City Council Agenda: 6/12/07
Item: 9.3

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: City Council

FROM: Mayor Chuck Reed

SUBJECT: **JUNE BUDGET MESSAGE FOR FISCAL YEAR 2007-2008**

DATE: June 1, 2007

Approved: Chuck Reed Date: 6/1/07

RECOMMENDATION

I recommend that the City Council and Redevelopment Agency Board:

1. Approve the direction contained in this memorandum for purposes of adopting a final budget for Fiscal Year 2007-2008.

2. Adopt a resolution of the City Council to authorize the City Manager and Redevelopment Agency Executive Director to negotiate and execute agreements addressed in the Mayor's Budget Message which are for amounts that exceed the City Manager's contract authority.

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in the following Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where they are superseded by the contents of this Budget Message.

MBA#	TITLE
2	2007-2008 Proposed Operating and Capital Budgets and 2008-2012 Capital Improvement Program Replacement Pages
4	Request from History San Jose for Additional Funding
6	Sunshine Reform Budget Detail *(Amended in the June Budget Message)*
8	HP Pavilion at San Jose Capital Budget Recommendations
9	LEED Cost Analysis for Pipeline Projects
13	Technology Spending Plan/Use of Reserve
14	Remove Community Centers from Facility Re-Use List

18 Hourly Rate for Public Works Development Services

21 Healthy Neighborhoods Venture Fund Funding Recommendations

23 2007-2008 Proposed Operating Budget Replacement Pages for Environmental Services Department Performance Measures

24 2007-2008 Proposed Operating Budget Replacement Pages for Environmental Services Department Budget Proposal Correction

25 Deputy Director Position Addition: Office of Cultural Affairs *(Amended in the June Budget Message)*

29 2007-2008 Proposed Fees and Charges Replacement Page

32 School Area Parking Compliance

34 Updated Information Regarding 2007-2008 General Fund Revenue Estimates

35 City-Wide Aquatics

36 Recommended Amendments to the 2007-2008 Proposed Operating and Capital Budgets

INTRODUCTION

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2007-2008 June Budget Message for consideration by the City Council and the public. This year's forecast included some encouraging news about the City's economic situation. Revenues are tracking at or above estimated levels and expenditures remain within budgeted levels. However, the costs to provide services continue to escalate faster than revenues. We must remember that the long-term fiscal health of the City requires prudent planning and careful investment.

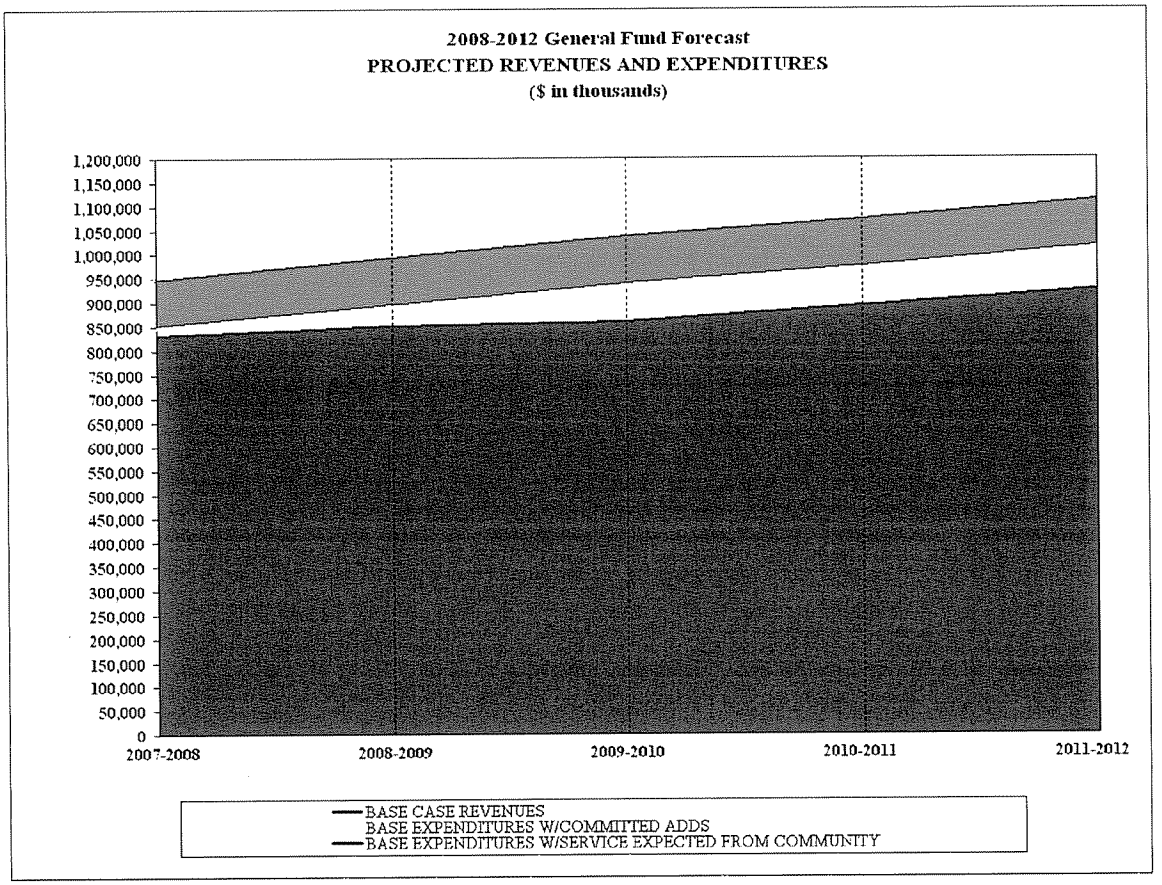
The simple reality is that we have a structural budget deficit in which ongoing expenses exceed revenues. Without the vigorous economy of the dot-com boom era and with inflation and increases in wages and in benefits, the City of San José is not able to provide the quality and level of services our residents deserve. Over the last six years, the City has struggled through difficult financial times. We repeatedly balanced the budget hoping that a local economic recovery would occur in time to replace the one-time funding used to balance the prior year's budget. Unfortunately, the recent recovery in revenues has not been enough.

