*.

Staff Resources

A long-range planning Planner position proposed for deletion in this budget was included in the Council's action eliminating 100 vacant positions approved in March 2004. This brings the total staffing reduction in this core service to 7 positions since 2002-2003 (4.0 Planner I/II positions, 2.0 Planning Technicians and 1.0 Office Specialist). In addition, a Principal Planner position and a supervising clerical position have been held vacant through most of 2003-2004. These resource reductions and the initiation of major long-range planning studies (North San Jose Area Development Policy Update, Coyote Valley Specific Plan, and Evergreen Smart Growth Strategy) have caused delays in other work plan items in this core service. While dedicated limit-dated staffing was added for these special planning studies, the scope of these projects and the continuation of offering four General Plan hearings annually have required, and will continue to require support from other long-range planning staff. It should be noted that outside of the new limit dated positions for the special projects, the core staffing for long-range planning has been effectively reduced by 30.5% in the past two years.

Strong Neighborhoods Initiative (SNI)

Nineteen of the 20 SNI Neighborhood Improvement Plans were completed by the end of 2002-2003. In 2003-2004, the 20th plan was dropped from the work program because the plan area (Union-Curtner) consisted primarily of commercial uses that were already part of the Retail Cluster

Strong Neighborhoods Initiative (SNI) (Cont'd.)

Redevelopment Area. It was determined that a neighborhood planning effort was not necessary. City and Agency staff continue to monitor the Union-Curtner area for possible new revitalization issues.

Staff continues to implement planning actions associated with the 19 approved SNI Neighborhood Improvement Plans. Working with the community and property owners, staff is proactively initiating and processing General Plan amendments and rezoning proposals to reflect the action items in the adopted SNI Plans, facilitate development and reinvestment in these neighborhoods, and protect existing neighbor character. The position deleted in March was part of this SNI Planning team.

Specific/Area Planning

The only specific or area plan that was scheduled for completion in 2003-2004, given staff's concentrated effort on Neighborhood Improvement Plans for SNI, was the Martha Gardens Specific Plan (formerly called the East Gardner Specific Plan). This plan was adopted by the City Council in December 2003.

Per the adopted Mayor's Budget Strategy, new advance planning efforts must now be funded by outside sources. The Coyote Valley Specific Plan and Evergreen Smart Growth Strategy are both underway and will continue in 2004-2005. These major, highly visible, and community-based planning efforts require intensive inter-departmental and inter-agency coordination as well as day-to-day project management to meet the aggressive schedules established for each effort. While the 7.0 additional positions for these projects are reflected in the position count for this core service, the budget for these projects can be found in the City-Wide Expenses section of this document.

Staff is also working on the high priority update of the North San Jose Area Development Policy to facilitate taller buildings and greater floor area ratios (FARs) along the North First Street corridor in the Innovation Triangle. This effort is an outgrowth of the adopted Economic Development Strategy and the Council's direction after the Getting Families Back to Work Study Sessions. The update is scheduled to be considered by the Council by the end of the 2004 calendar year.

The performance measure that tracks the percentage of acres where new development occurs within five years of specific plan adoption for three specific plan areas (Alviso, Tamien, and Rincon South) was reduced to zero for 2003-2004 due to the downturn in the economy. This performance measure has been changed to read "eight years since a specific plan's adoption" due to the age of these plans. In addition, the newly adopted Martha Gardens Specific Plan has been added to the specific plans being tracked. The target for this measure for 2004-2005 is expected to follow the gradual improvement of the economy with an expected 3% of the acreage being developed.

City-Wide Land Use Planning

In the fall of 2001, the City Council directed the Department to hold at least three General Plan Hearings per year instead of a single Annual Review as in past years. Implementation of the multiple hearings began in 2002 without adding additional resources because the temporary staff involved in the Housing Opportunity Study (HOS) was available to assist with the workload. While this additional workload impacted and delayed other long range planning activities, (e.g., the completion of the third phase of the Housing Opportunity Study), the multiple opportunities for General Plan Amendment submittals received a favorable response from the development community. Developers appreciate the increased flexibility in the development process that multiple hearings allow.

In 2003-2004 and 2004-2005, four hearings per year are scheduled. Resources have been reallocated to this function because it is fee-based. As applications increase, the additional resources commensurate with increased fee revenue may be needed in order to meet performance goals.

In 1999-2000, the City Council approved the initiation of a Housing Opportunities Study. This effort is focused on identifying possible sites for higher density residential and mixed-use development along the City's Transit-Oriented Development Corridors. The first phase included General Plan amendments capturing opportunities along the Capitol Corridor. This effort continued in 2001-2002 with a second phase focusing on the Stevens Creek Boulevard/West San Carlos Street and Santa Clara Street/Alum Rock Avenue Corridors. The second phase was completed in December 2002. A third and final phase, which includes the remaining corridors (Guadalupe, Vasona, and Winchester) is on target for completion in December 2004.

General Plan Update

The last comprehensive update of San Jose's General Plan was in 1994. Given the significant growth issues facing the City, another comprehensive update is needed to allow City staff and the City Council to engage the community in preparing a land use vision to direct future growth while preserving the quality of life in our neighborhoods. A new plan will assist policy makers and development interests in shaping a positive future for the community. It is estimated that the General Plan Update process would take two years and cost approximately $1 million. State law allows local governments to levy a fee on development permits to pay the costs of a comprehensive update of their General Plan. PBCE is proposing to implement a nominal surcharge in 2004-2005 to fund the Update process that would take place over a two-year period from mid-2006 until mid-2008. The fee will be structured to raise $200,000 per year for 4 years to fully fund the consultant and non-personal costs of the process. The update would be completed with no additional City staff costs by reallocating long-range planning staff resources from other special studies for the duration of the project. Beginning in 2008-2009, the fee would be lowered to recover the cost of

General Plan Update (Cont'd.)

the next update over a 10-year period. A detailed discussion of how this fee would be applied will be included in the Fees and Charges Report that was released in early May.

Performance Measure Development

The performance measures for Long Range Land Use Planning have been modified as discussed above to account for new projects in the long range planning work program.

Long Range Land Use Planning Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of acres where new development occurs within eight years of Specific Plan adoption	0%	0%	0%	3%
% of special planning efforts completed within targeted cost:				
Neighborhood Improvement Plans:	100%	100%	N/A	N/A
Specific/Area Policy Plans:	-	100%	100%	N/A
North San Jose Development Policy:	-	-	-	100%
% of special planning efforts completed within targeted time:				
Neighborhood Improvement Plans:	100%	100%	N/A	N/A
Specific/Area Policy Plans:	0%	100%	100%	N/A
North San Jose Development Policy:	-	-	-	100%
% of planning process participants rating service as "good" or "excellent"	93%	80%	90%	80%

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of Scheduled/Completed Neighborhood Revitalization/Improvement Plans	6 of 7	1 of 1	0 of 0	0 of 0
Number of Scheduled/Completed Specific/Area Policy Plans	0 of 1	1 of 1	1 of 1	1 of 1
Number of General Plan Amendments	32	25	33	30

Performance and Resource Overview (Cont'd.)

Long Range Land Use Planning Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 2,614,130	$ 2,561,416	$ 2,433,775	$ 2,341,216	(8.6%)
Non-Personal/Equipment	437,943	420,216	213,763	191,763	(54.4%)
Total	**$ 3,052,073**	**$ 2,981,632**	**$ 2,647,538**	**$ 2,532,979**	**(15.0%)**
Authorized Positions	**32.45**	**26.45**	**32.45**	**31.45**	**18.9%**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Long Range Land Use Planning	**(1.00)**	**(114,559)**	**(114,559)**

This action transfers a Planning Technician position to the Development Plan Review & Building Construction Inspection Core Service to support the planning development fee program. In addition, the reallocation of a Supervisor Administration position in Planning Services to the Senior Office Specialist level and reduction of $22,000 in non-personal/equipment was approved. A portion of these savings will be realized in the development fee program. The effect of this action is a continued reduction of service within the Special Projects team in the Planning Services Division. Specifically, several tactics identified in the adopted Economic Development Strategy will be delayed. (Ongoing savings: $197,427)

Performance Results:
Quality, Cycle Time Cycle times will increase for exhibits, research, and technical support provided to the Special Projects team.

