CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** CITY COUNCIL **FROM:** Mayor Chuck Reed

**SUBJECT: REVISED JUNE BUDGET MESSAGE FOR FISCAL YEAR 2010-2011** **DATE:** June 11, 2010

Approved: Chuck Reed Date: 6/11/10

Attached is a revised June Budget Message for Fiscal Year 2010-2011. The following changes have been made:

- Page 1: Addition of MBA #36: Team San José 2010-2011 Performance Measures.
- Page 2: Addition of MBA #48: Additional 2010-2011 Beginning Fund Balance Based on Third Quarter Sales Tax Receipts.
- Page 9: Revision to Police Management Audit: *90* officers slated to be cut from the Police Department's patrol unit, corrected from 96.
- Page 9: Addition of Almaden Lake Park funding.
- Page 15: Revision to Public Art: Direction amended to direct staff to review and report on status of program.
- Page 17: Addition of Japantown item.
- Page 19: Addition of Additional 2010-2011 Sales Tax Receipts/Fifth Fire Engine/Sick Leave Payouts.
- Page 24: Revision to Stores Fund: It is anticipated that the ending unrestricted fund balance for 2009-2010 will already be reduced to approximately *$300,000 - $400,000*, corrected from $180,000.
- Page 25: Redevelopment Agency: Added paragraph regarding co-op agreement between the City and Agency.
- Page 26: Revisions to the District 1 and District 6 Re-budget Proposals.
- Revisions to Attachment I - 2010-2011 Proposed Budget Employee Concessions and Service Restorations.
- Revisions to Attachment II - Source and Use of Funds: Increase to City Council re-budget reductions, addition of Lake Almaden summer 2010 programming, and addition of funds to minimize police layoffs.

**City Council Agenda: 06-15-10**
**Item:**

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

# Memorandum

**TO:** CITY COUNCIL **FROM:** Mayor Chuck Reed

**SUBJECT: REVISED JUNE BUDGET MESSAGE FOR FISCAL YEAR 2010-2011** **DATE:** June 11, 2010

Approved: Chuck Reed Date: 6/11/10

## RECOMMENDATION

I recommend that the City Council and Redevelopment Agency Board:

1. Approve the direction outlined in this memorandum for purposes of adopting a final budget for Fiscal Year 2010-2011.

2. Adopt a resolution authorizing the City Manager and the Redevelopment Agency's Executive Director to negotiate and execute agreements for projects approved in the Mayor's Budget Message when amounts exceed the City Manager's or Executive Director's existing contract authority.

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

| MBA# | TITLE |
|---|---|
| 4 | Family Camp Dining Hall Project |
| 5 | Recommendations for Sharks Ice at San José Capital Budget for 2010-2011 |
| 6 | Recommendation on the Proposed 2011-2015 Capital Improvement Program |
| 7 | Priority Study Session – Housing Department |
| 8 | HP Pavilion at San José Capital Budget Recommendations |
| 11 | PRNS Community Center Reuse Recommendations for 2010-2011 |
| 16 | Proposed Changes to Boards and Commissions (Council Referral #9-25-07-5.2) |
| 19 | Stakeholder Feedback on HNVF Budget Reduction Proposals to Non-Profit Agencies |
| 21 | Planning, Building & Code Enforcement Development Services Staffing Recommendation/ABMEI Concessions |
| 24 | Hayes Mansion, Muni Water and the E-Lot |
| 31 | Cultural Funding Portfolio Allocations |
| 34 | Adjustments to Public Works 2010-2011 Staffing Plan |
| 35 | Aquatics Program |
| 36 | Team San José 2010-2011 Performance Measures |

38 Assessment of Rancho Del Pueblo Golf Course
39 Phasing-In of Dynamic Deployment and Elimination of 5th Engine
41 2010-2011 Proposed Operating Budget, 2010-2011 Proposed Capital Budget and 2011-2015 Capital Improvement Program, and 2010-2011 Proposed Fees and Charges Replacement Pages
43 Arena Authority Funding
44 Card Room Work Permits
45 Work2Future Program Federal Workforce Investment Act (WIA) Fund Rebalancing
46 City Attorney's Office – Redevelopment Agency 2010-2011 Budget Plan
47 Recommended Amendments to the 2010-2011 Proposed Operating and Capital Budgets
48 Additional 2010-2011 Beginning Fund Balance Based on Third Quarter Sales Tax Receipts

## INTRODUCTION

We were able to preserve many jobs and services as a result of concessions from some of our employees in the 2009-2010 budget and we appreciate the sacrifice. Now San José is facing the worst fiscal crisis in its history with a $118.5 million budget shortfall. This shortfall includes the $116 million base budget deficit and a $2.5 million deficit in the Development Fee Program portion of the General Fund. That's why the City Council directed the City Manager to seek a 10% reduction in average cost per employee, which would have allowed us to avoid most of the service cuts we are facing. Unfortunately, our unions have not been willing to agree to 10% reductions and have offered far less, mostly one-time savings conditioned with "poison pill" terms that would keep us from preserving libraries and community centers, require implementation of undesirable management practices, and constrain our options to balance the budget next year.

But with the pay and benefit concessions on the June 15 Council agenda and some additional savings that have been identified by Councilmembers and others, I am proposing a balanced budget that preserves libraries and community centers and seeks to avoid layoffs of firefighters and police officers.

I am proposing that we use funds from reductions in pay and benefits and other savings to do the following:

- Keep branch libraries open 39 hours per week.
- Keep open the six satellite community centers scheduled to close: Alma, Alviso, Alum Rock, Gardner, Starbird, and Washington.
- Keep our other community centers at existing service levels.

I propose that any concessions agreed to by the police and fire unions before June 15 be primarily used to avoid layoffs in their respective departments so we can preserve fire stations and police services, and that additional savings from the Unemployment Insurance Reserve not already spent in this Message, be used to help avoid layoffs of police officers.

I propose that any concessions agreed to by MEF and CEO before June 15 be used to preserve services delivered mostly be MEF and CEO members from the list in Attachment I.
My proposed budget is balanced through a combination of ongoing and one-time new revenues, transfers from other funds, use of ending fund balance and reserves, liquidation and renegotiation of contracts, cuts in services, and reductions in pay and benefits for employees.

These actions will not eliminate our structural budget deficit, so we must continue with our efforts to restore fiscal stability, restore services to our residents and businesses, and prevent this dire situation from ever happening again.

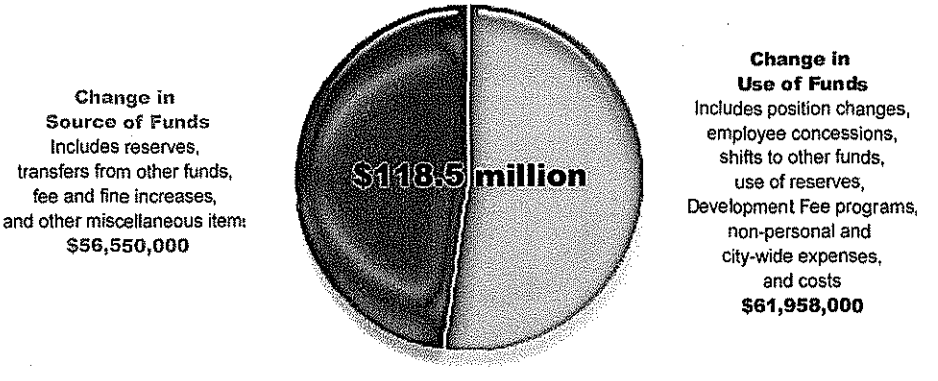
However, some of the actions that will close this year's shortfall are one-time in nature and will increase the size of the shortfall in 2011-2012 and later years. As we begin the process of dealing with next year's shortfall, which is currently estimated to be approximately $41 million, we should give credit to those employees who have made ongoing concessions and focus our efforts on getting equal participation from all bargaining units.

Our employees are dedicated and work hard to deliver high quality services, and they already are doing more with less. San José has one of the lowest ratios of employees per capita for any big city in the country, and I do not want to continue to lose employees and cut services. That's why I called for pay reductions instead of layoffs. If everyone shares the pain, we can save jobs and services for our community.

## BACKGROUND

The City Manager's proposed budget for Fiscal Year 2010-2011 addresses the $118.5 million budget deficit by using the strategies in the following chart.

**City Manager's Proposed**
**2010-2011 Budget Balancing Strategies**




While some of the actions contained in the proposed budget are purely short-term and use one-time solutions, we need to continue to focus on moving toward fiscal sustainability. For the last ten years, we have balanced our budget primarily by sacrificing the services our residents receive. The tough decisions included in the City Manager's Proposed Budget for Fiscal Year 2010-2011

include reducing police patrol staffing, closing community centers, reducing library hours, modifying deployment of fire services, laying off employees, and delaying many capital projects. The City's unfortunate economic realities and their impacts demonstrate our structural deficit and are reflected in the Five-Year Forecast presented in the City Manager's Proposed Budget.