The City Manager has done an admirable job of bringing forward significant reductions in ongoing expenditures to overcome the current deficit and avoiding one-time fixes that would create larger future deficits. The proposals contained herein combined with the proposals from the City Manager solve approximately 94% of the deficit using ongoing sources. This is a major accomplishment. We were able to maintain a higher percentage than in previous years and will

have a positive impact on future budgets. But this is still not enough to eliminate the structural gap.

While our City Manager estimates that we have a deficit of $16 million, this fails to account for many of the things we should fund. We have unmet infrastructure needs that require another $20 million to $25 million in ongoing funding per year just to prevent things from getting worse. We have $1.4 billion that we must pay for retiree medical care. This should be funded at $98 million per year, but isn't. According to the Police Chief, over the next five years we need to add up to 500 police officers. The cost for the first year is $20 million, and by Year 5 the cost is more than $120 million per year.

The following graph illustrates the challenges we face.



The blue area represents the projected revenues the City can spend. The yellow area represents the shortfall we will experience just by maintaining current service levels. That difference is $16 million next year, and it gets worse in later years. The red area represents costs we should fund. The red area includes paying part of the retiree medical care liability ($50 million), part of the police staffing plan ($20 million), and $20 million for maintenance obligations and repairs that we need to make to prevent our buildings and streets from deteriorating further. While these are big numbers, closing the gap is not out of reach. By working together we can reduce expenses, grow our revenues, and close this gap.

Solving the structural budget deficit is possible. To succeed, we will have to make some difficult decisions. The March and June Budget Messages are designed to create a process to do that. With the adoption of the March Budget Message, the City Council decided to take a new approach. The City would look beyond the current year and plan for the long term. The planned Budget Shortfall Advisory Group and Structural Deficit Team will help review the budget from top to bottom to find alternatives for the City Council to consider that will help eliminate the structural budget deficit over the next three years. Both groups will take a fresh look at what we do, with everything on the table. By helping make the tough decisions today, we can avoid making things worse in the future.

BACKGROUND

The Mayor's June Budget Message continues the community-based budgeting process. In these challenging times, we must focus on our top priorities given our limited resources. The June Budget Message continues a process that began with the community and established priorities. Critical steps along the way included the State of the City address, the March Budget Message, and our unprecedented community-based budgeting process, which included a meeting of neighborhood associations, a community survey, input from the community and Councilmembers through a priority setting session, and a New Initiatives and Unfunded Programs Study Session. Below is a summary of those meetings.

Results of Community Based Budgeting Process

Community Survey Results

The City hired Fairbank, Maslin, Maullin & Associates to conduct a telephone survey of San José residents to ask them about their perceptions of City services and their priorities for City funding. They conducted the community survey from January 17 to January 21, 2007 using a random-digit dial method to reach a random and representative sample of 450 San José residents. Surveyors translated and conducted the survey in Spanish and Vietnamese as well as English. Questions asked residents about the quality of City services, their perception of the City budget, their priorities for increases or cuts in City spending, and their attitudes toward budget-related policy issues.

The survey results show that a majority of residents believe the City is spending the right amount of money on the key services that were included in the survey. If additional money was available, the survey respondents would prefer that those dollars be dedicated to police services, as well as road maintenance, repair, and improvements. A majority of surveyed residents indicated an unwillingness to make significant cuts in funding in any one area to augment services in another area.

