CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: City Council

FROM: Ron Gonzales, Mayor

SUBJECT: Mayor's June Budget Message For Fiscal Year 2005-2006

DATE: June 8, 2005

Approved:

Date:

RECOMMENDATION

I recommend that the City Council:

1. Approve the direction to Council Appointees contained in this memorandum to the extent legally possible for purposes of adopting a final budget for fiscal year 2005-2006.

2. Authorize the City Manager and Redevelopment Director to negotiate and execute any specific contracts resulting from this direction.

3. Direct the Manager, once labor negotiations are completed, to return to the City Council for discussion, review and approval of further budget actions that may be required by unanticipated compensation costs.

4. Authorize the changes in the following Manager's Budget Addenda to be incorporated in the Adopted Budget, except to the extent any are superseded by the contents of this Budget Message.

#	Title
1	Proposed Performance Measure Changes in the 2005-2006 Proposed Operating Budget
3	Proposed Operating Replacement Pages
5	Proposed MBA #1 Replacement Pages
6	Technical Adjustments to 2005-2006 Proposed Fees & Charges Report
10	Revisions to the Public Safety Capital Program in the 2005-2006 Proposed Capital Budget
23	Adoption of Amendments related to Healthy Neighborhoods Venture Funding
34	Chinese Historical and Cultural Project Major Maintenance Trust Fund for Ng Shing Gung Exhibit and Museum at History Park

38 Aviation Services Performance Measure CNG Station Utilization
39 Parking Priorities and Parking Triggers
41 Funding Strategy for the Hazardous Incident Team
46 Capital Performance Measurement Changes in the 2006-2010 Proposed Operating & Capital Budgets
47 Alternative Funding Strategy to Implement the Young People's Theater Program
51 Enforcement of Abandoned Shopping Carts
57 Performance Measure Changes
59 Recommended Amendments to the 2005-2006 Proposed Operating & Capital Budgets

INTRODUCTION

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2005-2006 Budget Message for consideration by the City Council and the public.

This budget message outlines recommended priorities for us to make strategic financial decisions during an extremely challenging economic period to protect vital City services, manage all our resources more effectively and efficiently, and protect the quality of life in our neighborhoods.

With severe service reductions and potential layoffs, fiscal year 2005-06 will be the toughest budget cycle we have seen in San José. The current projected budget shortfall is $58 million, which seriously threatens the City's ability to provide basic public services like crime prevention programs, keeping community centers open, and maintaining our parks. The shortfall also jeopardizes our initiatives and limits our ability to stimulate the local economy.

In prior recessions, including those in the early and mid-1990s, we saw a reduction in the growth of revenues, not the actual reduction in revenues. Last year we had to balance our budget in the face of a $70 million shortfall, and in 2003 it was a $77 million gap we had to close.

The severe recession in Silicon Valley and California over the past five years underscores the importance of our conservative budgeting. We have been smart with taxpayer dollars, making strategic investments and conservative decisions to set aside reserves, streamline our workforce, and hold the line on costs. We have been able to balance our budgets through prudent financial planning and management and creative solutions.

Unfortunately, the persistent local economic downturn and its negative impact on our revenues have required us to substantially reduce our reserves and vacancy pool. This makes our task for balancing our budget and protecting vital services for the coming year much more difficult. The state budget proposed by the Governor is also reflected in the projected shortfall and will continue to affect our ability to provide core services to our residents. Our situation is further complicated by the uncertainties related to ongoing labor negotiations with our police and fire unions.

Even with the significant reduction in our workforce as a result of eliminating approximately 600 positions and continuing our hiring freeze, personnel expenses will grow. The actuary for the Police and Fire Retirement Board is projecting another $26 million increase in retirement costs in FY 2006-2007. This is coupled with $5.3 million in increased benefit costs expected next year, primarily from higher health insurance premiums.

Redevelopment Agency revenue projections for the coming year are also uncertain again. The Council, sitting as the Redevelopment Agency Board, approved my recommendations last year to delay action on the proposed Redevelopment Capital Improvement Program until August, after the County Assessor has provided information on current year assessment rolls. This delay ensures that we have the most current information available to make decisions regarding our ability to support strong neighborhoods, affordable housing, and job creation. I recommend that we instruct the Manager, Director and the City Attorney to explore the possibility of shifting the fiscal year of the RDA to a September 1 to August 31 year so that we can make this change ongoing. This shift may have a benefit to allow more certainty in budget decisions. However, it may cause difficulties in coordination with City budget deliberations, which is why I'm recommending that the recommendation come back jointly from the Manager and Director with advice from the Attorney.

In March, the City Council approved the Mayor's March Budget Message, which provided additional direction to the City Manager and the Executive Director to include in their proposed operating and capital budgets. These actions included creative alternatives for reducing the current funding gap using new technologies, alternative service delivery methods and further streamlining the way we provide services to our residents and customers. A City Council study session to be held in the new City Hall later this year will focus entirely on a review of service delivery models as cost effective strategies to maintain service to our residents and businesses and the land use decisions that have implications on our ability to deliver services.

Through these tough times, we will continue to build on our past decisions to understand our budget challenges early, develop strategies that limit impacts to basic services, and take early steps to reduce costs to help ensure that we can continue to have resources available to provide core services to our residents.

BACKGROUND

The Mayor's June Budget Message is based on several sources. These include my annual State of the City address and previous addresses; input from the community and councilmembers; and budget strategies already approved by Council, including the direction in the March 2005 budget message.

Because of the severe financial challenges we currently face, City Hall must continue to do more with less, but we also must focus on our highest priorities. This budget message outlines approaches to keep our commitments to maintain the quality of life for residents

in our neighborhoods and regain the economic prosperity that our city and region have enjoyed.
Especially in this time of extremely limited resources, governing means choosing – and we have to make some extremely tough choices this year.