**2011-2015 General Fund Forecast Update**
($ in millions)
(Table 1)

| | 2010-2011 | 2011-2012 [1] | 2012-2013 [1] | 2013-2014 [1] | 2014-2015 [1] | Total |
|---|---|---|---|---|---|---|
| Projected Base Shortfall (Feb 2010 Forecast)[2] [3] | ($116.0) | ($20.2) | ($18.0) | ($21.5) | ($5.8) | ($181.5) |
| 2010-2011 One-Time Solutions | | ($20.6) | | | | ($20.6) |
| Total Incremental Deficit | ($116.0) | ($40.8) | ($18.0) | ($21.5) | ($5.8) | ($202.1) |
| **Total Cumulative Deficit** | **($116.0)** | **($156.8)** | **($174.8)** | **($196.3)** | **($202.1)** | **($202.1)** |

[1] Funding does not presume cost-of-living salary increases in any of the years beyond that currently committed to for two bargaining units in 2010-2011.

[2] Does not include Development Fee Programs. Does include City's share of General Fund annual required contribution for retiree health care benefits and committed additions previously agreed upon by Council, such as operating and maintenance funding for capital projects coming on line and 25 new police officers through 2011-2012 (50 total).

[3] Does not include unmet/deferred infrastructure and maintenance one-time needs of $446 million and ongoing needs of $41 million.

The root of the structural deficit goes back to 1996, when employee compensation started to grow dramatically. The Internet boom resulted in the City competing with the private sector for a talented workforce. The State of California made matters much worse in 1999 when the legislature dramatically boosted employee pension benefits retroactively on the erroneous assumption that the stock market would continue to rise forever and benefits could be increased without cost.

Over the past 15 years, actions taken by previous City Councils or dictated by outside arbitrators have caused employee compensation to grow much faster than revenues, resulting in cuts in service annually for the past nine years. Below is a partial summary of some of those actions:

- Giving employees pay raises faster than revenues were growing.
- Giving raises and increasing benefits when revenues were falling.
- Giving raises and benefits retroactively at costs of tens of millions of dollars.
- Allowing employees to cash out amounts of sick leave when they retire from the City of San José.
- Providing healthcare for life to City retirees.

There is widespread concern that the cost of employee total compensation will continue to increase while revenues and services decrease. Wages and benefits continue to climb, even as the economy falters. Private sector salaries and benefits have dropped dramatically. Pension and healthcare benefits have risen substantially since 2000. The overall costs are not sustainable. We need to negotiate, approve, and implement considerable cost-containment measures so employee financial obligations do not continue to escalate. These issues and the actions needed are well detailed in

the Santa Clara County Grand Jury Report, "Cities Must Rein in Unsustainable Employee Costs" released in May 2010.

Employee Participation

In March, the City Council approved my recommendation that at least half of the deficit be covered by concessions to save jobs and avoid service cuts. The City Council directed the City Manager to begin discussions with our employee groups to achieve concessions equaling 10% reductions in total compensation costs; 5% of the concessions were to be from ongoing reductions and the other 5% would be flexible to include one-time personnel cost savings.

Due to concerns that concessions from non-public safety groups would be used to buy back public safety services, the City Council agreed that concessions from non-sworn bargaining units would be primarily used to save non-sworn positions, and concessions from the sworn bargaining units would be primarily used to save sworn positions.

By sharing this pain equally across all bargaining units, we could save approximately $54 million in the General Fund based on the 2010-2011 Proposed Budget. While this would not eliminate future-year deficits, it would allow us to avoid most General Fund service reductions in 2010-2011. Although not all union contracts are open for negotiation this year, and Police and Fire are subject to binding arbitration, achieving the 10% reduction in total compensation costs for those bargaining units with open contracts will save jobs and important services.

By taking responsibility to mitigate this portion of half the projected deficit, employees will demonstrate to all not only how much we care about the City and the community we serve, but also the sacrifices we are willing to make to avoid the loss of services to our community and the loss of employment to other employees.

This approach is not going to be easy. Getting through these challenges will require collaboration, focus, persistence, and innovation. Imagine what will happen if we do nothing. Libraries, community centers, police officers and firefighters are all at stake. We must think big picture and work to protect services when families and our residents need them the most. If we all share the burden, we will be able to reinstate important services.

Based on the labor decisions coming forward to City Council, we have an opportunity to reinstate important services. I propose we buy back services as detailed in Attachment I with concessions from our bargaining groups. Because no agreements have been reached, the City has issued Last, Best, and Final Offers to several bargaining units. The City Council has already had to make the difficult decision to implement the terms of Last, Best and Final Offers. Although a negotiated agreement is our goal, implementing terms of the City's Last, Best and Final Offers should not be seen as an end to the bargaining process. It does not result in a contract, but does achieve savings that can be used to save jobs and services in Fiscal Year 2010-2011. Negotiations can resume right away if there are changed circumstances. Bargaining units are free to make proposals to the City Manager through her team. I am recommending that concessions achieved be used in the following manner:

**2010-2011 Proposed Budget Employee Concessions and Service Restorations**

| Employee Concessions (Source) | | | Non-Sworn Service Restorations (Use) | | | |
|---|---|---|---|---|---|---|
| | | | | | General Fund | |
| | 10% Total 2010-2011 | 5% Ongoing | Proposal | Positions | 2010-2011 | Ongoing* |
| AEA | $194,000 | $97,000 | Branch Library Hours | 61.42 | 4,539,000 | 3,183,000 |
| OE3 | $2,638,000 | $1,319,000 | Community Centers | 23.29 | 1,380,000 | 0 |
| IBEW | $414,000 | $207,000 | Dr. MLK Jr. Library | 5.63 | 416,000 | 0 |
| AMSP | $334,000 | $167,000 | Park Ranger Program | 8.98 | 562,000 | 0 |
| CAMP | $2,078,000 | $1,039,000 | Anti-Graffiti Program | 2.00 | 208,000 | 0 |
| ALP | $708,000 | $354,000 | Workers' Comp. Staff | 2.00 | 203,000 | 0 |
| Unit 99/ Unrep | $1,385,000 | $0 | Technology Management | 1.00 | 151,000 | 0 |
| | | | Legal Representation | 2.00 | 292,000 | 0 |
| **Total** | **$7,751,000** | **$3,183,000** | **Total Restorations** | **106.32** | **$7,751,000** | **$3,183,000** |

MEF/CEO

MEF and CEO have closed contracts and it is unknown whether or not they will reopen their contracts. If they do, Attachment I includes an MEF and CEO service restoration list. There is still time to provide concessions to restore many of these positions and services.

Police/Fire

A Police and Fire service restoration list is included in Attachment I. Also, the police and fire unions can have their pay and benefits decided by an outside arbitrator. Non-sworn employees may be concerned that their concessions may be used to pay for raises or benefit enhancements granted by an arbitrator. This is an understandable concern. The City Council has committed that non-sworn concessions would be used primarily to save non-sworn jobs and the City Council should honor that commitment. If the police and/or fire unions get awarded pay or benefit enhancements beyond what is budgeted for Fiscal Year 2010-2011, the costs should come primarily from the Police and Fire Department budgets and not from concessions achieved from our non-sworn employees.

**Other Challenges We Face**

Pension Reform

In San José we have two pension systems, the Police and Fire Department Retirement System that serves public safety employees, and the Federated City Employees' Retirement System that serves all other employees. Both plans are defined benefit plans. Retirees are guaranteed a defined amount of retirement pay that is based on their highest annual earning.

Under San José's pension system, employees pay 27.3% of the cost of benefits while the City pays 72.7%. However, the City pays 100% of the "unfunded liabilities." That means if the funds lose money, the taxpayers are on the hook. If outside arbitrators or the City Council give the employees more generous pension benefits, the taxpayers are responsible.

That's what happened in 2007. An outside arbitrator awarded new pension benefits to San José firefighters, allowing them to retire as early as age 50 with a 90% pension benefit based on their highest salary for life. This new benefit cost San José $5 million a year going forward, leaving us with a $30 million unfunded liability. And we didn't have a choice. Arbitration awards for police and firefighters are legally binding under the City Charter.

Our pension system, originally based on the 2010-2011 base budget, was projected to drain $197 million of our dwindling tax base away from public services. That's more than the City's budget for parks, recreation, libraries, and streets combined. Pension payments for San José police and fire retirees account for 34% of the City's payroll costs, double that of just 10 years ago. Payments to the plan are expected to continue to go up by an additional $52 million per year this year and more in future years.

The pension benefit is the most expensive benefit provided to employees and has significant cost implications, which is why we must ensure that the costs of our pension benefits are sustainable in the long term. Since these pension benefits are considered vested, there are limitations to what can be changed. However, with a two-tiered system, the City could reduce the level of retirement benefits for all new employees. The goal of this two-tiered system would be to provide more sustainable retirement benefits. Serious pension reform is needed because our city's survival depends on it.