Neighborhood Association Meeting Results

We held the first ever Neighborhood Priority Setting Session on January 20, 2007 at City Hall. The meeting provided an opportunity for neighborhood association leaders to hear about the budget challenges facing the City. The forum also allowed members to share ideas regarding

service priorities. More than 100 participants attended the meeting, which concluded with five three-year goals.

The five goals are (not in priority order):

1. Increase the number of jobs in San José.
2. Improve proactive code enforcement.
3. Provide full funding for parks, pools, community centers and libraries, including maintenance operations and development.
4. Improve community policing in the neighborhoods.
5. Improve general fund revenues.

Council Priority Setting Session

On February 20, 2007 the City Council, Council Appointees and Senior Management Staff participated in an all day retreat to develop and discuss the City's three-year goals. Below is a summary of the key outcomes of the session:

Mission Statement

The group engaged in a lengthy discussion and developed the following mission statement for the City of San José.

> ***The Mission of the City of San José is to provide quality services, facilities and opportunities that create, sustain and enhance a safe, livable and vibrant community for its diverse residents, businesses and visitors.***

Three-Year Goals

The group went through an intense process and arrived at the following three-year goals:

1. Maintain our status as the safest big city in America.
2. Eliminate the structural budget deficit.
3. Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure.
4. Increase economic vitality.
5. Provide full funding for parks, pools, community centers and libraries, including maintenance operations and development.

New Initiatives and Unfunded Programs Session

In order to provide context to the many unmet demands on City resources, on February 22, 2007, the Administration prepared a list of the most significant new and unfunded initiatives currently identified as high priority needs. **Figure 2** is the New and Unfunded Initiatives/Programs List of items presented by staff with some additional unfunded needs identified in this budget message. It should be noted that the list will be updated once the 2007-08 budget is adopted. The Administration also re-issued a previous list of unmet/deferred infrastructure and maintenance

needs (**Figure 3**). In addition, staff compiled a list of the major General Fund reductions experienced over the last five years. These reductions over the last five years totaled $69 million. In total, the current unfunded needs and the cumulative reductions from prior years place staggering potential demands on the City, totaling nearly $700 million.

FIGURE 2
NEW AND UNFUNDED
INITIATIVES/PROGRAMS

UNFUNDED INITIATIVE/PROGRAM	ESTIMATED COST	
	One-Time	Ongoing
1. GASB 43/45 (retiree medical care)	0	$98,000,000
2. Police Staffing Plan	0	20,200,000*
3. General Obligation Bond Projects	18,200,000	0
4. Watson Park Remediation	7,900,000	0
5. City-wide Aquatics Master Plan	7,400,000	0
6. Trees-Maintenance and Enforcement	0	3,850,000
7. Open Government Initiatives/Reed Reforms	2,000,000	0
8. Network Operations Center Back-Up Cooling	1,300,000	0
9. Night Shift Custodial Services at City Hall	0	300,000**
10. Shopping Center Improvement Pilot Program	1,200,000	0
11. General Plan Update	820,000	0
12. Mexican Heritage Plaza	700,000	0
13. Small Business Bonding Program	250,000	0
New Items:		
14. Edenvale/Great Oaks Community Center	11,787,185	0
15. Fire Station #2	4,850,000	0
16. Retiree Requests for Enhanced Benefits	0	2,500,000
TOTAL	**$56,407,185**	**$124,850,000**

* This total represents a first year cost of a five-year proposed implementation plan. After year 5, the proposed cost is $121 million per year.
** This total represents a first year cost of a four-year proposal. After year four, the proposed cost is $1.2 million per year.

FIGURE 3
UNMET/DEFERRED INFRASTRUCTURE AND MAINTENANCE NEEDS

INFRASTRUCTURE/MAINTENANCE AREA	ESTIMATED COST
General Fund Needs	
1. Transportation Infrastructure	$391,514,000
2. Information Technology Infrastructure	3,978,000
3. Vehicle/Equipment Replacement	3,025,000
4. General Services Maintenance	1,166,000
Subtotal of General Fund Needs	**$399,683,000**
Potential Use of Other Funds	
1. Parks Facilities	$29,664,000
2. General Services Maintenance	11,670,000
3. Convention Center and Cultural Facilities	4,290,000
Subtotal of Potential Use of Other Funds	**$45,624,000**
TOTAL	**$445,307,000**

This analysis does not include the numerous other unmet/deferred infrastructure needs that exist in the City's various Special Fund programs (e.g., Airport, Water Pollution Control Plant, Sanitary and Storm Sewer Systems, Municipal Water System).