2004-2005 Adopted Core Service Changes Total	**(1.00)**	**(114,559)**	**(114,459)**

Economic and Neighborhood Development CSA

Core Service: Maintain the Existing Affordable Housing Supply

Housing Department

Core Service Purpose

This core service provides rehabilitation loans and grants and construction oversight to extend the useful life of affordable housing, including single-family homes, mobile homes and multi-family buildings. In addition, this core service provides loan servicing and portfolio oversight to protect the City's investments and ensure the affordable units remain affordable as well as provide Rental Dispute services to community residents to ensure rent increases are controlled and assist clients with eviction notices.

Key Operational Services:

- ❑ Loan Management
- ❑ Rental Dispute Services
- ❑ Housing Rehabilitation

Performance and Resource Overview

Maintaining the existing supply of affordable housing involves three distinct activities. The first is the physical maintenance of buildings to extend their life, including both small-scale rehabilitation of single-family homes, multi-family apartments, and mobile home units and the acquisition/rehabilitation of large apartment complexes. The second is ensuring that housing units subject to long-term affordability restrictions remain affordable and well maintained for the term of the restriction. The third is providing assistance to renters and rental property owners through the Rental Rights and Referrals Program. This core service contributes to the following Economic and Neighborhood Development CSA outcome: *Diverse Range of Housing Opportunities.*

Housing Rehabilitation

Maintaining the existing supply of affordable housing through the use of grants and loans is the key component of the Department's Housing Rehabilitation Program. The Department assists low- and moderate-income residents by assisting in the physical maintenance of single-family homes, mobile homes and multi-family apartments, thereby extending the useful life of these units.

On August 27, 2002, the City Council approved the Strong Neighborhoods Initiative (SNI) Exterior Grant Program and the Hensley Historic District Home Rehabilitation Program with appropriations of $4 million and $1 million respectively. Due to funding reductions, the Redevelopment Agency was unable to sustain the support of SNI rehabilitation programs at that level. In 2003-2004, $2.3 million in SNI funding was provided, enabling the rehabilitation program to assist 90 households in improving the livability and safety of their homes in SNI designated areas. The Department has developed a modified rehabilitation program to address the needs of the SNI neighborhoods, increase its targeting of rehabilitation activities, and improve performance in achieving the Council Policy goal of spending a minimum of 75% of rehabilitation funds in targeted areas.

Housing Rehabilitation (Cont'd.)

For 2004-2005, the Department is budgeting $6 million for housing rehabilitation projects, with funding coming from: Federal HOME funds, Community Development Block Grant (CDBG), and CalHome funds. The CDBG grant is being reduced from $2.6 million in 2003-2004 to a projected $1.5 million in 2004-2005. Because of reductions in funding, 2.50 positions are being eliminated from this program, in addition to the 4.0 positions that were eliminated in 2003-2004. Savings in operational costs from the latest staffing reductions is estimated at $350,000.

The Department of Housing has continued implementation of the final HUD regulation on lead-based paint hazards, which became effective on January 10, 2002. Since May of 2000, the City of San José's Housing Department has tested 1,960 dwelling units for the presence of lead-based paint. Of that number, 530 (27%) have tested positive and appropriate measures have been taken to ensure compliance with the regulations. It should be noted that many of the positive results are for fewer than three components and intact surfaces that do not pose a health hazard to the occupants.

San José has expended over $850,000 on identifying lead-based paint in San José's low and moderate-income housing. An additional $225,000 has been expended on lead based paint remediation required as part of housing rehabilitation or exterior painting. Testing costs for 2004-2005 are expected to be about $100,000 and an additional $150,000 for mitigation. The City's Housing Department is currently seeking proposals to contract with a remediation/abatement company to expedite the mitigation of lead hazards.

Rental Rights and Referrals

In November of 2002, the Mayor and City Council responded to landlord/tenant advocate concerns regarding illegal, no-cause evictions in San José by amending the City's Rent control Ordinance to protect tenants living in non-rent controlled units. Effective July 1, 2003, the Rental Rights and Referrals Program began providing mediation services to tenants living in non-rent controlled units.

The current fee of $.50 per non-rent control unit provides a total of $10,183 in annual revenue, significantly less than the estimated $90,000 cost to administer the program. The fee revenue was supplemented by Community Development Block Grants (CDBG) for 2003-2004 and 2004-2005. Declining rent rates and increased vacancies in recent months have resulted in fewer rental disputes and evictions and therefore relatively few requests for mediation services. Predictions of ongoing demand for the program services are still uncertain because the program is new and because of the current market conditions. Therefore, staff intends to postpone fee increases another year, to allow a longer, more stable evaluation period. The goal is to arrive at a fee amount that would sustain the program over a period of years and avoid the need to increase fees again in the near future. As part of the 2005-2006 budget process, program staff will evaluate costs and develop a recommendation for a fee increase to allow the program to become financially self-sufficient.

Loan Management

The Loan Management workload continues to expand as the Housing Department loan portfolio grows as a result of increased production. The loan portfolio, which was valued at $214 million in 1999, reached $383 million in June 2003, and is expected to reach $457 million in June 2004. Management of the portfolio includes maintaining annual compliance and monitoring services to existing projects with clients occupying over 13,000 units of affordable housing.

To improve efficiency, ensure compliance, and more closely monitor collections, the Loan Management function will be divided into two distinct sections starting 2004-2005. The division of workload will also allow for increased oversight, and checks and balances to protect the significant City loan portfolio. Currently, the Loan Management Division is headed by a Principal Development Officer. In the new organization, each of two loan sections will be headed by a Senior Development Officer, who will report to a Division Manager. The resulting structure will help increase accountability and oversight. The elimination of the Principal Development Officer position as manager of the function also saves the department in operating costs. In addition, one vacant Staff Specialist position is being eliminated for a savings of $93,000, and one Development Specialist is being moved from a CDBG funded Housing Rehabilitation program to fill a vacant position in Loan Management, thus saving $93,000 in CDBG funds.

The acquisition and rehabilitation of existing apartment buildings, together with the imposition of long-term affordability restrictions, remains a key component of the City's affordable housing program. In 2002-2003, rehabilitation of five projects, with 615 newly restricted units, was completed. In 2003-2004, it is anticipated that rehabilitation work will have been completed on an additional 223 affordable units in two projects.

Performance Measure Development

In 2003-2004, new measures were added to address the Strong Neighborhoods Initiative (SNI) projects. Some measures related only to SNI have been revised to include City-wide projects and remove the SNI distinction. A new measure has been added to track the percent of emergency repair requests completed within fifteen days because of the crucial nature of the need and the significant workload impact that results from such requests.

Performance and Resource Overview (Cont'd.)

Maintain the Existing Affordable Housing Supply Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of cumulative target achieved toward 2002-2007 acquisition/rehabilitation goal[1]	199%	200%	168%	200%
Default rate of loan portfolio by category: (Includes both declared and non-declared defaults)				
% of total loan principal:				
1. Project Loans	1.00%	<11%	8.0%	<6%
2. Rehabilitation Loans	5.00%	<7%	7.0%	<4%
3. Homebuyer Loans	4.00%	<6%	4.0%	<3%
% of total loans:				
4. Project Loans	2.10%	<12%	8.0%	<6%
5. Rehabilitation Loans	2.80%	<8%	8.0%	<8%
6. Homebuyer Loans	3.30%	<6%	4.0%	<4%
% of loan payments collected out of total payments due to the City[1]	139%	100%	139%	100%
% of rehabilitation projects that are under $55,000 per unit	90%	80%	98%	75%
% of all non-mobile home rehabilitation project funds approved within SNI neighborhoods	N/A	N/A	New Measure	75%
% of all rehab program funds that are loaned instead of granted	N/A	N/A	New Measure	25%
Cumulative ratio of non-City to City funds in acquisition/rehabilitation projects	16 to 1	15 to 1	16 to 1	15 to 1
% of emergency repair requests completed within 15 days of qualification to completion of critical repair	N/A	N/A	New Measure	75%
% of small rehabilitation projects completed within 6 months of approval	N/A	N/A	New Measure	75%
% of large rehabilitation projects completed within 12 months from approval (substantial completion)	N/A	N/A	New Measure	75%
% of paint grant projects completed within 6 months from complete application to project completion	N/A	N/A	New Measure	80%
% of rehabilitation, mobile home, and paint-grant clients satisfied or very satisfied based on overall service	N/A	N/A	New Measure	95%
% of Rental Dispute Program clients satisfied or very satisfied with overall service	97%	90%	90%	90%

[1] Exceeds 100% because of unscheduled payoffs.