Arbitration

In 1980, San José voters approved a City Charter amendment requiring binding interest arbitration when the police and fire unions and the City reach impasse in labor negotiations. Since 1980, wages and benefits for our public safety unions have escalated faster than other labor contracts, faster than the City's overall revenues, and faster than other expenditures. In 2010-2011, the average cost per firefighter and police officer will be $181,607. That's a 99% increase since 2000-2001.

In addition to the significant one-time costs of the arbitration itself, an arbitrator can impose both short-term and long-term liabilities on taxpayers with no ability for the City to appeal the finding decision. In two instances arbitrators have awarded increases in pension benefits to existing employees that immediately created a significant unfunded liability to be paid by future taxpayers. That happened in 1996 when an arbitrator increased the pension formula for police and fire. In 2007, an arbitrator awarded an enhanced 90% benefit to firefighters but did not require them to pay for prior service costs.

Public Involvement

Until recently, most residents were relatively uninformed about the City's long-term financial costs and how they came about. The public is now becoming more aware of the growing cost of employee obligations and are hopeful that we as their elected representatives will take the necessary actions to correct our ways. In some cities and counties, recent ballot initiatives have given citizens an opportunity to vote on retirement and healthcare benefits. Orange County, San Francisco, and San Diego voters passed ballot measures as follows:

- In November 2008, Orange County voters decided that future retirement increases must be voter approved.
- In June 2008, San Francisco approved two measures increasing pension benefits for existing employees, but limiting future costs of retiree healthcare benefits:
  - New employees will contribute 2% of salary and the employing agency will contribute 1% to a new retiree healthcare fund.
  - New employees must work ten years to receive half of their health care costs upon retirement and 20 years for full coverage; previous employees were 100% vested after 5 years.
- In November 2006, San Diego required voter approval of any increase in retiree benefits.
- On June 8, 2010, the City of Vallejo is going to the voters to attempt to eliminate binding arbitration.

Without meaningful reform by this City Council, I believe that the voters will circulate an initiative to fix these issues.

## INVESTMENT AND REDUCTION STRATEGIES

I am proud to say that all of the hard work and intelligent discussion about the budget has helped create this Budget Message. Attached to this Budget Message is a summary presentation of the data and information from this year's 11 district budget meetings. The comments gained from community members and individual Councilmembers informed the development of this Budget Message.

By working together, we can address these challenges. Residents, businesses, employees, nonprofits, and taxpayers all can help solve our budget problems. We have to work together to eliminate our structural budget deficit and build a strong and vibrant future for San José.

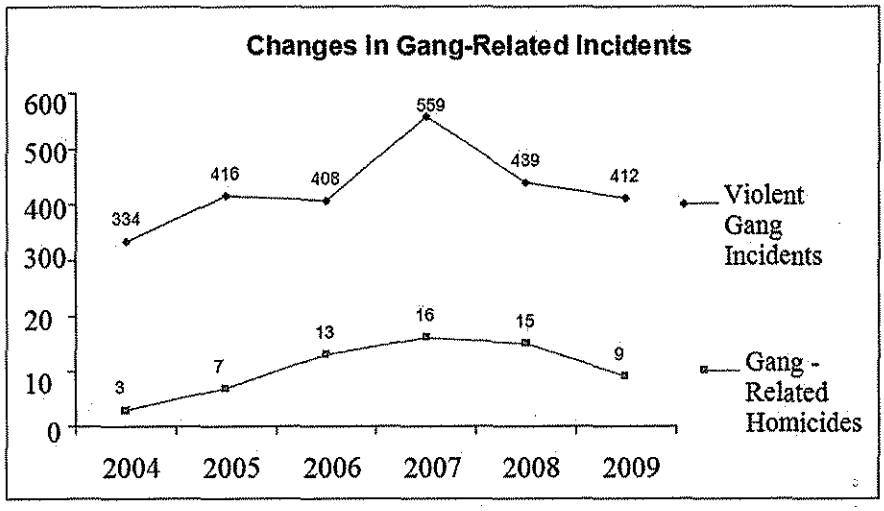
### 1. Neighborhood Services and Public Safety

San José is one of the safest big cities in the country. In a recent community survey, residents were asked how safe they feel during the day when walking in their neighborhood, in the City park closest to their residence, and in the Downtown area.

- 92% felt safe walking in their neighborhood.
- 85% felt safe walking in the park closest to their residence.
- 71% felt safe walking in the Downtown area.

We must continue to ensure that our residents feel safe in their homes and neighborhoods. In our priority setting sessions, we continue to see that public safety is one of the most important city services; public safety continues to be my and the Council's number one priority.

One of our most vital tools in keeping our city safe is the Mayor's Gang Prevention Task Force. The Task Force serves as a national model, and through its collaboration we successfully prevent crime and help at-risk youth find alternatives to gang involvement. The efforts of the Task Force have helped lead to a decrease in violent gang-related incidents, which is why we must do our best to make gang prevention efforts a priority.




We must continue to work diligently to prevent crime, and although we do not have enough money to do everything we want, we need to continue to make public safety a priority. I recommend the following:

a. **Police Management Audit:** Police patrol is one of the highest priorities for the City of San José. San José has one of the lowest numbers of officers among America's big cities. With 90 officers slated to be cut from the Police Department's patrol unit, we must find alternatives to keep officers on the streets. A major contributor to help keep patrol units on the streets is consolidation and efficiencies within the Police Department. Councilmember Constant has identified a number of possible opportunities in the Police Department including eliminating day detective staffing, consolidating the Violent Crimes Enforcement Team and the Gang Investigation Unit, restructuring patrol to three divisions, and converting the MERGE Unit to a collateral assignment. The City Auditor is directed to review the proposals from Councilmember Constant, in conjunction with the Chief of Police, and is further directed to prioritize a management audit of the Police Department to seek opportunities for efficiencies and consolidations that would maximize the number of officers on patrol. The City Auditor is directed to report back through the Public Safety, Finance & Strategic Support Committee monthly.

b. **Almaden Lake Park:** Almaden Lake Park includes a recreational open water swim program, pedal boat rental, and snack shop operation during the summer months. Councilmember Pyle has been successful in fund raising in order to help keep the lake operational during the summer 2010 season. Therefore, the City Manager is directed to allocate $130,000 for this program (including 3.22 positions), funded from $35,000 in the Gift Trust Fund from private donations collected for this purpose, $35,000 from Council District budget savings, and $60,000 in revenue generated at the lake in order to continue this valuable program.

c. **Anti-Graffiti Funding:** Funding for anti-graffiti programs is being reduced. To fund this program, Councilmember Herrera has proposed assessing a fee on spray paint products and other instruments used to commit graffiti to provide an ongoing fund to abate graffiti. The City Manager and City Attorney are directed to review and recommend the feasibility of imposing a fee on spray paint products and other instruments used to commit graffiti, and

report to the Transportation and Environment Committee no later than December 2010. The feasibility analysis should examine the legality of a regulatory program, the scope of graffiti tools covered, the impact on retailers, the cost associated with administering the fee, and the projected annual revenue stream. (BD #34)

d. **Augmentation of Gang Prevention, Intervention, and Suppression Services:** The City Attorney and City Manager are directed to work with the District Attorney to provide an information memorandum to the Mayor's Gang Prevention Task Force outlining allowable uses for State and Federal Drug Forfeiture Funds in order to augment the City's current gang prevention, intervention and suppression efforts. Staff's memorandum should include an analysis of the joint proposal by Councilmember Campos and Supervisor Shirakawa dated February 26, 2010 to determine if any of these proposals could be funded with drug forfeiture funds. (BD #12)

e. **Lake Cunningham Marina:** The Lake Cunningham Marina features a public boat launch ramp, as well as pedal boats, rowboats, and sailboat rentals. Councilmember Herrera has proposed that the Marina remain open and funded. To continue services at the Marina, the City Manager is directed to transfer $75,000 to the Lake Cunningham Fund and recognize $15,000 in associated General Fund revenues. (BD #32)

f. **Emma Prusch Farm Park Harvest Festival:** I recommend that $1,500 be allocated from the Emma Prusch Memorial Park Fund to be used to help cover the City fees and permit costs associated with this annual event by the Emma Prusch Farm Park Foundation. (BD #11)

g. **Senior Nutrition:** Staff is directed to continue their work with the Aging Services Collaborative and to play an integral role with the "Senior Nutrition Task Force" co-led by Councilmember Pete Constant and Supervisor Liz Kniss (in association with the County of Santa Clara, Council on Aging, Silicon Valley Council of Non-Profits, Health Trust, and other stakeholders) to explore alternative options for providing senior nutrition services in the City of San José. Councilmember Constant should continue to lead this Task Force. This effort should include a business plan for services that addresses the end date of financial support of the Senior Nutrition program from the City of San José effective June 30, 2011 and reinforces the City contribution to this service through the provision of free access to community centers for meal service.