Investment and Reduction Strategies

This Budget Message continues a process of focusing services on the priorities of our Council and our community. It builds on a commitment to take a longer view of the City's fiscal situation so that we can address challenges while preserving the services San José residents rely on most. As the preceding data shows, it is clear that all of our needs cannot be met, and it is going to be extremely difficult to support ongoing costs in the current environment.

Consequently, this leaves us with the difficult task of jointly deciding how to allocate scarce resources. This year, Councilmember's budget requests totaled more than $23 million. While it is impossible to fund everyone's proposals in this budget, I have made an effort to ensure that these funded recommendations are consistent with City Council and the community priorities.

1. Community and Economic Development City Service Area

San José must continue to be the best place in America to live, work, and raise a family. We must manage the growth and future of San José to encourage a vital economy, create and preserve healthy neighborhoods, increase the number of jobs, and ensure a diverse range of arts, cultural and entertainment offerings. I recommend the following changes to the proposed budget:

a. **San Jose Brand Media Outreach Plan (Global Fluency):** Marketing San José to the world will not help us if we have a delivery system that needs improvement. As a City, we should first and foremost be concerned with putting our house in order before focusing on regional, national, and international advertising and marketing. We should give priority and resources to improving service to our customers. I recommend this plan be deleted to fund additions and reinstatements contained in this Message. This program can be

reconsidered for the Unfunded Needs List after staff assessment of its effectiveness during the RDA budget process.

b. **Lincoln Avenue Property Based Improvement District:** Property owners along Lincoln Avenue are willing to help pay for cleaning sidewalks and streets which will lead to a cleaner and safer community. The City Manager is directed to allocate $65,000 in one-time funding to help facilitate a Property Based Improvement District. The City Manager is also directed to report back by the end of the calendar year on developing a model that can be used in other business districts as well. (BD #23, $65,000)

c. **Downtown Parking:** The Executive Director and the City Manager are directed to revisit the downtown on-street parking strategy to increase parking by maximizing the number of on-street parking spaces. At a time when we are paying upward of $30,000 per parking space to construct off-street parking spaces, this would provide an opportunity to add convenient and desirable parking spaces for our residents and businesses and save thousands of dollars. The Executive Director and the City Manager should also consider opportunities to add meters to new on-street parking spaces.

   Further, the proposed Downtown Parking Management Plan Update, prepared by the Downtown Parking Board and Stakeholders, recommends acquiring the Greyhound site to develop a parking garage. We must plan for increased parking demand as the economy improves. We will need additional funds to acquire land and relocate the Greyhound Bus Terminal. The City Manager is directed to allocate $830,000 in funds from the Hilton settlement to be used towards land purchase and relocation costs.

d. **1st ACT Silicon Valley:** 1st Act has developed great vision for a vibrant, creative downtown that encourages iconic public art, outdoor meeting spaces, a wireless network, boutiques, cafes, clean streets, colorful signs, and street vendors. The City Manager and Executive Director are directed to bring the Small Wonders work plan for approval no later than August 31, 2007. The work plan should also highlight city policy/ordinance changes requiring revision and implications for the RDA 2007-2008 budget.

e. **Children's Musical Theatre Relocation Compensation:** The CMT has had to relocate its summer production to the Repertory Theatre from its home in the Montgomery Theatre due to the staging of the Grand Prix. I recommend the City allocate one-time funding of $33,000 to assist with the relocation. (BD #15, $33,000)

f. **Permitting Process:** Improving the permitting process has been a goal of our city for years. My commitment in the State of the City was to resolve the permitting issues within a year. Funding in the proposed budget includes $200,000 for a review of the permitting process. This process doesn't need a consultant, it needs action. The City Manager is directed to de-fund this $200,000 appropriation and adopt the following performance measures for service:

   - average time to process permits
   - percentage of projects that are completed within established targets
   - projects that receive thorough, complete and consistent review

- project comments that were accurate and complete
- average number of review cycles
- customer satisfaction
- percentage of customers who perceive that service has improved from the previous year

Updates on these performance measures should be presented to the Community and Economic Development Committee on a monthly basis. The City Manager is directed to reinstate two Planner positions to support this effort. These additions are to be funded one-time, as the City Manager is directed to get the program back into cost recovery within one year. The City Manager is also directed to determine which elements of the permitting process are not fully cost recovery and report to the Community and Economic Development Committee.

g. **North San José Development Policy:** The Agency and City can be justifiably proud of the planning effort undertaken in the past two years to transform North San José from a traditional industrial park to a leading innovation center and walkable, livable community. The work program includes the preparation of design guidelines, and parks and community amenity plan that will further enhance the livability of this area. As the North San José Development Policy is implemented, the Redevelopment Agency should plan to mitigate impacts.