Performance and Resource Overview (Cont'd.)

Maintain the Existing Affordable Housing Supply Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of loan management clients satisfied or very satisfied based on overall experience	85%	85%	TBD*	85%
% of project occupants rating units good or excellent based on value, project amenities and maintenance	N/A	N/A	TBD*	TBD**

* Survey not completed due to inadequate response.
** Survey methods being re-evaluated. New survey to be conducted Qtr 1, 04-05

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of rehabilitation projects completed				
1. Rehabilitation Projects	N/A	N/A	N/A	205
2. Paint Projects	N/A	N/A	N/A	450
3. Mobile home projects	N/A	N/A	N/A	120
Total:	N/A	N/A	N/A	775
Number of rehabilitation applications completed				
1. Rehab, conventional homes				
-SNI neighborhoods	N/A	N/A	N/A	150
-Non-SNI neighborhoods	N/A	N/A	N/A	100
2. Mobile home projects	N/A	N/A	N/A	150
3. Paint projects	N/A	N/A	N/A	450
Total:	N/A	N/A	N/A	850
Number of emergency pre-application inspections	N/A	N/A	N/A	100
Size of Housing Department loan portfolio by category:				
Total loan principal ($):				
1. Project Loans	345,273,332	434,828,250	418,250,000	463,900,000
2. Rehabilitation Loans	19,595,616	23,100,000	17,990,500	17,000,000
3. Homebuyer Loans	18,269,414	22,620,400	21,000,000	28,000,000
Total number of loans:				
4. Project Loans	144	170	170	175
5. Rehabilitation Loans	602	550	570	590
6. Homebuyer Loans	540	680	680	840
Number of Loan Management transactions (refinances, payoffs, subordinations, assumptions)	396	560	565	525
Number of scheduled inspections on major projects in loan portfolio	N/A	N/A	New Measure	1,700
Number of unduplicated Rental Dispute Program clients	2,186	2,500	1,555	1,750
Number of clients seeking assistance with eviction notices	172	144	150	175

* Reduced funding availability and current waiting list of applicants may limit new projects primarily to those with applications already on file.
** Anticipated decline attributed to maturing of older loans and shift from amortized to deferred loans.

Performance and Resource Overview (Cont'd.)

Maintain the Existing Affordable Housing Supply Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 3,120,911	$ 3,535,857	$ 3,209,708	$ 2,854,934	(19.3%)
Non-Personal/Equipment	304,413	898,334	784,052	799,052	(11.1%)
Total	**$ 3,425,324**	**$ 4,434,191**	**$ 3,993,760**	**$ 3,653,986**	**(17.6%)**
Authorized Positions	**41.00**	**45.70**	**34.50**	**30.50**	**(33.3%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
DIVERSE RANGE OF HOUSING OPPORTUNITIES			
1. Housing Department Reorganization	**(2.00)**	**(211,938)**	**0**

This action eliminates a total of three positions in the Housing Department (two in this Core Service) by consolidating management functions in the department. The Housing Department remains committed to reaching the goal of 6,000 new affordable units constructed in the five-year period ending 2006-2007. In order to maximize limited funding, administrative expenses are being reduced as much as possible. Evaluation of staffing and department structure has revealed opportunities to reorganize and consolidate functions, while improving oversight and efficiency. The resulting cost savings will be directed to development of affordable housing units. Bond issuance results in available funds of ten times the amount of Tax Increment revenue. Thus the $400,000 savings in operating costs will potentially provide $4 million in bond revenue for this purpose. The positions affected in the Maintain the Existing Affordable Housing Supply Core Service include: the elimination of 1.0 Development Specialist and 1.0 Staff Specialist, and the conversion of 1.0 Principal Development Officer to 1.0 Senior Development Officer. (Ongoing savings: $219,569)

Performance Results:
No change to service levels will result from this action.

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
DIVERSE RANGE OF HOUSING OPPORTUNITIES (CONT'D.)			
2. Community Development Block Grant Housing Program	**(2.00)**	**(140,836)**	**0**

This action eliminates a Building Rehabilitation Inspector and a Development Specialist position to reflect the reduction in Community Development Block Grant (CDBG) funds for housing preservation, rental housing rehabilitation, paint grant, and mobile home rehabilitation loan programs. In addition to the reduction in CDBG staffing, program funding will result in 60 to 70 fewer housing rehabilitation projects being funded in 2004-2005. (Ongoing savings: $202,337)

Performance Results:
No changes to service level are expected as the number of new projects has been decreased and workload has been reduced accordingly.

3. Rebudget: Rental Dispute Program		**15,000**	**0**

This rebudget will allow the Department to complete dispute hearings that were delayed due to scheduling issues. (Ongoing cost: $0)

Performance Results: N/A (Final Budget Modification)

2004-2005 Adopted Core Service Changes Total	**(4.00)**	**(339,774)**	**0**

Economic and Neighborhood Development CSA

Core Service: Promote and Implement Neighborhood Improvement Strategies

The Redevelopment Agency of the City of San José

Core Service Purpose

Promote and implement strategies to retain, enhance, redevelop and rebuild neighborhoods, including Downtown.

Key Operational Services:

- ❑ Redevelopment Plan Formulation
- ❑ Assessment of Community Needs
- ❑ Plan of Action to Meet Community's Prioritized Needs
- ❑ Commercial and Residential Rehabilitation
- ❑ Collaboration with Neighborhood Groups

Performance and Resource Overview

The Agency is committed to completing successful projects in the neighborhoods of San José. These neighborhoods, located in the greater downtown and throughout the City, are strengthened by the Agency through:

- Enhancing livability by efforts such as the Strong Neighborhoods Initiative;
- Improving community safety by coordinating code enforcement, residential rehabilitation, and facade improvements; and
- Increasing economic stability by developing practical strategies such as the Greater Downtown Development Strategy Plan.

The operating and capital improvement program funds community priorities in Strong Neighborhoods Initiative Areas. Each Neighborhood Improvement Plan contains a list of 'top ten' priorities developed by the respective Neighborhood Advisory Committee (NAC). Funding is recommended for several programs that benefit all neighborhoods in the Strong Neighborhoods Initiative Project Area, which includes funding for housing rehabilitation, traffic calming and community facilities. In addition, funding for Neighborhood Business Districts and the Neighborhood Business Clusters Redevelopment project areas continue the implementation of projects outlined in revitalization strategies, including facade improvements, streetscape projects, parking lots and park improvements.

In the Neighborhood Business Districts, proposed activities include facades, streetscapes and retail recruitment. In the Neighborhood Business Clusters, such as at Monterey and Roeder, Union and Camden, White and Quimby, and Fruitdale and Bascom Stations, proposed efforts include facade improvements, streetscapes and development projects.

Performance Measure Development

The second cost performance measure for completion of projects within 10% of the approved budget estimate was revised to include façade and streetscape projects.

Promote and Implement Neighborhood Improvement Strategies Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target*
Agency assistance vs. non-Agency funding per project type:				
- Facades	5.9:1	5.9:1	5.9:1	N/A
- Other Development	1:1.4	1:1	1:1.4	N/A
% of projects completed within 10% of approved budget estimate, per type:				
- Facades	95%	100%	95%	N/A
- Streetscapes	100%	100%	100%	N/A
% of projects completed within a specific timeframe, per type:				
- Facades	95%	100%	95%	N/A
- Streetscapes	83%	100%	100%	N/A
% of residents and business who rate livability of neighborhoods as good or excellent on a 5-point scale**	82%	85%	82%	N/A

* Targets for 2004-2005 were not developed because new property assessment figures were not available to calculate revenue estimates.