h. **Alum Rock School District Sports Field Partnership at Sheppard Middle School:** To fund the Alum Rock School District Sports Field Partnership at Sheppard Middle School, staff is directed to allocate $623,000 from the District 5 Sports Field reserve in the District 5 C&C Fund, $377,000 from the District 5 Sports Field Reserve in the Park Trust Fund, and $500,000 in one-time funding from the District 5 Aquatics Master Plan Implementation Fund Reserve. The funding will be used to provide an artificial-turf soccer field for the residents and youth, which will reduce the City's sports-field deficit and will be an addition to the ongoing effort to improve facilities and expand access and availability to sports fields and recreational opportunities. (BD #13)

i. **Alum Rock Cultural History Corridor Project:** Funding will provide for added lighting and benches at the Mexican Heritage Plaza for an ongoing commemorative

artwork element to honor inspirational cultural artists. The City Manager is directed to allocate $50,000 from the District 5 C&C Fund Public Art Allocation to the Alum Rock Cultural History Corridor Public Art Project. (BD #14)

j. **Community Centers:** The community centers play a vital role in helping keep youth off the streets and in a healthy environment. The City Manager is directed to include funding to keep open the six satellite community centers scheduled to close: Alma on June 30; Alviso, Alum Rock, Gardner, Starbird, and Washington on September 1. With concessions, we may be able to reinstate all community center operations. However, with future deficits our community centers are still at risk. The City Manager is directed to continue to work with the Facility Reuse Community Advisory Task Force to pursue reuse partnerships for alternative operators. In addition, staff should implement staggered staff schedules to increase community center hours and identify community centers where staffing schedules can be modified to allow for weekend operations according to community center audit staffing recommendations #16 and #17.

k. **Civilianization:** To ensure that San José continues to be one of the safest large cities in the country, we need to find ways to keep officers on the streets. An audit was recently completed to review the possibilities of civilianization opportunities in the Police Department. I recommend that staff return to the Public Safety, Finance & Strategic Support Committee in 2010-2011 with a strategy to develop short-, medium-, and long-term plans to civilianize positions within the Department. In addition, staff should seek to increase the number of positions allowed for civilianization in the Memorandum of Agreement with the SJPOA and consider how Community Service Officers and Investigative Aides might be used in the future in San José, as well as meet and confer with the SJPOA regarding this provision.

l. **Fire Department Dynamic Deployment:** Given the current budget situation, dynamic deployment is a cost effective resource management strategy for the Fire Department. Dynamic Deployment is a strategy that relies on historical service demand data to identify core fire station locations from which to redeploy available resources at various levels of availability. The City Manager is directed to begin implementing dynamic deployment. If concessions are achieved, the City Manager is directed to operate dynamic deployment as a pilot program.

m. **5th Fire Engine:** One of Councilmember Pyle's suggestions was the elimination of the Second Firefighter Recruit Academy. In order to keep firefighters on the streets for as long as possible, I agree with the Administration's recommendation that the Dynamic Deployment strategy implementation be phased in and that the proposed elimination of the 5th Fire Engine company elimination being delayed and its 13 associated positions (including three Fire Captains, three Fire Engineers, and seven Firefighters) for six months until January 1, 2011. In order to phase in the elimination of the 5th Fire Engine, funding from the remaining Firefighter Recruit Academy budgeted for 2010-2011 is reallocated for these purposes. (MBA #39)

n. **Downtown Nightlife:** Direct the City Manager and City Attorney to continue to develop an ordinance to amend Title 6 – Public Entertainment Ordinance to authorize a change in the fee methodology for the Public Entertainment Business Permit charged to public

entertainment businesses operating in the Downtown Entertainment Zone to include costs related to police enforcement of the Public Entertainment Permit Ordinance. In addition, the City Manager and Redevelopment Agency Executive Director are directed to work with downtown private parking garage/lot owners to develop late-night security requirements and bring that forward at the same time.

Last year, the City Council approved a new Entertainment Zone Policing Model (EZPM) and Cost-Sharing Model; however the cost-sharing model has not yet been implemented. The new EZPM has been in effect for one year, already saving nearly $300,000 in Fiscal Year 2009-2010. Savings have been realized by increased business commitments to funding additional private security, increased collaboration between the City and nightlife businesses, and increased server training for all nightlife business employees. The EZPM has had a successful start and has been well received by downtown residents, businesses, and visitors.

o. **Tobacco Retailer Permit Program:** The City Manager and City Attorney are directed to prepare an analysis for City Council consideration of a potential ordinance requiring retailers to obtain a permit from the City in order to sell tobacco products and paraphernalia. As part of this analysis, the City Attorney shall determine those program costs, such as the level of enforcement of State and local tobacco laws regarding illegal sales to minors that can legally be recovered through permit fees. The City Manager's analysis should include projected program costs and the resulting annual permit for individual retailers. As a basis for comparison, staff should also include in its analysis, information regarding similar programs that have already been adopted in the cities of Los Angeles, San Diego, San Francisco, Oakland, and Sacramento. (BD #15)

p. **Crossing Guards:** The safety of our school children remains a top priority for San José residents, as well as the City Council. The City Manager is directed to allocate $275,000 in ongoing funding to support the crossing guard program. The City Manager is further directed to continue to evaluate the feasibility of implementing cost-effective programs that are in place in other jurisdictions, explore alternate funding sources such as state and federal grants, and work with the Schools/City Collaborative to ensure the safety of our children.

q. **Aquatics Program:** The Parks, Recreation and Neighborhood Services Department offers an Aquatics Program featuring nine pools throughout the city with swim lessons and recreational swim opportunities. The pools are a vital community resource for families in San José. The City Manager is directed to adopt MBA #35, but to not suspend the leasing of school pool facilities. The City Manager is directed to allocate $75,000 to continue the leases possibly in 2010-2011 and 2011-2012 and seek an alternative service delivery model.

## 2. Community and Economic Development Services

On April 27, 2010 the City Council unanimously approved San José's Economic Strategy 2010-2015 and a work-plan that identified the "Top 10 Actions for 2010." As staff correctly pointed out, pursuing the strategic goals and action items will help San José to "aggressively regain jobs

and revenue as the national economy recovers, and create an outstanding business and living environment that competes with the world's best cities over the long-term."

San José was recently ranked number one in a Forbes.com study of the Most Innovative Cities in America based on number of patents per capita, venture capital investment per capita, and ratios of high-tech, science and creative jobs. So even in these troubled economic times, San José continues to maintain its preeminent status as the Capital of Silicon Valley and a world center of innovation. We are grateful of course to driving industry companies like Cisco, Adobe, eBay, Cadence, Brocade, Redback/Ericsson, Novellus, IBM, Micrel, Fairchild, Cypress, BD Bioscience and Ultratech for staying here and growing here.

Our economic development and redevelopment teams have worked with companies in site-selection mode that consider San José to be an attractive place to base their operations. Companies like Harmonic/Omneon, Align and Atheros have recently invested in locating R&D, office and laboratory facilities in North San José. In addition, staff has invested a great deal of time facilitating the requests of companies like SolFocus, Intermolecular, Silicon Quest and Nanosys as they finalize their prospects to locate or expand in San José.

In some cases, the City and Agency have been able to help close deals with business incentives, such as capital equipment grants, Enterprise Zone benefits, and State Employee Training Placement allocations. However, what has been most important to companies in their decision-making process has been the efforts of our development team to position San José as a City that offers plan review, permitting and inspection services at the speed of business.

With little funding available to be offered as business-attraction incentives, we need to focus on the assets we do have – the people with the expertise to coordinate and streamline our permit process.

I suggest the following approach to strengthening the capacity of our development services team:

a. **Special Tenant Improvement(STI)/Industrial Tool Installation (ITI) Program:** Since January 2010, 10 R&D and Office tenant improvement projects totaling 518,000 square feet with a construction valuation of more than $16 million have been processed for companies like Harmonics, Align Technology, Spectrum Semiconductors and Western Digital. These projects will generate more than $180,000 in sales tax revenues and $53,000 in new property tax revenues, and have resulted in 467 new jobs to San José. Although the 1.2 million square-foot, three-building Brocade headquarters was plan-checked last year, staff is currently providing inspection services to ensure that the company can open and operate its buildings on schedule. Already, approximately 1,000 employees have moved into buildings 1 and 2 of Brocade's new campus on North First Street. Staff is currently coordinating efforts to ensure that Building 3 is up and running by the end of June. The Brocade project and 10 projects permitted through STI this year generated $726,000 in building construction taxes to the City.