h. **Deputy Director Position Addition - Office of Cultural Affairs:** The City Manager's proposal sets an expectation that this position will be funded from Transient Occupancy Tax funds and would eventually shift to the General Fund. We need to be very careful about any potential ongoing additions to the General Fund. The City Manager's proposal is approved with the condition that permanent funding from the TOT Cultural Grants Appropriation be used as a permanent source of funding for the position. (MBA #25)

i. **Convention Center and Other Cultural Facilities:** As TOT revenues grow, we should begin to set aside funds to pay for ongoing maintenance of the Convention Center and our cultural facilities, as we have done with revenues from the HP Pavilion. A percentage of the increase in TOT revenues should be placed into a sinking fund for such purposes. The City Manager is directed to determine an appropriate percentage and return to the City Council with a recommendation as part of the annual report in September.

2. Environmental and Utility Services City Service Area

San José is a leader in protecting the environment by developing policies, designing programs, and providing reliable utility services. I recommend the following:

a. **Green Challenge in San José:** Green Challenge 07-09 is a volunteer program aimed at improving the environment, helping reverse global warming, and helping keep the Bay Area's air, water, and vegetation healthy. The projects teach energy conservation, recycling, pollution reduction, and habitat restoration; volunteers clean riverbeds, learn to recycle properly, and adopt energy-efficient habits. I recommend $25,000 in one-time funding to help promote this effort. (BD #31, $25,000)

3. Neighborhood Services City Service Area

The quality of our lives depends on the quality of our neighborhoods. We must serve, foster, and strengthen our communities by providing access to lifelong learning and opportunities to enjoy life, ensuring a diverse range of housing opportunities, and preserving healthy neighborhoods. I recommend the following additions:

a. **Teacher Rental Housing Program:** Direct the City Manager to work with the Silicon Valley Leadership Group and the San Jose Education Foundation to create a pilot rental assistance program for San Jose teachers that can help defray the costs of moving into a new apartment. Further direct the City Manager to allocate $100,000 from existing funds within the City's Housing Trust Fund Ending Fund Balance to implement this program. City funds would be matched by SVLG and SJEF for a total fund of $300,000 for 2007-2008. The City Manager is directed to work with partners to establish guidelines and grant requirements, and report back to the City Council on the pilot program's effectiveness. This program would continue the City's longstanding commitment to assisting local schools in recruiting and retaining qualified teachers.

b. **Watson Park:** There has been a City Council commitment and a community expectation to remediate toxics in Watson Park. The City Manager has included $5 million in the proposed operating budget. The Executive Director is to include $2 million in the RDA Budget to pay for the remaining costs associated with the remediation.

c. **Police Athletic League Stadium:** The PAL organization has quickly grown into a nationally-renowned provider of youth athletic programming. The PAL Stadium, located in East San José, hosts teams from around the United States and the world for soccer and baseball tournaments. The stadium needs various capital repairs, most urgently structural upgrades to the restrooms to improve efficiency and Americans with Disabilities Act access. Working with City staff, PAL has successfully leveraged Proposition 40 funds and private contributions. The City Manager is directed to allocate $100,000 to this project.

   Additionally, the City and PAL are directed to pursue an agreement that would allow PAL to market sponsorships and stadium advertising rights. Staff should report back to the City Council by August 31, 2007. (BD #30 & 35, $100,000)

d. **South Bay Children's Medical Center – Children's Mobile Health Clinic:** I recommend one-time funding of $42,000 to the South Bay Children's Medical Center – Mobile Health Clinic. Funds would help continue the critical medical services and immunization screenings at the South Bay Children's Medical Center Mobile Health Clinic Seventrees site and keep the Andrew Hill High School Clinic open on the evenings and weekends. (BD #10, $42,000)

e. **Kirk Community Center Minor Improvements:** The Kirk Community Center is a hub for community development activities, supporting neighborhood associations, and providing services and support to strengthen the community. The Center is in need of $2.6 million in repairs. I recommend a one-time set-aside of $250,000, in addition to the $1.62 million allocated, to help fund this project. (BD #5, $250,000)

f. **Youth Commission Staffing:** The Youth Commission functions as a leadership, mentoring, and civic engagement outreach program. This recommendation would positively impact the Commission's work plan and mission. I recommend reinstating the Youth Outreach Worker II position at .5 FTE to support the Commission. (BD #8, $27,444)

g. **San Jose Education Foundation Pilot Homework Center Program:** San Jose Education Foundation is proposing to assess the City's current homework center program to develop best practice models for application across the entire program; implement technology tools to track attendance, and future lesson plans for individual students; and enlist the support of individual donors by leveraging relationships that the City does not currently have. I recommend one-time funding of $100,000 for this six-month pilot program. I further recommend the SJEF begin the pilot program with established homework centers in the City that serve the 30 elementary, middle, or junior high schools with the lowest API scores. (BD #28, $100,000)

h. **Los Paseos Playground:** I recommend funding equipment additions to this existing playground. Funding is proposed to come from the Los Paseos Park Improvement Reserve in the Park Trust Fund. (BD # 22, $40,000)

i. **Park Maintenance Partnerships:** Per the previous May 15 City Council direction, staff should bring forward the alternatives for maintenance of city parks as part of the overall discussion of public/private partnerships and include a cost benefit analysis as well as comparisons of other city's parks maintenance alternatives.