** Based upon survey results from attendees of neighborhood associations and Neighborhood Advisory Committees.

Core Service: Promote and Implement Neighborhood Improvement Strategies

The Redevelopment Agency of the City of San José

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Amount of Agency funding per project type:				
- Facades	$3,491,681	$500,000	$500,000	N/A
- Other Development	$50,000,000	$10,000,000	$10,000,000	N/A
Amount of non-Agency funding per project type:				
- Facades	$592,294	$100,000	$100,000	N/A
- Other Development	$70,000,000	$10,000,000	$10,000,000	N/A
Number of projects completed within 10% of budget estimate:				
- Facades	114 of 114	100%	100%	N/A
- Streetscapes	6 of 6	100%	6 of 6	N/A
Projects completed on time:				
- Facades	108 of 114	100%	100%	N/A
- Streetscapes	6 of 6	100%	100%	N/A

Promote and Implement Neighborhood Improvement Strategies Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2003-2004 Estimate 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget*					
Personal Services	$ 1,625,637	$ 3,304,811	$ 2,273,170	$ 1,666,018	(49.6%)
Non-Personal/Equipment	2,108,853	4,303,305	2,713,482	1,742,845	(59.5%)
Total	**$ 3,734,490**	**$ 7,608,116**	**$ 4,986,652**	**$ 3,408,863**	**(55.2%)**
Authorized Positions*	**16.00**	**21.00**	**21.00**	**16.00**	**(23.8%)**

* The San José Redevelopment Agency (SJRA) budget is listed for display purposes only in the City's Operating Budget. For more information on the SJRA budget, please refer to the SJRA Operating Budget document.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Economic and Neighborhood Development CSA

Core Service: Provide Services to Homeless and At-Risk Populations

Housing Department

Core Service Purpose

Provide direct and indirect assistance to the homeless and those at-risk of homelessness in securing housing and related services.

Key Operational Services:

- Information and Referral Services for Homeless and Those At-Risk of Homelessness
- Grant Administration

Performance and Resource Overview

This core service assists individuals and families on a daily basis. Direct services include information and referrals to emergency, transitional, and permanent housing options; coordination of rental assistance and mortgage payments; and linkages to other services such as health care, job opportunities, and transportation. In addition, four grant programs are administered by this core service: the federal Emergency Shelter Grant Program (ESGP), grants made through the Housing and Homeless Fund, The Housing Trust Fund, and the Housing Opportunities for People with AIDS program (HOPWA). This core service contributes to the Economic & Neighborhood Development CSA outcome: *Diverse Range of Housing Opportunities.*

From 1991 to 2003, City staff provided direct services to the homeless and those at-risk of becoming homeless. Since January of 2003, direct services have been delivered by a community-based, non-profit organization under contract in an interim agreement with the Housing Department. In 2004-2005, a Request for Proposals (RFP) will be completed for a program to provide direct services on an ongoing basis. The successful agency(s) selected as a result of this RFP will be expected to provide a comprehensive array of homeless services ranging from prevention to financial assistance, and referrals to a system of other agencies including case management, shelter, transitional and permanent housing.

In August 2003, the City Council approved a Homeless Strategy that serves as a City informational resource, strategic document, and action plan to address homeless issues and needs. The goal of that strategy is to end chronic homelessness in ten years. Working with San José's low and very - low-income families and individuals who are homeless, the plan is to assess individual needs and make appropriate referrals to service providers. The City of San José will provide funds according to the approved budget on an annual basis. Housing Department staff will seek out opportunities to apply for additional funding from State and Federal grants to supplement City resources.

Performance and Resource Overview (Cont'd.)

In 2003-2004, a Development Officer position was assigned as Grants Manager for the Department, overseeing all aspects of the agreements between the Housing Department and the non-profit agencies delivering services to the community. The Grants Manager oversees contracts, monitors compliance, and manages disbursements. This ensures compliance with Federal and State funding regulations and the delivery of service that is consistent with the goals of the Department and the City.

Performance Measure Development

The performance measures are designed to evaluate how effectively the program provides assistance to the homeless population. The measures include services delivered directly by the City and indirectly through the funding of non-profit agencies offering specialized services to the homeless and at-risk homeless population.

Provide Services to Homeless and At-Risk Populations Performance Summary	2002-2003 Actual	2003-2003 Target	2003-2004 Estimated	2004-2005 Target
Ratio of non-City funds to City funds for individuals and families who are homeless or at risk of being homeless	8 to 1	0.50 to 1	4 to 1	4 to 1
% of qualified clients that are referred to or assisted with emergency housing within 24 hours	100%	90%	100%	95%
% of qualified at-risk clients who receive one-time rental/mortgage assistance within 5 days	100%	80%	100%	90%
% of walk-in clients that are satisfied or very satisfied based on overall services, timeliness, and courtesy	97%	90%	100%	95%

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Estimated number of homeless episodes in the City of San José	12,600	10,000	12,600[1]	12,600[1]
Estimated number of clients receiving direct or indirect assistance from community-based agencies assisted by City funds	12,192	15,000	18,000	15,000
Number of unduplicated clients assisted by the Homeless Program	3,105	8,000	9,500	8,000
Number of homeless people returning for services	5,613	8,500	7,500	8,000
Number of qualified clients referred to or assisted with obtaining a job	142	100	50	75
Number of clients assisted by phone	7,000	10,000	15,000	15,000
Number of clients seeking assistance with the following:[2]				
1. Transportation	5,703	8,000	8,000	6,000
2. Referred to emergency housing	159	300	400	300
3. Referred to transitional housing	11	80	50	50
4. Referred to permanent housing	1,227	1,200	1,200	1,200
5. Information regarding landlord negotiations, intervention with Social Services (Calworks, Social Security, Veteran, etc.)	2,492	8,000	1,000	2,500

[1] Estimate based on projections from a census taken several years age. A new census will be conducted in June 2004. Data not available more often than annually.

[2] The City no longer provides direct assistance to the homeless. These services are outsourced to non-profit agencies. Data reported is that of services delivered by those agencies, whose performance is monitored by the City.

Core Service: Provide Services to Homeless and At-Risk Populations

Housing Department

Performance and Resource Overview (Cont'd.)

Provide Services to Homeless and At-Risk Populations Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 332,313	$ 354,719	$ 321,218	$ 321,218	(9.4%)
Non-Personal/Equipment	17,088	32,493	32,493	32,493	0.0%
Total	**$ 349,401**	**$ 387,212**	**$ 353,711**	**$ 353,711**	**(8.7%)**
Authorized Positions	**6.00**	**3.85**	**3.40**	**3.40**	**(11.7%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Economic and Neighborhood Development CSA

Core Service: Regulate/Facilitate Private Development

Public Works Department

Core Service Purpose

Review of private development to ensure that new development contributes to the safety and welfare of the citizens as well as the City's economic development.

Key Operational Services:

- Grading Permits
- Public Improvement Permits
- Traffic Reports
- Inspection
- Subdivision Maps
- Development Application Review
- Assessment Engineering
- Utility Permits
- Underground Service Alert

Performance and Resource Overview

There are three components to this core service: Development Plan Review and Inspection, which processes planning permits and develops conditions of approval; Assessment Engineering, which administers projects funded by municipal financing districts; and the Utility Program, which reviews and issues permits to utility companies and locates city owned underground facilities. The Development Fee Program is operated on a cost-recovery basis and requires the flexibility of adding temporary positions in response to fluctuations in development activity.

All of the operational services under the core service of Regulate/Facilitate Private Development contribute to the Economic and Neighborhood Development City Service Area's outcome *Safe, Healthy, Attractive and Vital Community.*

The Development Plan Review and Inspection component of the core service processes all planning permits and development conditions of approval. The Development Fee Program is intended by City Council to recover 100% of the cost of development plan review and inspection. Prior to 2001-2002, workload measured by development revenues had increased steadily from approximately $3.35 million in 1994-1995 to $7.2 million in 2000-2001 due to the strength of the local economy and the demand for housing and commercial space. The economic recession of the last several years caused Development Fee revenue to decline during 2001-2002 and 2002-2003. However, the approval of fee increases and the implementation of new fees during the 2003-2004 budget process, combined with increases in activity levels during the first half of 2003-2004, resulted in program revenues that are anticipated to exceed the 2003-2004 adopted level of $6.4 million. It is anticipated that during 2003-2004 the Development Fee Program will realize an estimated $7.1 million in revenue for the year, which represents an 11% increase over the 2003-2004 adopted level. 2004-2005 collections are expected to remain at $7.1 million.

Performance and Resource Overview (Cont'd.)

Assessment Engineering administers projects funded by municipal financing districts. Activities include preparing plans and specifications, awarding contracts, inspecting construction, collecting and accounting for assessment payments and maintaining public infrastructure improvements. Currently, this group manages 8 Community Facilities Districts, 13 Maintenance Assessment Districts, and 10 Improvement Districts. This operational area is also responsible for some projects funded by the Redevelopment Agency, including improvements in the Edenvale area.