   Several more businesses that are considering relocating to San José are lining up for permits over the next few months. However, the current wait time to schedule STI-ITI services is more than three weeks. This is unacceptable to most businesses and is a disincentive for them to relocate here. The addition of a second line of specialized staff to

provide STI-ITI services will ensure that a five-day wait time can be achieved. I direct the City Manager to add capacity to the STI-ITI Program by funding a second line of technical personnel in the Building and Fire Departments and that every effort is made to have the team operational within 30 days of budget approval. ($1,120,629 one-time)

b. **Development Services Project Management:** At the most recent Community and Economic Development CSA Budget Study Session, it was suggested that the creation of a Project Manager position would be beneficial to our overall permitting facilitation efforts. As the main point of contact to the development community, the Project Manager could monitor and streamline projects from General Plan or Zoning to building occupancy, and ensure project timelines and commitments are met. The City Manager is directed to fund a Development Services Project Manager Pilot Program in Fiscal Year 2010-2011. The Administration is further directed to set up metrics around performance and provide bi-annual status reports to the Community and Economic Development Committee on streamlining efforts developed under this program. ($175,000 one-time)

In addition, the Administration also recommends restoring 5.5 positions in the Building Fee Program to create an Express Line to improve service levels to small businesses that are locating or expanding in San José. These positions are fully funded by the Building Fee Program.

These three recommendations will put our STI-ITI team at full strength, provide the development community with go-to people who can facilitate their projects, and offer a high level of service to our driving-industry companies as they relocate to and expand in vacant R&D and office buildings in the Downtown, North San José and Edenvale. The net effect will be to increase jobs and revenues for the City.

Other areas within the Community and Economic Development Services CSA that I recommend direction to the City Manager are as follows:

c. **Arts Grants Funding:** The proposed budget transfers 1.3 Office of Cultural Affairs (OCA) staff positions from the General Fund to the Transient Occupancy Tax (TOT) Fund at a cost of $157,252. The arts community has voiced its concern that, in a time of economic difficulty, fewer TOT dollars are being invested in arts programming and more instead to staff costs. While the funding shift of these positions is allowed (SJMC Section 4.72.060.A2), reallocating additional funding to the arts would help the cuts in the TOT allocated to grants for arts organizations. The City Manager is directed to re-allocate $150,000 from savings in Office of Cultural Affairs' relocation funds to be used for arts grants this year. (BD #36, $150,000 one-time)

d. **Arts Grants Criteria:** The City Manager is directed to include the economic impact of the programs and activities of an arts organization as a criteria for the eligibility for Festivals, Parades and Celebration (FPC) grants. This recommendation is not a new requirement to conduct additional economic benefit analyses before distribution of grants. Furthermore, the City Manager is also directed to streamline the grant application and review process to save time for applicants and City staff.

e. **TOT Revenues:** I direct the City Manager to work with the Arts Commission and representatives of arts organizations to develop a new strategy with regards to the use of 1.5% TOT revenues. This comprehensive strategy should ensure that a core City staff team is assigned to the tasks associated with arts-related issues and that a dedicated fund be set up for grants to non-profit arts organizations.

f. **Public Art:** The City Manager is directed to review and report back on the status of the Public Art Program and any opportunities for cost savings that may be achieved.

g. **Arts Express:** Arts Express is an innovative youth arts education program that collaborates with two dozen San José arts organizations. For 31 years, it has operated to provide arts exposure and education to more than 25,000 mostly underserved students per year. With all of the cuts in school arts programs, Arts Express often constitutes the first and only experience in the arts for many students. The City Manager is directed reinstate the Arts Express program with one-time funding from the Gift Trust Fund. (BD #36, $120,000 one-time)

h. **Evergreen Innovation Corridor:** The City Manager is directed to allocate resources to be used toward the development of a long-term strategy and implementation plan to position the industrial land in Evergreen for development. Supporting job creation is one of the City's top priorities and the Evergreen Innovation Corridor has the potential for locating thousands of jobs in San José. Councilmember Herrera proposes that the corridor concept be fully developed and ready to roll out to expanding companies and developers by January 2011. (BD #33, $10,000 one-time)

i. **Catalyst Fund:** The Catalyst Fund should be repurposed to be used solely for the creation, retention, or relocation of corporate headquarters to San José. Secondary administrative units, like division headquarters or auxiliary administrative units, while relatively desirable as economic development targets, are less desirable than headquarters facilities, and also tend to have different needs. The Office of Economic Development should bring forward their recommended criteria to the Community and Economic Development Committee for review and discussion in September 2010. (BD #31)

j. **San José Sports Authority:** In recent months, San José has been awarded the 2013 NCAA Men's Basketball Championships, the 2012 U.S. Figure Skating Championships, and is one of two finalist cities being considered for the 2012 U.S. Olympic Trials in Gymnastics. These are three current examples of the importance of the role that the Sports Authority plays not only in securing first class sporting events, but also in ensuring their success. The Sports Authority needs to be adequately funded to fulfill these commitments. The City Manager is directed to allocate $60,000 to San José Sports Authority.

k. **San José Stage Company:** Arts and culture are essential elements to the character and quality of a vibrant downtown and the city as a whole. The San José Stage Company is a leader in performing arts and an anchor in the SoFA district. The City Manager is directed to quantify the costs of a potential agreement for the operations and maintenance of the San José Stage Company facility by December 2010. The analysis should include a policy opinion as to whether or not the City should enter into this O&M agreement at this time. (BD #37)

l. **Citywide Coordinated Marketing Effort:** Following the adoption of the March 2009 Budget Message, the Communications Working Group (CWG) was created to ensure that efforts to market and brand San José would be more coordinated and effective, and to also avoid duplication of efforts. This past year, the participants have submitted marketing plans for peer review. Following direction given in the March 2010 Budget Message, the members' marketing budgets for the next fiscal year have been reviewed by the Communications Working Group. I recommend approval of the recommendations from the CWG report dated June 3, 2010 and continuation by the CWG of this work in the year ahead, resulting in a work plan to be presented to the Community and Economic Development Committee by September and a review of Agency marketing expenditures prior to adoption of the Agency budget.

## 3. Transportation and Aviation Services

The City of San José Transportation and Aviation Services City Service Area works to provide a safe and efficient transportation system dedicated to improving the city's freeways, transit, streets, sidewalks, parking facilities, bicycle facilities, and the Airport and its support facilities. The CSA is faced with the challenge of operating on a reduced budget while undertaking aggressive capital programs, including the following:

- **BART Extension through San José to Santa Clara:** In May, the Valley Transportation Authority (VTA) Board of Directors voted to pursue the use of the design-build process for the Silicon Valley Berryessa Extension (SVBX) project to reduce estimated project costs by $85 million, shorten project completion by six months, and reduce risk. Design and engineering development for the SVBX Project is approximately 65% complete and is being held in a state of readiness while VTA qualifies the project for federal funding.

- **High-Speed Rail:** In January, The American Recovery and Reinvestment Act (ARRA) supplied $2.25 billion out of $8 billion appropriated nationwide for high-speed rail investments to the State of California. Public hearings are underway for feedback on the Environmental Impact Report and Environmental Impact Statement (EIR/EIS).

- **Norman Y. Mineta San José International Airport:** The Mineta San José International Airport has seen general aviation activity decline by 70% since 2000, and demand has shifted to use of larger, corporate aircrafts requiring more support facilities. Development on the west side of the Airport may create nearly 4,000 new jobs and up to $240 million in new wages. The City Manager is directed to continue to pursue economic development opportunities on the west side of the Airport.

  On May 25, City Council unanimously approved the eight strategic principles of the Airport's Competitiveness Strategic Plan, allowing Airport officials to study how to provide services in the most cost-efficient manner. Also, in May Council approved the Transportation and Environment Committee's recommendation to shift the Airport Master Plan horizon from 2017 to 2027 and update the plan according to a reassessment of demand and development, as the Plan anticipates activity levels to increase to 17.6 million annual passengers and 330,000 total aircraft operations by 2017.

The Airport recently announced the launch of new Jet Blue flights to Boston and new Volaris Airlines flights from San José to Guadalajara, Mexico. Also, new airport concessions in Terminal A have opened in May, and contractors are currently working to complete tenant improvements for new shops and restaurants in Terminals A and B.

a. **Japantown:** Japantown is a vibrant part of our City and maintaining convenient access is important. The City and community have invested in many improvements over the years, including diagonal street parking and upgraded streetscapes and connections to Light Rail in the Jackson corridor. The City Manager's Proposed Budget would raise parking meter rates to $1 per hour (from $0.50) and extend meter hours from 5 pm to 6 pm to match rates set Downtown in 2002 and to provide much needed revenue. Department of Transportation officials and Councilmember Liccardo's Office have heard concerns about the proposal. I recommend the rate adjustment to $1 per hour be approved, but the extension of meter hours from 5 pm to 6 pm be delayed until July 2011, requiring a $20,000 one-time downward adjustment to parking revenue and fund balance. Additional developments relating to parking will be discussed with the Japantown community in the coming weeks.