j. **After School Programs:** The City Manager is directed to work with the Mayor's Office, through the City-School Collaborative, on the transition of Proposition 49 funding to ensure there are no service level reductions on our after-school programs prior to any funding reallocations.

k. **Edenvale/Great Oaks Community Facility Project:** The Edenvale/Great Oaks neighborhood center is a Strong Neighborhoods Initiative priority. This center will become a hub for community development activities, support neighborhood associations, and provide service to these neighborhoods that have long been underserved. Councilmember Williams has identified nine potential funding sources. The Executive Director is directed to evaluate and review these funding sources and report to City Council during the RDA Capital Budget process. (BD #19)

l. **Albertson Parkway Trail Project:** This project remains a high priority for Santa Teresa residents. It is widely used by joggers and children walking to school. The proposed project involves a .5 mile trail system that provides access to Santa Teresa County Park. I recommend allocating $500,000 from the Calpine Fund to this project. Staff should also actively pursue grants for this project. (BD #20, $500,000)

m. **Helping the Homeless:** The City Manager is directed to explore and report to City Council on creating a set-aside in the 20% Program to acquire and rehabilitate permanent

housing units for the chronically homeless. This could focus on a particular group, such as the mentally ill, or youth ages 18-24.

n. **Story/King:** The Executive Director is directed to hold unanticipated revenues from the Story/King projects in reserve until City Council/Redevelopment Agency can have a discussion on Unfunded Needs and Priorities.

4. Public Safety City Service Area

Ensuring that San José is the Safest Big City in America is a top priority for our community and the City Council. That is why a priority of the proposed budget includes the addition of 15 new police officers. This Budget Message, like the Manager's Proposed Budget, aims to maintain and improve safety for our residents and businesses. I recommend the following changes:

a. **Downtown Working Group Recommendations:** I commend Councilmembers Williams, Liccardo and the members of the Downtown Working Group for their work. They have brought forth recommendations that support the downtown community by promoting a clean, safe and inviting experience for residents, business owners, and visitors alike. I recommend the City Council adopt amended Budget Document #6 and allocate $167,245 to support implementation of a 90-day pilot project that analyzes transitioning downtown's restaurants and nightclubs to a 3 a.m. "soft closing."

   Our police officers put in nearly $1 million dollars of overtime in the downtown entertainment zone every year. The nightclubs that create the requirement for overtime should pay for it. The City Manager is directed to develop a strategy on how this overtime can be assessed on the nightclubs prior to the pilot program's completion and get the proposal to City Council for consideration. Any funds coming out of the Entertainment Zone Cost Recovery Plan should be used for police overtime. (Amended BD #27 and MBA #28, $167,245)

b. **Replace NASCOP with Motor Officers:** NASCOP is a popular community traffic enforcement tool and is regularly requested in neighborhoods across the City. It was determined the program would be discontinued due to state law concerns, therefore NASCOP may no longer be permitted under the California Vehicle Code. I recommend deploying three motorcycle officers who will serve the public by addressing traffic safety in our neighborhoods. I recommend that the City Manager deploy three of the proposed 15 new officers to motor officers to fill the NASCOP void. The City Manager is also directed to evaluate and compare the effectiveness of the NASCOP program and the motor officers, to determine which program is more cost effective to the City. (BD #37 and MBA #27)

c. **Crime Prevention Specialist:** Our efforts to prevent crime are a key reason that we are the Safest Big City in America. To remain so, I am recommending that we reinstate a 1.0 FTE Crime Prevention Specialist and 1.0 FTE Police Sergeant to the Neighborhood Watch Program in the Crime Prevention Unit. I recommend that the City Manager deploy the Police Sergeant from the proposed 15 new officers to service the Community Services Division. (BD #4 and BD #13, $83,000)

d. **Fire Station #2:** Fire Station #2 was approved by the voters for remodeling as part of Measure P and is currently scheduled to be remodeled through the bond program. Councilmember Campos has requested the City instead rebuild the Fire Station. Current funds in the bond program limit our ability to expand this project to a full rebuild, and questions remain about the added benefit of committing additional dollars to a rebuild. The City Manager is directed to report back to City Council with a cost benefit analysis on the rebuild of Fire Station #2 within 60 days. Staff should also bring forward a comparison of the remodel and rebuild option in terms of function and place this project on the Unfunded Needs List. (BD #17)

e. **IPA Annual Report:** The Independent Police Auditor (IPA) is directed to produce the mid-year and annual reports at a quality level that is less expensive to print and distribute, using lower cost paper and black and white reproduction. Less costly alternatives are available that will retain communication effectiveness.