Utility Services reviews plans, issues permits and inspects work done by utility and telecommunications companies and locates city-owned underground facilities. Staff also prepares a five year utility undergrounding plan for Council approval to underground existing overhead utility company facilities and remove utility poles using Public Utility Comission Rule 20A and Underground In-Lieu Fees.

Regulate/Facilitate Private Development Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
% of projects that receive thorough, complete, and consistent processing in the first cycle of the review process:				
Development Review*	82%	90%	85%	90%
Ratio of current year fee revenue to Development Fee Program cost	100%	100%	100%	100%
Selected cycle time measures for:				
Improvement plan processing targets met*	65%	75%	80%	100%
Planning processing targets met	-	75%	82%	100%
% of Development process participants rating service as good or excellent:				
Development Review*	53%	75%	76%	75%

* This number represents only the Public Works component of the Development Permit Process. Other phases of this process are reflected in the Planning, Building, and Code Enforcement Department's Development Plan Review & Building Construction Inspection Core Service.

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Fee program revenue	$5,710,584	$6,405,303	$7,100,000	$7,100,000
Fee program costs	$5,427,463	$6,405,303	$7,100,000	$7,100,000
Number of Development Improvement Plans reviewed for consistency and completeness	149	120	120	120
Number of Utility Permit Plans reviewed for consistency and completeness	N/A	2,300	2,200	2,300
Number of customer surveys returned	449	800	300	400
Number of customers surveyed with a rating of good or excellent	239	435	228	300
Service requests received	3,451	3,300	4,200	4,200
Service requests responded within pre-established and/or committed turn-around times	2,617	2,100	3,360	3,150
Number of feet of utility lines undergrounded	7,700	7,750	7,200	7,200
Number of underground service alert requests received	33,700	30,000	32,000	32,000

Regulate/Facilitate Private Development Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 5,410,049	$ 4,554,519	$ 4,872,974	$ 5,192,605	14.0%
Non-Personal/Equipment	265,431	227,420	293,080	268,165	17.9%
Total	**$ 5,675,480**	**$ 4,781,939**	**$ 5,166,054**	**$ 5,460,770**	**14.2%**
Authorized Positions	**57.76**	**48.72**	**54.72**	**58.72**	**20.5%**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Public Works Fee Program	**4.00**	**294,716**	**294,716**

In order to align staffing levels with customer service demands in the Public Works Development Fee Program, the redeployment of four Public Works positions (1.0 Engineer, 2.0 Engineering Technicians, and 1.0 Geographic Systems Specialist) that previously supported the Capital Improvement Program (CIP) has been approved. Based on an 11% anticipated increase in Fee Program activity from the Adopted 2003-2004 level, combined with an anticipated decrease in the number of capital projects funded by the CIP, staff can be redeployed from the Strategic Support CSA to support the Development Fee Program. (Ongoing cost $294,716)

Performance Results:
Cost This action will increase resources to match the projected workload for the Public Works fee pogram while maintaining customer service performance levels and ensure that the program will attain a 100% ratio of fee revenue to development fee program costs.

2004-2005 Adopted Core Service Changes Total	**4.00**	**294,716**	**294,716**

Economic and Neighborhood Development CSA

Core Service: Workforce Development

City Manager – Office of Economic Development

Core Service Purpose

Assist businesses in hiring a quality workforce through assessment, supportive services, and employability skills training.

Key Operational Services:

- Customized, professional career services
- Workforce reduction assistance
- Career transition management
- Employee attraction, training, and retention services

Performance and Resource Overview

Since July 1, 2000, the City of San José has acted as administrative and fiscal agent for the Silicon Valley Workforce Investment Network (SVWIN). The SVWIN provides Workforce Investment Act (WIA) programs across an eight-city service area: San José, Campbell, Gilroy, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill and Saratoga. WIA's employment development services align with and contribute to the *Strong Economic Base* Outcome of the Economic and Neighborhood Development City Service Area.

The Mayor acts as the Chief Local Elected Official for SVWIN. The City, through the Office of Economic Development, provides staff to SVWIN and is reimbursed for personnel costs from federal funds the City receives. The SVWIN Board (WIB) has authority to determine policy within the San José-Silicon Valley Workforce Investment Area. The City of San José, in its capacity as fiscal agent, reviews funding decisions to determine if U.S. Department of Labor procurement guidelines have been followed by the WIB and enters into contracts on behalf of the WIA program. Funding for WIA comes from two sources: (1) regularly allocated funding streams, and (2) grants that are awarded on a competitive basis. The main programs administered by the City of San José include three regularly allocated funding streams: Adult, Dislocated Worker, and Youth. In addition to WIA administrative staff supplied by the City of San José, two contractors manage programs for these main funding streams. San José Evergreen College District was awarded the WIA Adult and WIA Dislocated Worker contracts, and the City of San José, Parks, Recreation and Neighborhood Services Department was awarded the WIA Youth Contract.

In 2003-2004, SVWIN successfully met most of its entered employment and job retention goals for clients receiving WIA services. One of the challenges for the SVWIN program has been in the area of younger youth performance outcomes. In order to increase the ability of youth to retain their positions, youth clients are receiving more preparation on how to enter and retain their positions in this current job market to offset their employment disadvantages during this period of relative high unemployment. This strategy has resulted in significantly higher retention rate by youth clients but has also lead to a decrease in entered employment success where performance has been 44% (vs. a 70% target).

Maintaining Customer Service

Competitive grants that concluded in 2003-2004 included funding for displaced workers from Del Monte and Mariani Foods and the Caregiver Training Initiative Grant. Continued funding for the Regional Technology Employment Consortium Grant, Tech to Teacher Grant, and funding for the Nurse Workforce Initiative will allow augmented services to be delivered to these clients, if approved by the State of California.

Business Recruitment Assistance

Among the issues listed by local businesses as a hindrance to their growth is the identification of a qualified workforce. WIA services are designed to assist local employers in their recruitment of qualified applicants. Prospective interviewees are screened by WIA staff according to employer-based criteria.

Regional Technology Employment Consortium (RETEC)

In response to layoffs in the Greater Bay Area within the technology industry, the Regional Technology Employment Consortium was developed to provide accessible services that address the reemployment and training needs of displaced technology workers and support staff. The RETEC collaborative consists of a nine county and 12 Workforce Investment Area consortium. The State of California Employment Development Department issued the grant through a competitive process to the City of San José, acting as administrative and fiscal agent for the larger consortium. The RETEC Consortium to date has enrolled over 1,316 individuals in the program and placed over 514 individuals in jobs

Employment Support Services

The intent of WIA is to provide clients with a broad range of support services that place them in jobs. WIA clients go through a process that includes services from recruitment to training to job search assistance and ultimately job placement. Clients exit WIA services upon placement into unsubsidized employment.

In accordance with the vision of the Workforce Investment Act, three One-Stop Service Centers (one-stops) provide client services in three different cities of the eight-city service area. These one-stop centers are located in Campbell, Gilroy and San José.

Vocational Classroom Training

As part of the process to place jobseekers and upgrade the skills of workers, the WIA program includes vocational classroom training opportunities. Under the Workforce Investment Act, federal funds are provided for employment assistance and training for eligible youth, low income or disadvantaged adults, and dislocated workers. Training services for adults are contracted out through an application process and approved by the State of California Employment Development Department. Clients eligible for training select a training provider from a list of eligible training providers.

Performance Measure Development

Performance criteria for all Workforce Investment Boards across the United States are mandated by the United States Department of Labor. The performance measure targets for retention reported in this document represent those negotiated with U.S. Department of Labor and the State of California Employment Development Department for 2003-2004, which have not yet been negotiated for 2004-2005. These retention numbers are most accurately reported four to five months after the end of the fiscal year; the word "estimated" has been added to reflect the uncertainty at other times.

Performance and Resource Overview (Cont'd.)