## 4. Strategic Support

a. **Strong Neighborhood Initiative (SNI):** In order to support the efforts of the Strong Neighborhoods Initiative, it is recommended that three full-time Community Activity Worker positions be restored by reallocating $221,337 from the Neighborhood Investment Fund Reserve (BD #22). Also, I recommend that only one Senior Deputy City Attorney ($199,501) and one Senior Legal Analyst ($121,198) position, which were previously supported by RDA funding, be preserved to support SNI efforts on a one-time basis by reallocating $320,699 from the same reserve. MBA #46 is recommended to be approved with this amendment. Furthermore, the City Manager is authorized to use the Neighborhood Capital Improvement Fund for both SNI and non-SNI project Expenditures. These five positions will help to reduce blight, neglect, and gang activity within our city's neighborhoods. The remaining Neighborhood Investment Fund Reserve balance will support anti-graffiti efforts, public outreach, training, cap grants, and neighborhood improvement projects. In addition, I recommend the elimination of one Legal Administrative Assistant position and the corresponding RDA reimbursement to the General Fund for this position.

b. **City Attorney's Office:** To assist the City Attorney's Office meet their staffing needs, I recommend that the City Council include in the non-public safety buy-back list two Deputy City Attorneys. I am not recommending that any personnel reductions in the City Attorney's Office be one-time reductions or defunded positions. This will only increase our structural deficit and kick the can down the road for a future City Council to resolve. To help the City Attorney manage with reduced resources, the City Attorney is directed to work on streamlining processes and enhancing the use of technology to improve operational efficiencies. The City Attorney and the other City Council Appointees are directed to identify areas where legal services can be modified so that the City Attorney's Office can control the workload to meet budgeted staffing levels.

c. **Council General:** City Council Office budgets incur costs that are charged to other appropriations, including Mayor and Councilmember salaries and administrative costs. The City Manager is directed to work with the Mayor's Office to reallocate costs from Council General to the individual office budgets. This should be done as part of the 2011-2012 Base Budget process.

d. **City Clerk's Office Position:** As an appropriate use of Council Office rollover, I recommend that the Contracts and Ethics Compliance position be reinstated within the City Clerk's Office. Without this position, the City Clerk's Office will have a drastically lowered ability to respond to Council needs. ($111,000)

e. **Potential Ballot Measures:** On December 17, 2009, I conducted a Mayor's Budget Message Workshop with community members and neighborhood leaders to discuss the potential revenue sources that require voter approval. Attendees discussed the pros and cons of each revenue source and proposed and ranked revenue ideas. We included these revenue strategies in our community survey, and the results are in the following chart.

| Polled Strategies | Survey Results | Potential Annual Revenue |
|---|---|---|
| Increase Card Room Tax and/or Number of Tables | 64% | $2M - $5.3M |
| 1/2 – 1/4 Cent Sales Tax Increase | 48-53% | $30.25M - $60.5M |
| Disposal Facility Tax | 43% | $1.5M - $8M |
| Modernizing Business Tax | 43% | $500k - $13M |
| Parking Lot Tax | 37% | $5.2M - $9M |

The only two revenue strategies with a chance of getting voter approval are the card room tax increase and the quarter-cent sales tax increase. At the March 9 City Council meeting, Council approved placing a card room measure on the ballot.

Staff estimates that a quarter-cent sales tax increase would generate more than $30 million per year in additional revenue. One of the strongest arguments that would encourage voters to support a sales tax increase is to demonstrate that we have achieved concessions from our employees. A 10% reduction in pay and benefits would significantly increase public support. If the City is able to achieve a 10% reduction in total compensation for those bargaining groups with whom the City has open contracts that are not subject to arbitration, the City Manager is directed to move forward with polling to gauge support for a quarter-cent sales tax measure on the November ballot.

There are other ballot measures being considered including baseball, medical marijuana, and charter reforms that may warrant polling. The City Manager is directed to allocate an additional $280,000 for possible fall ballot measures. These additional funds combined with existing funds would allow for two possible fall ballot measures.

f. **Dolce Hayes Mansion and Convention Center:** The City Manager is directed to evaluate the current and potential uses for the Hayes Mansion, such as assisted living or senior housing, as well as continued use as a hotel and conference center facility. Staff should return to City Council with a report in fall 2010 that will analyze various alternative uses,

including a sale or lease on the City's current operating subsidy and debt service payments, as well as impacts on services to residents. Staff should conduct public outreach on preferred options, which will result in recommendations for City Council action for the 2011-2012 Proposed Operating Budget.

g. **San José Municipal Water System:** The City Manager is directed to review leasing Muni Water. This review should consider existing documents and information relative to the system and its potential sale or lease; issues to consider include water rights, the potential impact on water rates, proceeds to the General Fund, and a Request for Proposals process. The City Manager's Office will coordinate this effort and present a proposed work plan to the City Council by fall 2010.

h. **Rancho del Pueblo Golf Course:** Staff is directed to continue efforts to perform property valuations, and to review possible rezoning and sale of Rancho del Pueblo. So far, opportunities include the following:

- Residential development of the entire site (estimated one-time sale proceeds of $18 million, with one-time General Fund expenses of $700,000 for permits, analysis, etc.)
- Residential development of approximately half of the site, while maintaining golf or other recreation operations on the other half (estimated one-time sale proceeds of $7 million, with one-time General Fund expenses of $700,000 for permits, analysis, etc. and a potential reduced subsidy depending on the operating revenue effects of reduced operations)

i. **Recalculating Proposals:** The City Manager is directed to recalculate the value of General Fund service restorations included in this Budget Message based on concessions achieved with various employee groups and bring forward any necessary budget adjustments as part of the 2010-2011 Final Manager's Budget Addendum. The cost calculations for the budget proposals included in the General Fund service restorations were developed based on the 2010-2011 Base Budget. With potential total compensation reductions, these individual proposals would need to be recalculated based on lower personal services costs. Other factors that would also have to be considered include impacts on revenue estimates from lower overhead or other reimbursements, any adjustments to the cost-recovery fee program, and the actual healthcare costs for each individual employee based upon eligibility, elections for coverage, and the associated funding source. If there are insufficient funds to implement the proposed service restorations in the General Fund, the General Fund Filled Position Elimination Expenditure Impacts Reserve should be used to address the insufficiency overage. If higher than anticipated net savings are generated from the final reconciliation of the buy-back proposals, the additional funds in the General Fund should be allocated to delay the elimination of the 5th Fire Engine Company beyond mid-year, or the 2011-2012 Future Deficit Reserve.

j. **Additional Sales Tax Receipts/Fifth Fire Engine/Sick Leave Payouts:** The 2009-2010 modified budget for Sales Tax requires year-over-year growth of 4.5% in the second half of the year. According to the State Board of Equalization, the City's 2009-2010 third quarter Sales Tax collections total $29.6 million. This represents a 13% increase from 2008-2009 third quarter Sales Tax collections. This higher collection level will generate an additional

$2.3 million in 2009-2010. Because it is not yet known how much the third quarter increase reflects ongoing activity, and because our economic situation continues to be uncertain, it is premature to assume continued ongoing growth.

I recommend the adoption of MBA #48 which recommends that $1.2 million of the $2.3 million in additional revenue from the Sales Tax adjustment be used to delay the elimination of the 5th Fire Engine Company (Fire Engine 7 – 800 Emory St) from January 2011 to July 2011. In addition, the remaining $1.1 million of the $2.3 million in additional Sales Tax revenue is allocated to the City-wide Sick Leave Payments upon retirement fund. With over 500 employees that are expected to be eligible for retirement next fiscal year, it is important that sufficient funding is available to address the sick leave payout costs.

## 5. Environmental and Utility Services

By capitalizing on our local ingenuity, entrepreneurship, and creative talent to solve environmental problems and grow our economy, San José will continue to lead the clean technology revolution taking place across the world.

- **Installation of Solar Photovoltaic Arrays at the Central Service Yard:** The General Services Department, in conjunction with the Environmental Services Department (ESD), contracted with a vendor for the financing, installation, and maintenance of a 1.3 megawatt (MW) photovoltaic solar cell system at the Central Service Yard facility. Construction is scheduled to begin in September 2010 and is expected to be completed by February 2011. The system is expected to generate more than 75% of the current annual energy use at the facility, thereby advancing the City's Green Vision goal No. 3 of receiving 100% of our electrical power from clean renewable sources by 2022. ESD is currently working with the City on 50MW projects and are evaluating proposals for sites.

- **Waste to Energy:** One of our Green Vision goals is Waste Reduction – Divert 100 percent of the waste from our landfill and convert waste to energy. Currently, the Environmental Services Department is in the process of soliciting proposals for the Organics component of the Waste to Energy (WTE) goal to get private sector investment to pay for a facility. The Department is also evaluating proposals for the Fats, Oils, & Grease (FOG) program at the San José/Santa Clara Water Pollution Control Plant. Furthermore, the City is making progress toward achieving the Green Vision's Zero Waste goal by 2022.