5. Transportation and Aviation Services City Service Area

Transportation affects both the day-to-day lives of our residents and the economic health of the city. We must provide the community with safe roads and a secure and efficient airport to support San José's livability and economic vitality. I recommend the following changes:

a. **Bailey Avenue:** Bailey Avenue serves as a gateway to the IBM center. The eastbound lanes from west of Santa Teresa Boulevard to the west end of the IBM Corporation site, are scheduled for seal treatment in 2009. I recommend staff reevaluate the seal treatment schedule, factoring any community and economic benefits, and consider expediting the project. (BD #21)

b. **Lighting on Hedding Street:** These street lighting improvements on Hedding Street between Winchester and Monroe will include installing 10 new standard lights, rewiring existing lights, and trimming trees. The neighborhoods in this area have long expressed concern that streetlights are either not bright enough or set too far apart. This creates "dark spots" that can encourage loitering, vandalism, or other potentially hazardous activities. Improvements to street lighting will also make the area safer for pedestrians and motorists at night. I recommend this project be funded at $205,000 from the proposed Transportation Maintenance Backlog: Traffic Sign Replacement Appropriation. (BD #24, $205,000)

c. **Grassroots Street Tree Inventory:** The City is undertaking several reforms in connection with tree-related services that it provides to San José residents. A Request for Proposal has been issued for GIS mapping of all street trees to develop an inventory of the City's trees. I recommend directing staff to explore using volunteers to expedite and enhance this process. Staff should report to the Transportation and Environment Committee on their efforts. (BD #34)

6. Strategic Support City Service Area

San José must continue to be a city that delivers top quality service on a daily basis. We must effectively develop, manage, and safeguard the City's fiscal, physical, technological, and human resources to enable and enhance the delivery of city services and projects. I recommend the following:

a. **Council General Carry-Over**: Staffing shortages in the Mayor's Office and Council vacancies have resulted in a larger than average carryover in the Council General Fund. I recommend that this funding be reduced by $400,000 to fund additions and reinstatements proposed in this Budget Message.

b. **Officeholder Accounts**: The City Manager is directed to reserve the 2007-2008 $125,000 increase in appropriations to the Community Fund from the Arena Naming Rights as a possible source of funding for constituent outreach and attending community events in the event that the City Council decides to eliminate officeholder accounts. The Rules Committee is currently discussing this item as part of the Council Reimbursement Policy.

c. **City Clerk Staffing:** I recommend reinstating the 1.0 FTE Senior Office Specialist position in the City Clerk's Office. The City Clerk's Office is perhaps one of the most integral links between the City government and the public. Existing and proposed Sunshine Reforms will have a large impact on the workload in the Clerk's Office. (BD #38 $68,757)

d. **Sunshine Reform Funding for Possible Website Evaluation:** The Sunshine Reform Task Force has yet to complete its work, and it is still unclear what impact the reforms will have on the City's website. The City Manager has recommended funding to evaluate the website needs and effectiveness. I recommend that this funding be placed in reserve to help fund any other future Sunshine needs. (MBA #6, $250,000)

e. **Grant Contract Administrator:** I recommend that the City Manager explore and report back on the concept of redeploying an existing staff member to create a central grant contracts administrator or team to determine the potential for additional grants from corporations, foundations, and other funding sources. We may be able to provide better services by reconfiguring existing resources in this area. The City Manager should also explore adding training courses in grant writing and developing a schedule for regular reporting of grant activities to the Public Safety, Finance, and Strategic Support Committee. (BD #11 and MBA #19)

f. **City Manager's Office Staffing:** The new City Manager will begin work in July. I recommend that the new City Manager be given authority to evaluate resources in the City Manager's Office, be given flexibility to propose changes and bring any proposed changes to the City Council.

g. **Charter Review:** $250,000 has been appropriated to fund support of a Charter Review Committee. Most of our Charter needs have already been defined by the City Council. I

recommend de-funding this project to fund additions and reinstatements contained in this Message.

h. **Performance Evaluations of Departments:** To improve service, the City Manager should work with the Mayor's Office to develop a method for the City Council to evaluate the performance of City departments in a manner that is consistent with the City Charter. This evaluation process will help assess quality, cost, cycle time, and customer satisfaction of the services we provide.

i. **IT Technology Reserve:** I recommend the technology reserve, specifically the Technology Hardware replacement fund, be reduced by $182,145 to fund additions and reinstatements contained in this Message.