Workforce Development Performance Summary	2002-2003 Actual	2003-2004 Target	2003-2004 Estimated	2004-2005 Target
Adults entering employment	80%	70%	63%	76%
Dislocated workers entering employment	80%	75%	71%	79%
Youth entering employment	70%	70%	44%*	67%
Adults retaining employment	73%	74%	81%	TBD
Dislocated workers retaining employment	84%	85%	88%	TBD
Youth workers retaining employment	45%	78%*	83%*	TBD

* Reflects revised methodology

Workforce Development Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	$ 2,673,368	$ 2,039,643	$ 2,299,507	$ 2,299,507	12.7%
Total	**$ 2,673,368**	**$ 2,039,643**	**$ 2,299,507**	**$ 2,299,507**	**12.7%**
Authorized Positions	**33.50**	**22.90**	**24.70**	**24.70**	**7.9%**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Strategic Support

Conventions, Arts and Entertainment Department

Strategic Support represents services provided within departments that support and guide the provision of the core services. Strategic Support within Conventions, Arts & Entertainment includes:

- Fiscal Services
- Capital Facilities Development
- Marketing
- Employee Services
- Information Systems

Performance and Resource Overview

Strategic support is an ongoing requirement to provide the core services of the Department. For 2004-2005, as part of the cost savings plan, one vacant Senior Analyst position will be eliminated. Additional changes to the operation of these facilities will be implemented in 2004-2005 based on the approval of Team San José's budget submittal approved by Council on June 29, 2004, after the adoption of this budget. Team San José is the new management team that will operate the City's Convention & Cultural Facilities.

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 791,482	$ 865,346	$ 613,064	$ 515,770	(40.4%)
Non-Personal/Equipment	704,700	1,603,014	1,430,570	1,297,594	(19.1%)
Total	**$ 1,496,182**	**$ 2,468,360**	**$ 2,043,634**	**$ 1,813,364**	**(26.5%)**
Authorized Positions	**9.90**	**9.90**	**7.04**	**6.04**	**(39.0%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)
STRONG ECONOMIC BASE		
1. Convention and Cultural Facilities Operating Costs	**(1.00)**	**(230,270)**

This action eliminates 16 positions (one in this Core Service) and miscellaneous non-personal/equipment cost totaling $161,996 department-wide and converting a Marketing/Public Outreach Representative to a Sales Representative. Of the 16 positions approved for elimination, nine are filled. This action mirrors the City's response to the RFP for continuing to maintain the convention and cultural facilities. All operations were thoroughly analyzed and evaluated to determine appropriate level of resources to maintain exemplary service levels. Some of the highlights include absorption of grounds and fountain maintenance by staff and revised staff schedules in various trades and custodial to provide quality service to clients in a more efficient manner. A Senior Analyst position has been approved for elimination in Strategic Support. The remaining positions approved for elimination are budgeted in the Art and Cultural Development Core Service and Convention Facilities Core Service. (Ongoing savings: $271,187)

Performance Results:
This action intends that by working more efficiently there will be no reduction in service levels and no reduction in CSA and core service performance measures.

2004-2005 Adopted Strategic Support Changes Total	**(1.00)**	**(230,270)**

Strategic Support

City Manager – Office of Economic Development

Strategic Support represents the services provided within departments that support and guide the provision of the core services. Strategic Support within the Office of Economic Development includes:

- Administrative Support

Performance and Resource Overview

Strategic support is an ongoing requirement to provide the core services of Office of Economic Development. For 2004-2005, budget reductions include the elimination of 0.9 of a position as part of the administrative support staff consolidation as described in the Business/Job Attraction, Retention, Expansion and Creation Core Service. These positions provide administrative support to the economic development section and as their functions are being consolidated, the current level of support is no longer needed.

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 145,682	$ 363,513	$ 369,884	$ 307,911	(15.3%)
Non-Personal/Equipment	11,936	193,381	204,223	204,223	5.6%
Total	**$ 157,618**	**$ 556,894**	**$ 574,107**	**$ 512,134**	**(8.0%)**
Authorized Positions	**4.25**	**4.00**	**3.90**	**3.00**	**(25.0%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
STRONG ECONOMIC BASE			
1. Administrative Support Staffing	**(0.90)**	**(61,973)**	**(61,973)**
This action eliminates a filled Senior Office Specialist and a filled Senior Account Clerk. This will eliminate all front desk support functions. Accounting and clerical support services work will be divided among the remaining strategic support staff. The position identified for elimination in Strategic Support is 0.9 Senior Account Clerk. (Ongoing savings: $67,362)			
Performance Results: No change to service levels will result from this action.			
2004-2005 Adopted Strategic Support Changes Total	**(0.90)**	**(61,973)**	**(61,973)**

Strategic Support

Fire Department

Strategic Support represents services provided within the Fire Department that support and guide the provision of the core services, including the core services rolling up to both the Public Safety and Economic and Neighborhood Development CSAs. The Strategic Support component is a single set of services provided without intentionally being "assigned" to specific CSA roll-ups.

Strategic Support within the Fire Department includes:

- Administration
- Equipment/Facilities
- Information Technology
- Master Planning
- Multilingual Services
- Safety/Wellness
- Training

Performance and Resource Overview

Strategic Support for the Fire Department provides support to two City Service Areas: Public Safety and Economic and Neighborhood Development. The description here relates to the services for Economic and Neighborhood Development.

In view of the economic outlook for 2004-2005, the Adopted Budget includes various cost-saving measures throughout the Department. In addition to reductions and efficiencies in the Fire Safety Code Compliance core service, the elimination of a filled Account Clerk II position in the Accounts Receivable unit is included. It is expected that this reduction will result in redistribution of workload amongst the remaining four positions in Accounts Receivable. This will result in delays in certain reporting and some time delays in responding to customer concerns and problem accounts.

Performance and Resource Overview (Cont'd.)

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 843,119	$ 989,802	$ 1,056,109	$ 991,119	0.1%
Non-Personal/Equipment	119	244,826	244,549	244,549	(0.1%)
Total	**$ 843,238**	**$ 1,234,628**	**$ 1,300,658**	**$ 1,235,668**	**0.1%**
Authorized Positions	**15.78**	**15.06**	**15.30**	**14.22**	**(5.6%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Fire Fee Program	**(1.00)**	**(55,778)**	**(55,778)**

This action, also highlighted in the Fire Safety Code Compliance core service reduces a total of three positions in the fee-funded program. This specific portion of the reduction deletes a filled Account Clerk II position, funded 75% by the development fee program and 25% by the non-development fee program, from the Accounts Receivable section. The redistribution of workload necessitated by this reduction will result in delayed reports, some delays in responding to customer concerns and problem billings, and the potential for short term shut down of cashier services for the Fire Fee Program, should appropriate backup staff not be available. (Ongoing savings: $55,778)

Performance Results:
Cost To achieve full cost-recovery, this action will reduce resources to help bridge the funding gap in the Fire fee program. ***Customer Satisfaction*** Response times to customer concerns may be delayed.

Strategic Support Budget Changes (Cont'd.)

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY (CONT'D.)			
2. Fire Administrative Reorganization	**(0.08)**	**(9,212)**	**(9,212)**
This action, as part of a larger reorganization discussed in the Public Safety Strategic Support CSA section of this document, eliminates a filled Administrative Officer position (0.08 of which is funded in this section). Duties include some limited responsibilities for supervising fee-funded positions. (Ongoing Savings: $9,212)			
Performance Results: No change in current service levels will result from this action.			
2004-2005 Adopted Strategic Support Changes Total	**(1.08)**	**(64,990)**	**(64,990)**

Strategic Support
Housing Department

Strategic Support represents services provided within departments that support and guide the provision of the core services. Strategic Support within the Housing Department includes:

- Policy Development
- Long Range Planning
- Financial Management
- Computer Services
- Clerical Support
- Employee Services
- Facility Management
- Vehicle Maintenance
- Audit Supervision
- Materials Management
- Public Education

Performance and Resource Overview

The Housing Department, in an effort to increase efficiency and reduce operating costs, has developed an organizational structure that eliminates a Deputy Director position and downgrades two other mid-level management positions. The resulting structure includes an Assistant Director who manages all day-to-day activities of the Department. Reporting to the Assistant Director are two Division Managers, each of whom is responsible for overseeing three functional sections. This structure is expected to increase oversight and efficiency, and save approximately $212,000.