During my State of the City Address in February, I highlighted a number of achievements, priorities and new initiatives to keep San José as the best place to live, learn, work and play. Below are just a few of the achievements and new initiatives outlined in my State of the City Address:

- Voters approved $600 million in bonds to improve and expand our neighborhood libraries, parks, community centers, and fire stations. With more than 500 new neighborhood construction projects in the works, including parks, libraries, community centers and fire stations San José is building strong neighborhoods, one project at a time.

- Through our Strong Neighborhoods Initiative we will invest over $34 million in FY 2005-2006 on community projects that our residents have identified as their top priorities.

- San José is moving forward with improvements to Mineta San Jose Airport through the City's Airport Master Plan. This plan commits federal grants and user fees to expand and improve the airport, which will help stimulate our economy while creating an airport that will keep San José economically competitive.

- Even through the worst recession in our city's history, over the past four years, we have maintained our status as the safest big city in America.

- San José continues to successfully fight litter and wipe out graffiti though our Anti-Litter and Anti-Graffiti programs that have become a model for cities across the nation.

- In March, Council approved my budget recommendations to make San José streets safer for pedestrians and drivers by installing new equipment at 50 high-risk intersections to help catch red-light violators and countdown signals at 50 busy intersections that will assist pedestrians to cross streets safely.

- We have worked hard to keep our largest employers growing and expanding in San José, and Adobe, eBay and BEA Systems are among the major businesses committed to calling San José home. We are also helping small neighborhood businesses, supporting entrepreneurs, and attracting new businesses to help stimulate San José's economy.

- With assistance from our Teacher Housing Program, 500 teachers have bought their first homes in San José. This effort has helped San José teachers to live near where they teach.

- San José is ranked as one of the top four-bioscience cities in the nation, and with initiatives such as the San José BioCenter and our regional partnership with San Francisco, we will continue to play a leading role in the growing field of bioscience.

- Three downtown high-rise housing projects will begin construction over the next two years, bringing over 800 new homes and new retail space to our growing downtown neighborhood.

- Over the last year, San José has added 240,000 square feet of retail space to the downtown core, adding over 30 restaurants and retail businesses. Just outside of downtown, San José Market Center will open next spring, which will add 360,000 square-foot of retail space to serve downtown and adjacent neighborhoods.

- The San José Grand Prix will debut in downtown this July, bringing an exciting new event to our community and showcasing our city to the world.

- We are continuing to cut red tape and streamline the way we do business to help local businesses thrive. Just last month, I announced the Small Business Ambassador program to assist small businesses locate and expand in San José.

- Children in San José will continue to have access to quality, affordable health care with our contribution to the Children's Health Initiative.

- We will help all San José children achieve by creating opportunities for educational success for our children through our expanded Smart Start program. Over 1,800 new Smart Start spaces for San José youth are available today, with a goal of reaching 3,206 by the end of 2006.

- San José has out-produced all other California cities in addressing the need to create affordable housing. On February 9, I announced a new goal to produce 10,000 affordable housing units over my term as Mayor, and we are now on pace to have 10,397 affordable homes built or under construction by December 2006.

- The new San José City Hall will open in downtown this summer after three years of construction. The new building will provide long-term cost savings, improve public services, reshape the way the public and the City work together, bring new workers to downtown, and establish a new landmark building for our community.

These achievements and others demonstrate San José's commitment to solve current financial challenges through conservative fiscal management while providing leadership to stimulate our economy, protect vital services, and achieve our community's goals for the future.

There are good signs that the economy is beginning to turnaround, but they will not improve our immediate budget outlook. Companies are slowly beginning to hire, and people are getting back to work. The unemployment rate in the San Jose area was 5.4 percent in April this year, down from the estimate of 6.9 percent a year ago, and the number of new jobs is growing again.

We must stay the course and continue to focus on strategic investments that will help secure our city's future, even in difficult and uncertain economic times. We will continue to focus on our priorities to help all children achieve, keep San José the safest big city in America, build strong neighborhoods, improve our transportation system, help drive a strong economy and make government work for all the people of San José .

Ending Fund Balance

Among the successful strategies we have used to help secure the City's financial stability in recent years has been to first use any surplus funds at the end of each fiscal year to establish reserves to cover any projected shortfall in the following year based on the Five-Year Forecast.

In this document, I recommend continuing the Council policy to encumber any additional Ending Fund Balance (EFB) beyond those funds in the proposed budget to help balance the budget for the following fiscal year. Our first priority must continue to be reserving adequate funds from the EFB to address projected deficits to avoid drastic reductions and cuts. Projections for FY 2006-2007 show our deficit shortfall continuing next year. We must therefore continue to prepare now to secure the City's financial stability for the future.

State Budget Uncertainties

The Governor's proposed state budget reflects the FY 2004-05 budget agreement that caps the $2.6 billion taken from local governments to help balance the state budget. Voters approved Proposition 1A in November 2004 that provides constitutional protection for local revenues and prevents further state revenue take-aways from local government in the future. This measure, for a second year, diverts $11.1 million of our local property tax dollars from our General Fund to the state. Unfortunately, even with this protection, we still face budget uncertainties until the Legislature and the Governor approve a state budget. As a result, we need to prepare for additional possible reductions to the General fund. For example, the state cut of reimbursement of booking fees is an additional $1,250,000 loss.