- **LED Streetlight Conversion:** The Departments of Transportation, Public Works, and the Redevelopment Agency are making progress on the Green Vision's Green Street goal to replace 100% of the City's streetlights with smart, zero-emission lights. DOT is working with PG&E to retrofit the low-emission streetlight system with adaptable LED lights whose lighting levels will change depending on time of day. The Department is in the process of performing pilot projects and acquiring Redevelopment funding and federal grants to perform the conversion to LED streetlights, which have expected payoff periods of 5-10 years. Much of the current efforts are funded with ARRA funds.

- **Recycled Water Expansion:** On April 30, the U.S. Bureau of Reclamation signed a Cooperative Agreement with the City to provide $6.3 million in stimulus funds toward construction of a $14.8 million South Bay Water Recycling (SBWR) pipeline extension

project. The Reclamation Bureau awarded the grant through the 2009 American Recovery and Reinvestment Act (ARRA) following a nationwide competition. San José was the first city in the region to execute an agreement with the Bureau. This ARRA project will add approximately nine miles of pipe to the SBWR system and provide up to 2 million gallons per day of additional recycled water to irrigation and industrial customers in San José, Santa Clara and Milpitas.

## 6. Other Ideas for Savings

I thank the many people and groups that have provided input into this Budget Message. We have reviewed and considered all ideas, especially the many from Councilmember Pyle. Many of these suggestions helped create this Message. Only by working together can we address these challenges. Below is a discussion of some common ideas and suggestions for solving this year's budget.

a. **Vacancies:** The City Manager's Proposed Budget brings forward a number of vacant positions reviewed for potential elimination. As of May 10, 2010, there were 265 vacant General Fund positions. The 2010-2011 proposed budget eliminates 90 of the vacant General Fund positions, leaving 175 vacant positions remaining in the General Fund. Of these 175 vacant positions, 76 are sworn Police and Fire classifications that will be used for placement purposes as part of the budget process, and nine are public safety dispatchers that are expected to be filled due to the critical nature of that function. After factoring out these positions, a total of 90 vacant positions remain in the General Fund, of which 40 positions are in PRNS and 20 positions are in the Police Department. The PRNS positions are not proposed for elimination because they are necessary to staff the cost-recovery Happy Hollow Park and Zoo, the community center hub model, parks maintenance, gang or graffiti-related programs. The remaining 30 vacancies are spread across several departments and were not proposed for elimination due to the importance of the job duties assigned to these positions. Many of these positions will provide placement opportunities for displaced employees.

b. **Reduced Contribution to the Retirement Funds:** One proposal assumes a discount of $7 million in actuarial savings. The methodology assumes a "0% wage increase and zero growth in the number of employees." These figures are generated by assuming two years of value for fire, and one year for all other employees in year one. In addition, this proposal assumes all "bargaining units currently in negotiations agreeing to the prescribed formula" – four of the bargaining units have not done so.

   Even if this proposal included all of the bargaining units, it is flawed for a number of reasons:

   1. First, actuaries don't look at the *immediate-term* budget impact when it comes to salaries. They use a *long run view* of employee salaries in relation to underlying inflation. This proposal prematurely anticipates changes in salary experience that take place after the valuation date of June 30, 2009. Actuarial valuations reflect demographics and actual experience up through the valuation date, *not changes after the valuation date.*

2. Any type of change to the valuation *could not be included in this year's budget* because it would need to be approved by each respective retirement board *which must act in their role as fiduciaries of the plans and not in the City's interest.* Neither board could approve this change in time for Council action on June 15.

3. Both boards have moved to annual valuations. Next year's valuation will take into account any changes in the demographics and actual experience of the plan up through June 30.

Furthermore, the Retirement Boards have already provided relief to the City's budgetary situation this year. First, the Police and Fire Retirement Board reduced the City's contribution rate by 6.72% this year when it changed the Market Value Assets corridor from 120% to 130%. The result of this action is that the City's contribution was reduced by $17 million this year, (based off of the February 23, 2010 Actuarial Valuation and Review from the Segal Company.)

Second, both boards chose not to adopt the Department of Retirement Services recommendation to lower the Actuarial Assumed Rate of Return to 7.5%, phased in over two years. (Over the past ten years, both plans have a historical rate of return of less than 5%, net of investment and administrative fees.)

If the Police and Fire Plan would have adopted the recommendation, this action would have increased the City's contribution rate by 4.5% in 2010-2011 – a roughly $10 million increase. If the Federated Plan would have adopted the recommendation, the contribution rate would have gone up by 1.25% in 2010-2011, a roughly $2 million increase. (These figures are based on Office of Employee Relations payroll numbers.)

c. **Unemployment Insurance Reserve/Police Layoffs/Fire Recruitment Academy:** The 2010-2011 Proposed Budget established the Unemployment Insurance Reserve to account for the City's required contribution to unemployment insurance for anticipated employee layoffs. As concessions are achieved, services are restored, and employee layoffs are reduced, the Reserve can also be reduced for one-time savings.

Human Resources, in consultation with the Budget Office, has performed reserve savings calculations based on concession scenarios in this Budget Message. $825,000 in savings from this reserve will be used for restorations in this Message. Savings of $510,000 were realized through restorations in the Manager's Budget Addenda and $260,000 from other restorations in the Budget Message. I recommend that the City Manager use any *additional* unemployment insurance reserve funds freed after employee concessions to minimize layoffs in the Police Department.

*Only if* all Fire Department restorations occur, then the first $1,057,000 from Unemployment Insurance Reserve savings must be allocated to restore a Fire Recruitment Academy in 2010-2011. If all concessions are realized and there is no longer a need to minimize layoffs in the Police Department, then this funding should be placed in the 2011-2012 Future Deficit Reserve.

d. **Transfers from Capital Funds to the Operating Budget:** One proposal from the Community Budget Working Group involves using $2.75 million in C&C funds to support the Autumn Street project. The use of Parks City-wide C&C funds or Council District 3 C&C funds would be required to fund this property acquisition. Using these funds would impact the Tamien Park acquisition and stop nearly all work on rehabilitating the infrastructure in all City-wide Parks for the next several years.

e. **Second Fire Academy:** I agree in whole with this recommendation as discussed elsewhere in this Message.

f. **Councilmember Transition Funds:** This program funds transition expenses, including equipment upgrades and furnishings, associated with incoming and outgoing Mayors and City Councilmembers. I propose to cut this program. Mayors and Councilmembers will be expected to cover these expenses with their individual office budgets.

g. **Reduce Sidewalk Fund by $200,000 or Eliminate:** There are no savings to the City by eliminating or reducing the citywide expenses appropriation titled "Sidewalk Fund." Sidewalk repairs in the City of San José are the responsibility of property owners. If the City receives a complaint regarding a sidewalk which is in disrepair, the City notices property owners to remedy the situation. If after several notices, property owners do not repair the sidewalk, the Sidewalk Fund appropriation is used to front the repair of sidewalks. After the completion of the repair, property owners are billed for the cost of repair. If property owners do not pay the bill, the City places a lien on the property. The full $500,000 is needed in the appropriation, which is offset by revenues, to ensure that there are adequate funds available between the time the City pays for a sidewalk repair and then receives payment from property owners.

h. **Eliminating Employee Training:** While employee training is important, I agree in concept with this proposal and I agree with the City Manager's current proposal of reducing all City-wide training by $360,000. Included in this proposal is a reduction in Management and Continuous Improvement Training by $210,000, and the elimination of funding for City-wide Training by $150,000. However, eliminating the remaining funding of $90,000 for the Art and Practice of Leadership Academy – which supports training, mentoring, and succession planning – would leave the City without any training this year, and impede our ability to develop leaders from within. Therefore, it is not recommended that the remaining $90,000 for the Art and Practice of Leadership Academy be reduced.

i. **Membership and Dues:** I agree with this recommendation. While it is unclear how a $200,000 reduction figure was developed, it is clear that the City can reduce this expenditure. The organizations listed in this category, like League of California Cities, advance the interests of the City of San José and many of the organizations are mandatory, like Local Agency Formation Commission (LAFCO), and Association of Bay Area Governments (ABAG). Nonetheless, I recommend the City Manager eliminate the funding for the U.S. Conference of Mayors. ($27,000)

j. **Fire Apparatus Replacement and Repair:** I agree in concept with this proposal and I am recommending the City Manager's proposed General Fund reduction to $1.1 million. However, this budget action does not impact the fire apparatus replacement schedule

because Community Development Block Grant funding will support the other $1.1 million needed to remain on the apparatus replacement schedule. While an additional reduction of $550,000 is proposed, I cannot recommend reducing funding for this program further. The forecasted cost of Fire Apparatus replacement needs exceeds the available funding in the appropriation and funding projected in the forecast over the next 10 years. Maintaining adequate funding for replacement of Fire Apparatus is necessary to preserve the safety and effectiveness of the Fire Department throughout the City.