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 2,033,331	$ 2,063,204	$ 2,382,281	$ 2,322,107	12.5%
Non-Personal/Equipment	961,059	620,029	615,739	611,143	(1.4%)
Total	**$ 2,994,390**	**$ 2,683,233**	**$ 2,998,020**	**$ 2,933,250**	**9.3%**
Authorized Positions	**23.00**	**22.15**	**23.30**	**23.30**	**5.2%**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
DIVERSE RANGE OF HOUSING OPPORTUNITIES			
1. Housing Department Reorganization	**0.00**	**(60,174)**	**0**

The action eliminates a total of three positions in the Housing Department by consolidating management functions in the department. The Housing Department remains committed to reaching the goal of 6,000 new affordable units constructed in the five-year period ending 2006-2007. In order to maximize limited funding, administrative expenses are being reduced as much as possible. Evaluation of staffing and department structure has revealed opportunities to reorganize and consolidate functions, while improving oversight and efficiency. The resulting cost savings will be directed to development of affordable housing units. Bond issuance results in available funds of ten times the amount of Tax Increment revenue. Thus the $400,000 savings in administration will potentially provide $4 million in bond revenue for this purpose. The positions affected in Strategic Support include: the conversion of 2.0 Deputy Director to 1.0 Assistant Director and 1.0 Senior Development Officer. (Ongoing savings: $78,087)

Performance Results:
No change to service levels will result from this action.

2. Cellular Telephone Service Cost Efficiencies		**(3,596)**	**0**

This action reduces the cost of cellular telephone service by 15% as a result of purchasing cellular telephone services and equipment under the Western States Consortium Agreement (WSCA) and optimizing rate plans to avoid overage charges. The impact of this reduction is a cost savings of $254,372 city-wide, of which $204,296 is generated in the General Fund. The cost savings in the Housing Department, Strategic Support is $3,596. (Ongoing savings: 3,596).

Performance Results:
No change to service levels will result from this action.

3. Vehicle Maintenance Funding Reduction		**(1,000)**	**0**

This action reduces vehicle maintenance and operations costs as a result of eliminating two Equipment Mechanic Assistant positions in the General Services Department and decreasing contractual services funding. The impact of this reduction is a cost savings of $492,788 city-wide, of which $394,230 is generated in the General Fund. The cost savings in the Housing Department, Strategic Support is $1,000. (Ongoing savings: $1,000).

Performance Results:
Cycle Time Cycle times for preventative maintenance and minor repairs may increase due to the elimination of staff and reduction in the ability to use contractual services for peak workload periods. ***Customer Satisfaction*** Customer satisfaction may be impacted due to possible cycle time increases, however, they are anticipated to be minimal due to the reduced fleet size.

2004-2005 Adopted Strategic Support Changes Total	**0.00**	**(64,770)**	**0**

Strategic Support

Planning, Building and Code Enforcement Department

Strategic Support represents services provided within departments that support and guide the provision of the core services. Strategic Support within the Planning, Building and Code Enforcement Department includes:

- Administration
- Clerical Services
- Budget Preparation
- Fiscal Services
- Human Resources
- Information Systems
- Marketing and Outreach
- Safety/Wellness

Performance and Resource Overview

The desired outcomes for Strategic Support include support for policy development to protect public health, safety and welfare; provision of information and data to the general public; and provision of administrative services to Department and City staff to ensure achievement of the Department's objectives.

Administrative Support

Planning, Building and Code Enforcement's Administrative Services Division continues to serve a Department of over 330 employees with a very lean administrative support team. Under the direction of the Department's Administrative Officer, the Administrative Team consists of one Senior Analyst, three Analysts (each Division has one Analyst providing all administrative services), one Staff Technician (Code Enforcement), and one Principal Office Specialist who supports all of the professional administrative staff. The Division Analysts supervise the accounting staff in each Division. The Administrative Officer also manages the Information Technology Department staff assigned to PBCE. In a large Department with four diverse and specialized operations in four Divisions and three locations, the support logistics and workload are considerable. A major challenge in the coming year will be to balance and manage the workloads of the Administrative Team to allow them to do quality work in a timely manner and provide excellent support services to departmental operations.

Information Systems

With the adoption of the 2004-2005 budget, the Tech Support Team (one Network Engineer and two Network Technicians) will be reassigned to the Information Technology Department as part of a city-wide effort to centralize IT support. The Administrative Services Division will need to work very closely with the Information Technology Department to ensure that the network and desktop support services so crucial to Department operations are maintained at their current high level.

Performance and Resource Overview (Cont'd.)

Information Systems (Cont'd.)

A high priority 2004-2005 work plan item for the information technology and administrative staff in the Department will be the development of reporting systems to maximize the potential of the San José Permits On-Line and Code Enforcement Systems to track the activity time of staff resources and deliver the critical data the Department needs for focusing resources to best meet customer needs.

Technical Funding Adjustment

To clarify the accounting of development fee expenses, the appropriate parts of six management and administrative support positions that serve the whole of Planning, Building and Code Enforcement are approved to be added to the Planning and Building Fee Programs. These 6 positions include the Director, Administrative Assistant, Administrative Officer, Senior Analyst, Principal Office Specialist and a Network Engineer in the Information Technology Department. The percentages applied to the fee programs were based on the size of the Building (50%) and Planning (13%) Fee Programs in relation to the size of the whole Department. While there is an increased cost to these fee programs in 2004-2005, there will be a corresponding reduction in the calculation of 2004-2005 overhead that will reduce the overhead paid by these programs by an equivalent amount on an ongoing basis.

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 1,312,439	$ 1,044,442	$ 955,839	$ 955,839	(8.5%)
Non-Personal/Equipment	198,419	433,364	378,364	354,929	(18.1%)
Total	**$ 1,510,858**	**$ 1,477,806**	**$ 1,334,203**	**$ 1,310,768**	**(11.3%)**
Authorized Positions	**9.10**	**8.90**	**7.90**	**7.90**	**(11.2%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Administrative Support Staffing Funding Shift			**(4,735)**
This action reallocates portions of six positions (3.20 positions) from the General Fund to the Community Development Block Grant Fund (Analyst) and to the Building and Planning development fee programs (Director of Planning, Building and Code Enforcement, Administrative Officer, Sr. Analyst, Administrative Assistant and Principal Office Specialist). These positions support the administration of the development fee programs (3.78 positions) and the various code enforcement CDBG activities (0.05 positions). (Ongoing savings: $0)			
Performance Results: ***Quality/Customer Satisfaction*** Prevents deterioration of current service levels.			
2. Cellular Telephone Service Cost Efficiencies		**(23,435)**	**(23,435)**
This action reduces the cost of cellular telephone service by 15% as a result of purchasing cellular telephone services and equipment under the Western States Consortium Agreement (WSCA) and optimizing rate plans to avoid overage charges. The impact of this reduction is a cost savings of $254,372 city-wide, of which $204,296 is generated in the General Fund. The cost savings in the Planning, Building and Code Enforcement Department, Strategic Support is $23,435. (Ongoing savings: $23,435)			
Performance Results: No changes to current service levels are anticipated.			
2004-2005 Adopted Strategic Support Changes Total	**0.00**	**(23,435)**	**(28,170)**

Strategic Support
Public Works Department

Strategic Support represents services provided within departments that support and guide the provision of the core services. Strategic support within the Public Works Department includes:

- Real Estate
- Materials Testing Laboratory
- Surveying Services
- Infrastructure and Mapping
- Financial and Contractual Administration
- Computer Services
- Employee Services

Performance and Resource Overview

Strategic Support for the Public Works Department within the Economic and Neighborhood Development CSA provides the following services:

Public Outreach

Conducts outreach activities to small and local businesses and promotes department contract and consultant opportunities to the business community. Outreach activities include quarterly and annual educational presentations targeted at small and local businesses, inter-departmental development of a small business tracking system and electronic newsletter, and improvements to the CIP database to allow for on-line registration to deliver e-mail notifications of construction contract and consultant opportunities.

Strategic Planning/Leadership

Provides strategic planning and direction on department-wide issues that may affect multiple CSAs. Promotes organizational development and establishes the framework for an efficient operating structure that promotes the timely delivery of projects and services.

Financial and Contractual Administrations

Provides fiscal management, accounting services, budget analysis, and centralized contract administration for the Public Works Department. Assists the public with construction issues and invites construction project bids through a bid hotline and the Internet.