INVESTMENT AND REDUCTION STRATEGIES

I continue to focus on six core priorities for San José that I have outlined in State of the City addresses and previous budget messages that have been endorsed by Council actions and the reorganization of our Council committee structure:

1. Building Strong Neighborhoods
2. Remaining the Safest Big City in America
3. Helping All Children Achieve
4. Building Better Transportation
5. Driving a Strong Economy
6. Making Government Work Better

As we move forward, we must always stay focused on the outcomes that are most important for our residents and businesses. We have reviewed all programs including proposals for base budget, investments, and reductions to ensure that we are making progress to achieve these priorities.

Guiding Principles

During this difficult economic period, each budget decision must be measured against several critical factors. Among the principles that I have used to prepare these budget recommendations are:

- Make sure that service reductions result in the least harm to residents and businesses.
- Reduce impacts as much as possible to our employees.
- Help economic recovery and support job creation.
- Preserve our options for the future as much as possible.
- Respect community and neighborhood priorities.
- Limit impacts on essential public services.
- Meet legal commitments and requirements.
- Encourage and support community partnerships, engagement, and greater self-sufficiency.
- Promote innovation among employees and the community for creative problem solving and identifying new resources.
- Continue the City's high standards of fiscal integrity.
- Leverage resources as much as possible.
- Support volunteerism and community self-sufficiency as much a possible to cover gaps in service.

1. Building Strong Neighborhoods

Over the last several years, we have made real progress to view the City's role through the eyes of our residents who see direct impact of services from their doorsteps and driveways. Together, the City and residents have celebrated many achievements and made real progress to improve neighborhoods. We must continue to strive to make San José a place we all are proud to call home.

a. **Community Services Gap Analysis:** Conduct an analysis to determine which groups in the community, such as seniors, the disabled, and minority populations,

are experiencing a disproportionate gap in or adverse impact on services because of the City's budget situation.

b. **Sewer Service and Use Charge:** Develop a strategy for the Sewer Service and Use Charge that explains the relationship between future increases and key projects so the public understands how rates are improving San José neighborhoods.

c. **Mayfair Summer Aquatics Program:** Upgrade the Mayfair Pool to ensure that the pool will be able to be operational in time for the 2006 summer swim season using unanticipated citywide C&C revenues.

d. **Centralization of Office on Aging:** Retain the Office on Aging as a central unit and locate the office in a City-owned facility with easy access for our senior population. As a centralized service, the Office on Aging can continue to provide advocacy and services such as the Senior Nutrition Program, Retired Senior and Volunteer Program, and Municipal Health Services Program.

e. **Anti-Litter Program Expansion:** I recommend that staff undertake efforts to expand our anti-litter program to include transit stops and street medians to the extent feasible.

f. **Arena Green:** Keep the Arena Green and carousel open. The proposed closure is in conflict with the City's major investments in the Guadalupe River Park and Gardens that will open this September.

g. **Library Hours:** I have two recommendations related to library hours. I recommend that we shift the five hours of operations that are proposed for Sunday to Mondays. These hours shall be scheduled to commence no earlier than 2:00 p.m. to provide maximum operational capacity for after-school and after-work hours for our customers. I further recommend that we open all branches for four hours on Sundays.

h. **Decentralize the Neighborhood Development Center:** Redeploy NDC staff to free up staffing for community centers slated for re-use in order to ensure that San José residents can have convenient access to available programs. Staff from the NDC should focus on providing recreational activities and to the extent possible continue to provide NDC functions. The first center that staffing must cover is the Alma Youth Center to allow this facility to be fully operational with a City presence. Additional staff resources that are freed up due to this redeployment should be distributed to centers slated for closure based upon highest usage and lack of proximity to adjacent facilities.

i. **Volunteer Opportunities:** Explore the use of volunteers where practical and appropriate to help staff maintain City programs.

j. **Washington Area Youth Center:** Retain the current subsidy to the Washington Area Youth Center. The Center offers asset-building services to at-risk youth in an area of the City where there is already a significant amount of gang activity and few youth services available.

k. **Young People's Theater:** The budget proposal to eliminate this theater program can be avoided through raising fees, adding different activities to the program, and continuing the volunteer support for the program to achieve full cost recovery. Under a proposal developed by PRNS and supported by YPT parents, the program would achieve cost recovery and would require parents to provide a total of 3,333 hours of volunteer participation. Given the speculative nature of the increase in revenue the Manager is directed to review this budget in December and not proceed if costs are not tracking within revenues.

l. **Greenprint Deferral**: Although $250,000 has been identified for updating the GreenPrint and related public outreach, this update can wait given the status of implementation of the current GreenPrint. This funding shift would cause the GreenPrint update to be deferred by one year.

m. **Ryland Pool Repairs:** Allocate $200,000 from District 3 C&C funds to provide for repairs deemed the highest priority.

n. **Realize an additional C&C Revenue:** The Manager is directed to utilize unanticipated C&C revenues to reimburse the City for park projects that were funded through the General Fund.

2. Safest Big City in America

San José is the safest big city in America. Regardless of our budget situation, the safety of our residents and businesses must remain our first priority. We must continue to support frontline police officers and fire fighters to ensure fast response times and invest in effective prevention efforts so San José residents are safe and feel safe in their neighborhoods.

a. **Public Safety Capital Program Revisions**: In March 2002, over 70% of San José voters approved a $159 million bond program to improve response times to emergencies and upgrade our public safety facilities. The Manager is directed to move forward with the proposed revisions of the Public Safety Capital Program in the 2005-2006 proposed budget and the 2006-2010 Public Safety Capital Program in MBA #10.