7. **Redevelopment Agency**

a. **Full Disclosure Budget:** To ensure that budgets are developed in sound ways and with informed public input, residents must have access to accurate, clear, and timely budget information. A budget process that meets these standards, promotes a healthy discussion of budget priorities, increases accountability for the delivery of public services, and helps ensure that budget decisions will be fiscally sound. The Executive Director should implement the following to move towards a full disclosure budget process:

i. Provide clear information about new initiatives and spending.
ii. Provide clear information on the purposes of, and costs for, existing programs.
iii. Publish clear information about revenues and the balance between revenues and expenditures.
iv. Publish sufficient information to place the budget in context.
v. Create easier public access to budget information.
vi. Develop a five-year CIP for the RDA

b. **Redevelopment Agency Capital Program:** The Redevelopment Agency's core services are:

- Create Jobs and Expand Business
- Develop Affordable Housing
- Build Public Facilities
- Strengthen Neighborhoods

Redevelopment continues to be a critical catalyst/tool to implement the City's economic development, affordable housing, and neighborhood improvement objectives. In the development of the Agency's FY 2007-08 Capital Budget, FY 2008-12 Capital Improvement Program, the Executive Director is directed to develop the program in accordance with the following general goals and objectives previously adopted by the Agency Board:

- Promote and Implement Neighborhood Improvement Strategies for our residents and businesses

- Enhance the Quality and Supply of the City's Housing Stock
- Initiate and Facilitate Public Facilities and Spaces
- Initiate and Facilitate Private Development

In the development of the Agency's expenditure plan, the Executive Director is directed to the extent possible to incorporate projects and initiatives that are aligned with the results of the Community Outreach Process and the Council Priority Setting Session on funding priorities conducted in January and February of this year. The following goals and objectives are relevant to the City's redevelopment efforts:

- Increase the number of jobs in San José
- Improve General Fund revenues through economic development initiatives
- Increase economic vitality

The Agency is directed to continue its efforts through the Strong Neighborhoods Initiative to address neighborhood improvements needs that are priorities for the neighborhood and were identified in the budget priority sessions. This includes efforts to support proactive code enforcement in SNI neighborhoods and funding for public amenities previously identified by community leaders.

In addition and in the interest of maximizing our limited revenues, the Agency should continue to place a priority on investing in projects and initiatives that will generate additional tax increment revenues and increase the organization's capacity to fund additional economic development projects and initiatives.

8. Re-budget Proposals

I recommend the following re-budgets subject to final verification of accounts by the City Clerk's Office for Mayor and Council Offices.

District 1	$97,721.00
District 2	174,155.00
District 3	9,000.00
District 4	91,580.00
District 5	92,620.00
District 6	60,600.00
District 7	85,300.00
District 8	55,761.15
District 9	131,686.00
District 10	106,769.00
Mayor	500,000.00
Council General	401,140.00

CONCLUSION

This Budget Message presents us with a new choice. We can lead San José into a healthy fiscal state rather than maintain business as usual. Making tough choices is not easy, but neglecting to provide leadership is far worse. Through the community based budgeting process we know which services residents truly value. Together, we can implement community priorities, maintain core services, stimulate the City's economy, and reduce the possibility of future layoffs. Now is the time to deliver on our promises and restore trust in City government.

We should be proud of our many accomplishments over the past few years to make San José a great place to live, work, and raise a family. San José 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 find solutions to achieve our community's goals and provide the quality services that our residents deserve.

COORDINATION

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

Attachment I
General Fund Adjustments

Use of Funds	One-Time	Ongoing
PAL Stadium	$100,000	0
Lincoln Avenue PBID	$65,000	0
DWG Recommendations	$167,245	0
Kirk Community Center	$250,000	0
South Bay Children's Health Clinic	$42,000	0
City Clerk Staffing (1.0 Senior Office Specialist)	0	$68,757
Green Challenge	$25,000	0
SJEF Pilot Homework Center Program	$100,000	0
Crime Prevention Specialist	0	$83,000
Children's Musical Theatre	$33,000	0
Permitting Process (2.0 FTE Planners)	$199,900	0
Youth Commission Staffing (0.5 FTE Youth Outreach Worker II PT)	0	$27,444
Total	$982,145.00	$179,201.00

Source of Funds	One-Time	Ongoing
San Jose Brand Media Outreach Plan (Global Fluency)	$150,000	0
Council General	$400,000	0
Charter Review	$250,000	0
Technology Reserve	$182,145	0
MBA #34 Revised Revenue Estimates	0	$179,201
Total	$982,145.00	$179,201.00