Employee Services

Provides recruitment, hiring and promotion services to support all Public Works functions and maintenance of all personnel files and related information. Training support and monitoring, maintenance of the training library, oversight of employee safety and ergonomics programs, and direction of the Employee Recognition Program are also provided to Public Works staff.

Strategic Support
Public Works Department

Performance and Resource Overview (Cont'd.)

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 155,845	$ 84,954	$ 85,775	$ 9,380	(89.0%)
Non-Personal/Equipment	57,052	17,428	17,428	17,428	0.0%
Total	**$ 212,897**	**$ 102,382**	**$ 103,203**	**$ 26,808**	**(73.8%)**
Authorized Positions	**0.98**	**0.98**	**0.98**	**0.07**	**(92.9%)**

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY			
1. Public Works Cost Allocation Plan Redeployment	**(0.91)**	**(76,395)**	**(76,395)**
2004-2005 Adopted Strategic Support Changes Total	**(0.91)**	**(76,395)**	**(76,395)**

This action shifts portions of 0.91 General Funded positions from the Economic and Neighborhood Development CSA to the Strategic Support CSA. These positions will then be shifted to the Public Works Program Support Fund to support capital and bond programs. This funding shift will more effectively align Public Works resources with anticipated workload for 2004-2005. (Ongoing savings: $76,395)

Performance Results:
No changes to service levels will result from this action.

Strategic Support

The Redevelopment Agency of the City of San José

Strategic Support represents services within departments that support and guide the provision of the core services. Strategic Support within the Redevelopment Agency includes:

- Finance
- Administration – Human Resources and Information Systems

Performance and Resource Overview

Strategic support is an ongoing requirement to provide the essential behind-the-scenes services that are necessary for the effective management of the core services of the Agency. By centralizing operational services, budget and financial management, human resources, information technology, processing and delivery services can be efficiently performed.

The Human Resources staff in the Finance and Administration Division recruit and then equip employees with the training, benefits and working environment necessary to be successful in delivering quality services to the community. For 2003-2004, the department experienced minimal hiring due to budget cuts and a hiring freeze. For 2004-2005, the department, again, anticipates minimal hiring due to the State budget situation.

The Human Resources Department views employees as the Agency's most valuable asset. For 2003-2004, 85% of employee inquiries were initially responded to in 2 hours or less. For 2004-2005, the department's response time is expected to remain the same.

The Information Systems (IS) group at the San José Redevelopment Agency provides end-user, network and server infrastructure support to all employees of the Agency. The services provided include network file and print services, Exchange e-mail, J.D. Edwards financial applications, desktop computing and remote access.

In order to measure responsiveness to user requests for 2004-2005, IS has again set a goal of responding to 90% of user requests within 4 business hours of the original request. In addition, IS has set a goal of 99.9% server availability, excluding scheduled maintenance.

In 2003-2004, the Accounts Payable Services unit worked to increase the number of invoices that were processed within the 30 days time standard performance measurement. This measure indicates the staff's efficiency and ability to coordinate with other divisions in the organization to process invoices in a timely manner.

The Agency submits various reports to the City, County and State. The Finance and Administration Division prepares and delivers monthly financial reports and an annual auditor's report to the City and the Redevelopment Agency Board. The Statement of Indebtedness to the County and the State Controller's report to the State are also submitted. The Agency always submits these reports in a timely manner.

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2002-2003 Actual	2003-2004 Forecast	2003-2004 Estimated	2004-2005 Forecast
Number of employees hired	11	5	1	N/A
Number of invoices processed	9,730	7,500	2,220	N/A
Number of invoices processed within 30 days	6,900	6,375	1,887	N/A

Strategic Support Resource Summary	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	$ 5,007,863	$ 4,795,007	$ 4,618,522	$ 4,661,770	(2.8%)
Total	**$ 5,007,863**	**$ 4,795,007**	**$ 4,618,522**	**$ 4,661,770**	**(2.8%)**
Authorized Positions*	**45.00**	**42.00**	**42.00**	**40.00**	**(4.8%)**

- With the exception of San José Redevelopment Agency (SJRA) positions that are funded in the City's Operating Budget, the SJRA budget is listed for display purposes only. The 2004-2005 Adopted Budget includes $1,489,613 for General Fund positions that are reimbursed by the SJRA. For more information on the SJRA budget, please refer to the SJRA Operating Budget document.

Strategic Support Budget Changes

Adopted Strategic Support Changes	Positions	All Funds ($)	General Fund ($)
NONE			

Economic and Neighborhood Development CSA

City-Wide Expenses

Overview

The Economic and Neighborhood Development Program provides funding for services related to land use planning, development permitting and code regulation, housing (including affordable housing and homeless services), and economic development.

Budget Summary

City-Wide Expenses Resource Summary*	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Economic and Neighborhood Development	$ 17,351,203	$ 17,248,910	$ 23,647,182	$ 26,356,039	52.8%
Total	**$ 17,351,203**	**$ 17,248,910**	**$ 23,647,182**	**$ 26,356,039**	**52.8%**
Authorized Positions	**0.00**	**0.00**	**0.00**	**0.00**	**N/A**

* For a complete listing of allocations for the Economic and Neighborhood Development Program, please refer to the City-Wide Expenses section of this document.

Budget Changes by Program

Adopted Program Changes	Positions	General Fund ($)
1. Community Based Organizations Funding Reduction		**(300,454)**

This action reduces funding for community based organizations by the same average percentage reduction as for non-public safety city service areas. For the City-Wide Expenses Economic and Neighborhood Development Program, this action reflects a 12.2% reduction for services related to Convention and Visitors Bureau (CVB), resulting in total savings of $300,454. The Conventions, Arts, and Entertainment Department will work with CVB to minimize service delivery impacts. (Ongoing savings: 300,454)

Budget Changes by Program (Cont'd.)

Adopted Program Changes	Positions	General Fund ($)
2. Miscellaneous Rebudgets		**3,009,311**
The rebudget of unexpended 2003-2004 funds will allow for the completion of the projects listed below in 2004-2005. (Ongoing cost: $0)		
Alviso Historical Markers		4,021
Coyote Valley Specific Plan and EIR		560,000
Evergreen Smart Growth Strategy		1,100,000
Historic Preservation		117,000
Low Income Energy Assistance		750,000
Neighborhood and Strip Retail Revitalization		313,290
Richmond/Menker Apartment Improvements		65,000
San José Permits On-Line (formerly IDTS)		100,000
2004-2005 Adopted Program Changes Total	**0.00**	**2,708,857**

Economic and Neighborhood Development CSA

General Fund Capital, Transfers, and Reserves

Budget Summary

General Fund Capital, Transfers, and Reserves *Economic & Neighborhood Development CSA* Resource Summary*	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Forecast 3	2004-2005 Adopted 4	% Change (2 to 4)
Earmarked Reserves	$ 0	$ 2,346,404	$ 0	$ 8,046,397	242.9%
Total	**$ 0**	**$ 2,346,404**	**$ 0**	**$ 8,046,397**	**242.9%**
Authorized Positions	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

* For a complete listing of allocations for the Earmarked Reserves Program for the Economic and Neighborhood Development CSA, please refer to the General Fund Transfers, Capital, and Reserves section of this document.

Budget Changes by Program

Adopted Program Changes	Positions	General Fund ($)
1. Earmarked Reserves: Comprehensive General Plan Update		**200,000**
The establishment of a Comprehensive General Plan Update Earmarked Reserve was approved. Approximately $800,000 is needed to fund work as part of a Comprehensive General Plan Update beginning in 2006. This reserve will be entirely offset by revenues collected from a surcharge on development permits. (Ongoing cost: $200,000)		
2. Earmarked Reserves: Fee-Supported – Building and Public Works Reserves		**105,689**
This action increases the Earmarked Reserves for Fee Supported activities (Building - $8,303 and Public Works - $97,359) to reflect the policy of preserving all revenue excesses in the development fee programs for future development-related activities. (Ongoing cost: $105,689)		
3. Earmarked Reserves: Rebudgets		**7,740,708**
The rebudget of unexpended 2003-2004 funding from various Earmarked Reserves listed below was approved. (Ongoing cost: $0)		
Burrowing Owl		338,520
Fee Supported Reserve - Building		4,722,087
Fee Supported Reserve - Planning		1,008,867
Fee Supported Reserve – Public Works		1,671,234
2004-2005 Adopted Program Changes Total	**0.00**	**8,046,397**