   In order to ensure the most cost-efficient response times, the City Manager is further directed to explore a staffing program using alternative service delivery in all new fire stations proposed in the capital program.

b. **Megan's Law Task Force:** We must stay on the cutting edge of law enforcement related to sex offenders. I recommend that the Vice Mayor chair a Megan's Law Task Force with our law enforcement partners to explore opportunities to expand our capacity in this area.

c. **290 Team Equipment and Services:** The first area the Vice Mayor has identified as a need in the sex offender enforcement area is a need for computer equipment and on-line database subscription services to achieve cutting edge tools in fighting crime. I recommend $25,000 be allocated for these needs.

d. **Water Pollution Control Plant Emergency Response Plan:** Move forward with MBA # 52 and continue to look for additional opportunities to eliminate duplicated services provided by both Fire and Environmental Services staff when training for emergencies, developing emergency plans, or responding to emergencies at the Water Pollution Control Plant and report back to Council before next year's budget process begins.

e. **Fire Records Management System:** Develop a more aggressive timeline to implement the Fire Records Management System to move forward quickly with this project. The Records Management system is critical to manage and track staffing trends. The ability for the department to track these trends will improve its ability to manage staff time and better understand resources needed in the future.

f. **Citywide Trail Safety:** Return to the City Council with the criteria used for locating new call boxes on city trails. Further direct the Manager to look at ways to improve how new call boxes are added to trails to improve equity and trail safety.

g. **Challenges and Choices Crime Prevention Program:** Our Police Department efforts to prevent crime are critical to keeping San José the Safest Big City in America. Challenges and Choices educate San José youth to prevent crime, through educational presentations in local schools. Direct the Manager to restore this program to continue this important work to keep youth in school, reduce youth violence and assist with our goal of having all children achieve.

h. **SAVE 1st time Offender Program:** Direct the Manager to restore the SAVE 1st Offender Program. This program provides intervention services to first time weapon offenders. Services assist youth and their families to keep weapons off the street and keep our youth safe.

i. **Neighborhood Watch Program**: Our neighborhoods are at the core of San José's community policing effort. This program provides critical information to neighborhoods about ways to assist the Police Department to keep our community safe. Direct the Manager to restore the Neighborhood Watch Program.

j. **Neighborhood Action Program:** Direct the Manager to restore funding for the Neighborhood Action program. Neighborhood Action services provide San José residents with options to fight back and take control of their neighborhood. This program provides alternatives to neighbors who are having a difficult time with a nuisance residence in their neighborhood area.

k. **Reinstate the Sworn Lieutenant Assigned to Police Crime Prevention:** Direct the Manager to restore the sworn Lieutenant position assigned to the Police Crime Prevention unit. This position along with other sworn officers and crime prevention specialists assigned to the unit are critical to moving forward with crime prevention efforts in our community.

l. **Truancy Abatement Burglary Suppression:** Truancy is linked to criminal behavior, including gang involvement in youth. The TABS program assists San José schools by keeping youth in school and off the streets. This vital service deters disconnected youth from moving towards a life of crime. Direct the Manager to restore the overtime portion of the program to keep both TAB centers open and operational. The restoration of overtime will also allow staff to continue this program at its current level.

   In order to restore the counseling aspect of this program, direct the Manager to partner with school districts to receive a portion of ADA funds received due to TABS program efforts and/or look at the possibility of revising the program to be cost recovery by charging parents for program costs.

m. ***San José Prepared!***: Coordinate efforts of the Neighborhood Watch and SNI programs with the *San José Prepared!* Program to educate the community in emergency preparedness and strengthen neighborhood self-sufficiency for preparedness, safety and crime prevention.

n. **"Code Red" Response At San José Schools:** Explore partnerships with San José community colleges and San José private schools to expand safety protocols to these campuses.

o. **Hose Wagon Reduction:** Move forward with the reduction of the hose wagon at Station 6 to create a more consistent level of service for fire response delivery throughout the city. Prior to 1992 the City had five hose wagons. Since that time only one has remained. We can no longer afford to have differential service levels throughout the city not based on the recommendation of the Fire Department administration.

p. **Water Tender Shift:** Move the water tender from Fire Station 2 to Fire Station 16 for FY 2005-2006, and report back to the City Council during the mid-year budget review with an evaluation of service delivery impacts. Direct the Manager to work with Councilmember Campos to determine in advance what data is necessary for this review. If this shift has demonstrable negative effect on fire

response services then the equipment should be moved back to Station 2 after the trial year.

q. **Police Department Hiring:** Direct the Auditor to re-evaluate his audit recommendations regarding San José Police Department hiring process in light of current budget challenges. With the ever evolving staffing needs and resources, it is necessary to have the auditor reevaluate earlier recommendations to determine if they still are valid or if he would like to make alternative recommendations.

r. **Police Sworn Staffing in Investigations:** The ability to quickly investigate property and violent crimes is critical to keeping San José safe. The proposed reductions in sworn-officer staffing in Tier 1 will impact the City's ability to investigate and solve these crimes. Direct the Manager to continue to fund five sworn-officer positions working in the areas of vehicular crimes, property crimes, auto theft, financial crimes, high tech, and narcotics. Fund a portion of these restorations by shifting $100,000 from the unused funds in the City Manager's Office budget for domestic violence. This reduction will not impact ongoing funding nor small grants for the coming year in the Domestic Violence Program.

s. **Police Training:** Restore all proposed cuts for personnel in the training unit.

t. **Patrol Staffing**: Current budget constraints are affecting the level of available police resources. Direct the City Manager to reevaluate the distribution of police patrol to ensure that response times are kept low to the greatest extent possible while balancing the need to deploy police personnel in a manner that will have the greatest overall impact on crime reduction and improve public safety citywide.

3. Helping All Children Achieve

Even in difficult budget times, we must strive to strengthen the role of city government as an effective community partner with education to help improve student achievement. Our goal remains that every child in San José can have the opportunity to succeed.

Crossing Guards: San José schools have stated they cannot afford to take over the crossing guard program to keep San Jose children safe traveling to and from school. For decades the City has provided this high level of support that has helped to free school funds for the classroom, but the time has come to place a cap on the number of crossing guards the city can afford to fund. Direct the Manager to revise the safety index, redeploy crossing guards to intersections with the highest need, and ask schools to use volunteers and parents for those intersections with lower safety index scores. This strategy will keep the cost of the program the same for the coming year.

4. Building Better Transportation

Creating a transportation system that provides safe and efficient access for residents and businesses, enhances our neighborhood streets, and preserves our infrastructure in the face of a serious deficit is a continuing challenge.

a. **4th Street Parking Garage**: Remove the 4th Street Garage from the Free Parking Program for weeknights only as soon as Phase I signage is installed and operational for the parking management plan. I also recommend that the Downtown Parking Board convene a group of stakeholders to discuss long-term strategies.

b. **Parking Priorities:** Evaluate staff resources at mid-year to move forward with Phase II of the Parking Guidance System in FY 2005-2006 to assist visitors in locating available spaces. If staff resources are available, direct the Manager to move forward with Phase II and bring forward any necessary budget actions.

c. **Increase International Flights to San José Mineta International Airport:** Direct the Manager to work with the Mayor's Office, representatives from airlines, and employers in San José to pursue additional international flights at San José Mineta International Airport.

d. **Traffic Signals at Burke and Senter Roads:** Move forward with the traffic signal project at Burke and Senter roads and install new sidewalks in conjunction with the traffic signal installation project. This commercial area has experienced a number of traffic accidents, and sidewalks will complete the project and provide a safer location for pedestrians. Funding for this project would come from the South 7th Street Infrastructure Improvement project.

e. **Holly Hill Infrastructure Improvements Project:** Move forward with the Holly Hill Infrastructure improvements project by transferring funds from the South 7th Street Infrastructure project.

f. **Traffic Capital Program Projects Suspension:** Shift this Tier 2 proposal into Tier 1. This proposal reduces services in the Traffic CIP in order to fund an additional transfer of $500,000 for two years to the General Fund.

g. **Air Cargo Business Development:** Direct the Manager to develop a strategy to increase cargo shipments at the airport and bring it to Council for review. Our region is one of the top exporters in the nation but we cannot rest in our efforts.

5. Driving a Strong Economy

We continue to make San José the best place in America to do business, work, and live by focusing on driving a strong economy. We have become a statewide leader for creating housing that is affordable for families at all income levels. Despite the current

recession, we have a remarkably broad and diverse industrial base. Our downtown and neighborhoods offer a full range of exciting entertainment, cultural, and retail opportunities. Through prudent planning and strong and effective economic development efforts, the City can continue to have a major positive impact on economic recovery that will help address our budgetary challenges and create opportunities for our residents and businesses.

a. **California Theatre and Montgomery Theatre:** Working with the Convention and Visitor's Bureau and Team San José, develop a comprehensive movie schedule for the California Theatre in cooperation with any interested promoters and develop ways to increase the use of these venues for public benefit.

b. **Shopping Cart Program:** Working in partnership with San José grocery stores, evaluate a potential new fee when stores retrieve their carts from the City. The Manager is further directed to bring together San José grocers and businesses with shopping carts to evaluate this program and discuss possible program changes to increase the speed of removal from neighborhood streets.

c. **Center for Training and Careers:** Direct the Manager and Director to partner with Center for Training and Careers to seek outside funding through grants and loans to acquire or begin construction of a new facility.

d. **Incubator Program**: Explore formation of an entity such as a joint powers authority that might allow the City to work with the Spartan Foundation in the joint ventures associated with our business incubators and result in crucially needed revenue to the City over time.

e. **Mobile Home Code Enforcement:** Petition the State of California Department of Housing and Community Development to assume regulatory responsibility for mobile homes and mobile home parks in San José if the State allows a fee structure that can support adequate inspections. The state is now in the process of reviewing all fees associated with the mobilehome park inspection program, and the new fee schedule might allow the program to operate on a cost recovery basis.

f. **History San José :** History San José plays an important role as the City's curator of city-owned historic artifacts, and operator of the History Museum at Kelley Park and Peralta Adobe & Fallon House. We should reduce the operating subsidy in the coming year by $50,000, rather than the $75,000 that is called for in our contract with History San Jose. We should also revise their contract to have the subsidy reduction schedule spread out over an additional four years. We should further explore, allowing History San Jose to operate the two parking lots serving the Museum during museum events.

g. **Healthcare for Small Businesses Initiative:** Upon recommendation from Vice Mayor Chavez, direct the Manager in conjunction with Councilmember Campos to explore the possibility of lowering the cost of health insurance for small

businesses by partnering with the private sector for the joint purchase of insurance. This could improve the business climate for businesses, improve benefits for employees, and help businesses reduce costs.

h. **Revolving Loan:** San Jose's economy is dependent on the start up and growth of new businesses. Direct the Manager to explore ways to leverage current City loan programs to support equity investments in new and growing small San Jose businesses.

i. **Sports Opportunity Fund:** Frequently opportunities for sporting events (Grand Prix, etc.) are brought to the Office of Economic Development that require faster decision timelines than the annual budget cycle can provide. From past experience we know that small investments on the City's part can lead to large economic development returns for the city via sales and hotel tax revenues. I recommend allocating $250,000 to the Office of Economic Development for potential City costs and sponsorships of sporting events that may arise during the coming year and have potential economic benefits to the community. Events will be presented to the Council for discussion and possible approval.

j. **Silicon Valley Football Classic:** Shift this Tier 2 proposal into Tier 1.

k. **Council "Vision and Outcomes Statements" Prior to Long Range Planning Efforts:** Create a Council Policy that would require that prior to any actions to proceed with city or developer funded major planning initiatives, such as a Specific Plan, the Council must approve a vision and outcome statement that provides a clear policy framework to guide the planning efforts.

6. **Making Government Work Better**

We must continue to make San José a user-friendly city that delivers high quality services to residents and businesses and strives for maximum efficiencies in how we perform our work.

a. **Budget Document Clarity:** Direct the Manager to incorporate the following direction when developing next year's proposed budget:

1. **Grant Contract Administration:** I recommend that the Manager explore and report back on the concept of redeploying all staff city-wide who are focused on grant contract administration to the City Manager's Office to have a contract administration team. Much in the way we were able to focus our services within the Call Center, there is an opportunity to provide better services with existing resources in this area.

2. **Contingency Plan Development**: For future budget cycles where a contingency plan is needed, include clear information in Tier 2 budget reductions that highlights community impacts, ties performance measures to

proposed reductions, and shows how the reductions relate to other program areas and between CSAs.

3. **Fees and Charges:** Highlight major fee revisions in the fees and charges document to cross reference the budget document.

4. **CSA Performance Measure Revisions:** Add sequential pages to the CSA Performance Measures booklet to facilitate discussion of specific changes.

b. **Mayor and Council Office Budget Reductions:** Although Mayor and City Council office budgets are small compared to the overall General Fund, our cooperation to reduce expenditures can add up. I recommend, per previous recommendations and Council approvals, that the budgets of the Mayor and Council offices be reduced by the same proportion as non-Public Safety departments.

c. **Compensation Impact Contingency Plan Budget Reductions.** Once labor negotiations are completed, direct the Manager to return to Council with strategies to balance the budget by using the revised matrix (Attachment I). This attachment is meant only as a guide for future Council consideration. Any future budget reductions should come back to the City Council for full discussion and review before approval.

d. **HNVF and CDBG Funding Process:** Direct the City Manager to ensure that all criteria used to rate CDBG and HNVF applicants and formulate staff funding recommendations are included in the process and in the criteria memos brought to the CDBG Steering Committee, the HNVF Advisory Committee, and City Council, and distributed to potential applicants. It is important to maintain a process that is clear, fair, balanced and consistent. Staff shall not use any criteria other than those explicitly stated when making a recommendation for funding. I have also made an Auditor Workplan amendment recommendation in a separate action to the Rules Committee in this area.

e. **Online Reporting:** Direct the City Clerk to work with the Manager to develop a cohesive plan to implement online reporting for campaign finances, Form 700 filings, and officeholder fundraising. Increasing online reporting should reduce the need for paper reporting, improve staff efficiency, and enhance public transparency.

f. **Call Center Customer Service One-Stop:** Direct the Manager to implement citywide customer service standards and use existing resources to implement more "one-start service" through the Call Center.

g. **Vendors in Guadalupe Gardens:** Direct the Manager to formulate a plan that would permit vendors to operate in the Guadalupe River Park and Gardens during special events and other specified times of the year.

h. **Parking Fines on Street Sweeping Days:** Currently, the nominal fine for commercial vehicles illegally parked on residential streets on street sweeping days is not an effective deterrent, and parked vehicles disrupt sweeping. Increased fines for commercial trucks illegally parked on residential streets on street sweeping days would help improve the benefits from street sweeping.

i. **Vehicle Abatement:** Increase penalties to violators of abandoned vehicles to pay for Code Enforcement program costs.

j. **Complete the evaluation of the Street Smarts Program:** Street Smarts is a public education and awareness campaign as part of the Traffic Calming Program aimed at reducing the need for more expenditures in engineering and improve the effectiveness of enforcement efforts. As part of the Council's approval in April 2002, we asked for an evaluation of the campaign's success using factors such as accidents, death and injury rates, neighborhood complaints and violations. A report on the evaluation of the changes in behavior has not yet been made to the City Council.

k. **Service Delivery Model Study Session:** Direct the Manager and Auditor to jointly schedule and develop presentations for a Council study session to focus on opportunities for different service delivery models and the implications that land use decisions have on our ability to fund and deliver public services.

l. **Police Support to the City Attorney**: Restore the position currently in tier 1 of the Manager's proposed budget to ensure that the City Attorney has the investigative resources he needs to provide civil public nuisance abatements, unfair business practice cases, and criminal cases involving misdemeanor violations of the San José Municipal Code. Direct the Manager to move the police officer positions to the City Attorney's Office base budget to provide the City Attorney with the budget authority (not line or assignment authority) to control resources he needs to provide litigation services for the City.

m. **Art and Practice of Leadership Phase II**: We must continue to foster the professional and management development for our employees so that we may create a strong in-house talent pool for the future of the organization. The Manager shall develop a program to provide opportunities for mid- and upper-management staff to exchange jobs across departmental lines for greater cross training and management growth for potential management candidates.

n. **City Clerk Reporting Oversight Staffing:** Provide the City Clerk adequate funding ($50,000) to monitor the new reporting requirements under the new ethics ordinance changes. This will assist the City Clerk's office in monitoring and auditing the registered lobbyist program and ensure that the Council and Mayor are in compliance with the municipal code. It is projected that the fees charged

for registration will only generate $35,000. The Clerk is directed to report back on cost recovery adjustments in expenses or fees.

o. **Elimination of Employee Parking Payment:** Shift this Tier 2 proposal into Tier 1. This proposal would eliminate the remaining $500,000 in funding slated to be provided to the City's Parking Fund as reimbursement for City employee parking.

p. **Vehicle Replacement Transfer Reduction:** Transfer this Tier 2 proposal into Tier 1. This will further reduce the transfer from the General Fund to the Vehicle Maintenance and Operations Fund by $1,750,000 on a one-time basis. As a result of this reduction, there will be no funding for general vehicle replacement in 2005-2006.

q. **Old City Hall Maintenance:** Recognize the fund savings from not providing ongoing operations and maintenance funding.

r. **General Services Purchasing, Replacement, and Loans of City Vehicles:** I recommend a number of actions to continue to minimize costs of providing fleet management and requisitions.

1. Direct the Manager to:

   a. Continue for another year the freeze on purchasing any new general fleet vehicles without specific City Council approval unless outside funding is utilized. Further require the Manager working with the Auditor to come back to the Council with a recommendation on an appropriate operational contingency of police vehicles to meet operational and unexpected replacement needs.

   b. Similar to last year and in partnership with the Auditor, evaluate the FY 2005-2006 reduction of personnel and vehicle assignments to make the necessary reductions to the City fleet.

   c. Implement the Council-approved audit recommendations last year related to pooling vehicles assigned to departments. This recommendation should occur before the mid-year budget, and the Manager is directed to highlight a section in the mid-year budget report that outlines this budget savings strategy.

2. Direct the Auditor to:

   a. Complete a follow-up audit related to the City's general fleet, transport vehicles, metered vehicles and specialized vehicles to ensure that all recommendations approved by the City Council are implemented during the FY 2005-2006 fiscal year.

7. Rebudget Proposals

I recommend the following rebudgets subject to final verification by the City Clerk's Office for Mayor and Council Offices. I further recommend that we place a cap on rebudgets of 50% of the base budget for Mayor and City Council budgets.

District 1	$108,838
District 2	$71,354
District 3	$10,326
District 4	$1716
District 5	$90,557
District 6	$85,782
District 7	$10,000
District 8	$28,250
District 9	$107,500
District 10	$53,108
Mayor	$315,000
Council General	$327,940

District Seven Special Election Costs: I recommend that ending fund balances for the District 7 office as well as savings on councilmember salary that are realized be identified to help offset the costs of the District 7 special election.

8. Revised and New Performance Measures

We must continue to improve our performance measurement tools to provide the best possible information for policy makers to make budget decisions. The following changes and additions are recommended.

In general, direct the Manager to include more measurable items in the Key Strategic Goals and Objectives sections of the CSA Business Plans.

<u>Environmental and Utility Services CSA</u>
Revise the following Environmental and Utility Services CSA Business Plan performance measures:

a. Revise performance measure targets to more accurately reflect current year performance and increase targets beyond current year accomplishments, unless staff reductions impact performance of the programs.

<u>Economic and Neighborhood Development CSA</u>

a. Revise the following Economic and Neighborhood Development Business Plan performance measures:

1. Retain the performance measure "% of affordable housing projects receiving building permit within 6 months of plan check submittal."

2. Retain the performance measure "% of project occupants rating units good or excellent based on value, project amenities, and maintenance."

Public Safety CSA

a. Revise the following Public Safety CSA Business plan performance measures:

1. Add fire fighter injuries to track training outcomes.

2. Retain the measure "% of requested crime prevention presentations fulfilled within 30 days."

3. Add performance measurements for specific UASI goals.

4. Add measures to track the Mayor's Gang Prevention Task Force by linking the BEST annual evaluation report and CBO achievements with law enforcement efforts through VCET, the Gang Investigations Unit, and other efforts in the Police Department to decrease gang violence in San José.

Recreation and Cultural Services CSA

Revise the following Recreation and Cultural Services Business plan performance measures:

a. Survey parents and teachers about after school programs.

b. Retain the measure "% of participants completing the family child care new Business Creation program component who open new business by the end of the program year."

c. Retain the measure "% of participants who develop successful community leadership behaviors" without restricting it to NDC participants.

d. Retain the measure "% of resident-identified SNI priorities implemented" without the proposed changes.

e. Retain the measure "% of trained residents reporting/demonstrating improvement in their ability to address community issues" without the proposed changes.

f. Continue reporting the measure "number of volunteers who participate in Adopt-A-Park" at the Core Service level.

Strategic Support CSA

Revise the following Strategic Support Services Business plan performance measures:

a. Continue reporting the measures "number of workers owed restitution" and "total amount of restitution owed" at the Core Service level.

b. Include measures on both the number of open Workers' Compensation claims and number of new Workers' Compensation claims.

c. Include measures on both the percentage of customers who rate purchasing service good or better on a 5-point scale based on courteous and timely responses to requests for information, and the percentage of customers who rate materials management service good or better on a 5-point scale based on courteous and timely responses to requests for information.

d. Incorporate Council Appointee performance measure changes into the Proposed Outcome and Performance Measure Changes document.

e. City Attorney's Office Client Satisfaction Survey: Attempt to better survey time clients receive advice/documents within mutually accepted timeframes.

f. Direct the City Manager to:

   1. Examine the City's surveying performance for consistency and to see whether the City is sampling the right target audience and importantly not over sampling and report back to Council.

   2. Identify changes in sample size when reporting numerical survey data.

   3. Continue to track measures through core service section rather than through operational notes.

9. **Reports Required**

a. **Street Sweeping:** Report back to the City Council about the City's current street sweeping signage policy and how streets are prioritized. Further direct the Manager to report on the City's current outreach policy and use of multiple languages.

b. **911 Cellular Calls Transfer:** Report back to the City Council with a status report on the transfer of 911 cellular calls, detailing those companies that have not yet transferred calls.

c. **Fire Prevention Business Plan**: Report back to the City Council before next year's budget process to present the Fire Prevention business plan.

d. **Airport Passenger Levels:** Report back to the City Council with projections and scenarios when San José Airport passenger levels are projected to increase to the levels before the 9/11 attacks.

e. **False Alarm Calls:** Report back to the City Council with the number of false alarm calls received by the Police Department over the last five years.

f. **City Intranet Use:** San Jose strives to be the employer of choice. We should look at increasing the usefulness of the Intranet for employee discounts offered by companies to large groups like cell phone, etc. Direct the Manager to develop a plan to better use the City's Intranet.

g. **Clerk Rebudget:** Approve the Clerk's request to rebudget the remaining funds in the City Clerk Technology Budget for FY 2005-06 (approximately $15,000). I further recommend that any funds within the Clerk's budget remaining at the end of the fiscal year be rebudgeted for FY 2005-06 (estimated to be $50,000) and dedicated to augment the City Clerk Technology Budget for additional technology projects, including a citywide needs assessment to determine the best solution for an Electronic Documents Management System.

CONCLUSION

We should be proud of our many accomplishments over the past few years to make San José a great place to live, work, and play. San Jose is a community that our residents are proud to call home. Despite the current economic challenges facing the region, state, and nation, I am confident we will continue to demonstrate our partnerships with our neighborhoods to find solutions together to achieve our community's goals and provide quality services that our residents deserve.

COORDINATION

This memo has been coordinated with the City Manager, the Redevelopment Agency Executive Director, the City Auditor, and the City Attorney.

Attachment I
Compensation Contingency Plan

Ranking			
1	non-profit reuse disposal subsidy elimination	$403,000	$403,000
2	sidewalk repair grant elimination	$630,000	$1,033,000
3	future teacher loan (50% cut)	$50,000	$1,083,000
4	regional parks reduced operations and programming	$84,000	$1,167,000
5	grounds maintenance services reduction to history park and fallon house	$30,000	$1,197,000
6	police and fire administrative sworn staffing	$272,000	$1,469,000
7	web design support staffing	$153,000	$1,622,000
8	new infrastructure assets maintenance costs	$221,000	$1,843,000
9	emma prusch family park plant science center elimination	$52,000	$1,895,000
10	facilities management and administrative staffing	$165,000	$2,060,000
11	enterprise network technician	$34,000	$2,094,000
12	training and development program	$158,000	$2,252,000
13	Street Light Operations	$320,000	$2,572,000
14	non-patrol sworn staffing (recruiting, backgrounds and special programs	$540,000	$3,112,000
15	horse mounted unit staffing	$360,000	$3,472,000
16	fire emergency response cost efficiencies (1st truck company)	$2,289,000	$5,761,000

17	future teacher loan (elimination)	$50,000	$5,811,000
18	community code enforcement	$84,000	$5,895,000
19	health and safety staffing	$138,000	$6,033,000
20	mayor/CC/ and appointees	$1,510,000	$7,543,000
21	community based organizations funding reduction	$204,000	$7,747,000
22	Fire emergency response cost efficiencies (2nd truck company)	$2,235,000	$9,982,000
23	police crime analysis staffing	$73,000	$10,055,000
24	police department support staffing	$231,000	$10,286,000
25	youth services	$297,000	$10,583,000
26	public safety support staffing	$703,000	$11,286,000
27	Police Traffic Enforcement staffing (3 enforcement teams)	$1,828,000	$13,114,000
28	police records staffing	$190,000	$13,304,000
29	striving towards achievement with new direction (stand)	$99,000	$13,403,000
30	Safe School Campus Initiatives (8 teams to 5 teams)	$367,000	$13,770,000
31	Clean Slate Program	$97,000	$13,867,000
32	long range planning	$177,000	$14,044,000
33	Neighborhood Parks maintenance	$408,000	$14,452,000
34	community action and pride grant funding	$315,000	$14,767,000
35	office on aging	$57,000	$14,824,000
36	adult and youth sports programs	$222,000	$15,046,000
37	anti-graffiti program	$258,000	$15,304,000

38	library branch hours elimination	$1,373,000	$16,677,000
39	San Jose after school level 2 program (reduces capacity of sites by 1/2 and number of weeks	$306,000	$16,983,000
40	TABS elimination	$163,000	$17,146,000
41	Fire Emergency response cost efficiencies (3rd truck company)	$2,143,000	$19,289,000
42	Police Special Operations Staffing (Bomb Squad, Canine, and Metro)	$2,252,000	$21,541,000
43	remainder of horse mounted unit	$469,000	$22,010,000
44	School Crossing Guard Program 50% reduction	$734,000	$22,744,000
45	School Liaison Staffing	$512,000	$23,256,000
46	School Crossing Guard Program elimination	$930,000	$24,186,000
47	Police Patrol Team Sworn Staffing (2 patrol teams)	$1,381,000	$25,567,000
48	Police Investigations Sworn Staffing (Robbery, Sexual Assault, Narcotics, Financial Crimes/Burglary, Vehicular, Crime Scene)	$1,037,000	$26,604,000
49	Police Special Operations Staffing (Violent Crimes Enforcement)	$1,197,000	$27,801,000
50	Police and Fire Recruit Academies	$1,856,000	$29,657,000
51	Fire Emergency response cost efficiencies (4th truck company)	$1,877,000	$31,534,000
52	Police Patrol Team Sworn Staffing (3rd Patrol Team)	$689,000	$32,223,000
	Total	$32,223,000	