k. **Elimination of State of the City Funding:** I agree in part with this proposal and I am recommending that the State of the City budget be reduced by 33%, ($30,000), reducing the funding to $60,000. However, as Mayor, I have no plans to allow lobbyists and special interests to "sponsor" a city-wide event like the State of the City Convocation as proposed.

l. **Essential Services Preservation Fund:** I agree in whole with the recommendation to use this reserve created as part of my March Budget Message. The City Manager is directed to use the $500,000 that was set aside in March and an additional $250,000 as included in MBA #47, to restore additional services mentioned elsewhere in this Budget Message.

m. **Eliminate the City Building Energy Projects Program:** Unfortunately, elimination of this program is not possible. The City Manager has added funding from the PG&E settlement agreement funds to support the City Building Energy Projects Program and temporary staffing resources. These settlement agreement funds cannot be used for other purposes due to legal restrictions and terms delineated in the settlement agreement between PG&E and the City of San José. In the agreement, $1.5 million of the total $6 million in settlement funds was designated specifically for deposit into the City Building Energy Projects Program Fund to support renewable energy and energy efficiency projects on City property. The rest of the settlement has been included in the Proposed Budget.

n. **Business Improvement District Contribution:** I agree in part with this recommendation to seek funding from the Downtown Business Improvement District (BID) for the U.S. Figure Skating Championship. The City Manager is directed to ask the Downtown BID for a contribution of $50,000. Millions of dollars of economic activity are projected to be brought into San José from this event and a contribution would be helpful as the City looks to solve its budget deficit. However, it would be unwise to eliminate the funding at this time as we have no assurance that the Downtown BID is able or willing to pay.

o. **Stores Fund:** A proposal has been suggested to reduce the Stores Fund unrestricted fund balance of $688,000 by $200,000, leaving a remaining unrestricted fund balance of $488,000. This internal service fund provides for supplies and materials for general operations city-wide. Requisitioning departments are charged the cost of materials plus a surcharge to cover operating costs of the warehouse. During the current fiscal year, departments requisitioned less supplies and materials than anticipated resulting in the Stores Fund not earning sufficient revenues. It is anticipated that the ending unrestricted fund balance for 2009-2010 will already be reduced to approximately $300,000 - $400,000. Therefore, I do not support this proposal.

p. **Spend Down the Economic Uncertainty Reserve:** I do not agree with this recommendation. The City currently finds itself in a dire budget situation; any option that carries a high risk of endangering the City's fiscal health further is not viable. While tempting, the use of the Economic Uncertainty Reserve is a poor choice. Budget estimates are as exact as possible, but General Fund Revenues are volatile. It is highly possible that the 2009-2010 sales tax estimates will not be met and we would *have to use this fund for the second time this year.* The Economic Uncertainty Reserve serves as the "go to" pot for revenue stabilization and is the preferred option to cutting more positions and services during the year if revenues fall short of projections (like was necessary in the Development Fee Programs and other funds during the year). This Reserve has been a valuable tool that was used last June (2008-2009) as well as at Mid-Year (2009-2010) due to poor performing sales tax and other revenue estimates.

q. **Excess Fund Balance:** I recommend the use of fund balance in the 2010-2011 budget as proposed, but it is unclear how the excess fund balance proposal was calculated. The current option presented would be the use of excess 2009-2010 fund balance. The 2010-2011 proposed budget *already incorporates using the estimated 2009-2010 fund balance, which includes $13.0 million from expenditure savings and/or excess revenue as well as $3.4 million from the liquidation of prior year encumbrances.* As the Administration previously noted, based on current expenditure and revenue trends, this category is not recommended to be adjusted at this time.

r. **Assign Police Costs to the Arena Reserve Fund:** The current agreement with the Sharks specifies that this reserve fund is used as a source for reimbursement for capital improvements at the Arena. The agreement does not expire until 2018.

s. **Reduce Fund Balance in the Parking Fund:** The purpose of this fund is to serve as a reserve account within the General Purpose Parking Fund to be used for expanding the downtown public parking supply. The recent loan to the Redevelopment Agency, combined with the current drop in revenues, and additional declines in revenues will place a financial strain on the Parking Fund. To the extent that revenues are not sufficient to make debt services payments, the City would be obligated to raise parking rates.

## 7. Redevelopment Agency

On February 23, 2010, the Agency Board adopted the Fiscal Year 2010-2015 Capital Improvement Program. My March 2010 Budget Message approved by the Agency Board on March 23, 2010, directed staff to submit a revised Fiscal Year 2010-2011 Proposed Capital and Operating Budget and Fiscal Year 2011-2015 Capital Improvement Program after the Santa Clara County Assessor issued current year assessment rolls.

It is widely known that on May 10, the Agency wrote a $62 million check for SERAF purposes which now places even more significance on how the Agency's future investment decisions must be made. Investing in tax increment generating project areas, and programs and projects within those project areas that generate permanent driving industry and business support jobs, General Fund revenues and other economic benefits, must be how our choices on spending in the next fiscal year are determined.

Until the approval of the Redevelopment Agency budget in September, the Agency Executive Director is directed to not make any new commitments for spending on projects over $50,000 out of Capital Expenditures. Potential compensation changes for Agency employees who are not in Unit 99 will be considered as part of the Agency budget process.

Also, as part of the annual co-op agreement between the City and the Redevelopment Agency, the City and Agency recognize that the Agency will bring forth the Fiscal Year 2010-2011 Proposed Capital and Operating Budget and Fiscal Year 2011-2015 Capital Improvement Program on August 31. At that time, revisions may be necessary to City support services.

**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. I also recommend that office re-budgets be capped at 1/3 of the Fiscal Year 2010-2011 base budgets to assist funding programs identified in this Message. I am also recommending the Council General re-budget be defunded to fund programs identified in this Message. Council District 1 has opted to forgo their entire re-budget to help fund public safety initiatives.

| | Constituent Outreach Re-budget | Office Re-budget | Revised Re-budget (Capped at 1/3) | Potential Savings |
|---|---|---|---|---|
| **Mayor's Office** | n/a | $916,859 | $523,911 | $392,948 |
| **Council General** | n/a | $602,372 | $0 | $602,372 |
| **District 1** | $7,262 | $48,057 | $0 | $48,057 |
| **District 2** | $4,540 | $221,512 | $95,759 | $125,753 |
| **District 3** | $9,137 | $14,536 | $14,536 | $0 |
| **District 4** | $13,054 | $153,198 | $95,759 | $57,439 |
| **District 5** | $17,439 | $54,127 | $54,127 | $0 |
| **District 6** | $12,176 | $114,133 | $95,759 | $18,374 |
| **District 7** | $25,385 | $67,110 | $67,110 | $0 |
| **District 8** | $12,358 | $39,423 | $39,423 | $0 |
| **District 9** | $26,202 | $74,812 | $74,812 | $0 |
| **District 10** | $22,819 | $147,574 | $95,759 | $51,815 |
| **Total Savings** | | | | $1,296,758 |

## CONCLUSION

This Budget Message presents us with many choices. We have the opportunity to lead San José into a healthy fiscal state or continue down the same road. Making tough choices continues and always will be hard, but neglecting to provide leadership is far worse. The community has made clear which services they truly value through the community budgeting process. Together, we can implement community priorities, maintain core services, stimulate the economy, and reduce layoffs.

We should continue to be proud of our many accomplishments over the past few years that have made 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 out community's goals and provide the quality of services that our residents deserve.

## COORDINATION

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

## 2010-2011 Proposed Budget Employee Concessions and Service Restorations

### Employee Concessions (Source)

| | 10% Total 2010-2011 | 5% Ongoing |
|---|---|---|
| IAFF | $11,934,000 | $5,967,000 |
| POA | $22,396,000 | $11,198,000 |
| Total | $34,330,000 | $17,165,000 |

### Sworn Service Restorations (Use)

| Department | Proposal | Positions | General Fund 2010-2011 | General Fund Ongoing* |
|---|---|---|---|---|
| Fire | Engine Company (5th Engine) | 13.00 | $0 | $ 2,381,000 |
| Fire | Truck Company 3 | 16.00 | 2,460,000 | 2,713,000 |
| Fire | Engine Company 35 (4th Engine) | 15.00 | 2,244,000 | 0 |
| Fire | Engine Company 34 (3rd Engine) | 13.00 | 2,012,000 | 0 |
| Fire | Engine Company 33 (2nd Engine) | 15.00 | 2,318,000 | 0 |
| Fire | Engine Company 30 (1st Engine) | 13.00 | 1,959,000 | 0 |
| Fire | Fire Fighter Recruit Academy (2nd Academy) | 0.00 | 945,000 | 0 |
| Fire | Fire Department Discretionary Overtime | 0.00 | 30,000 | 0 |
| | ***Subtotal*** | **85.00** | **$ 11,968,000** | **$ 5,094,000** |
| Police | Police Field Patrol | 79.00 | 10,903,000 | 12,071,000 |
| Police | Police Field Patrol - one year deferral | 7.00 | 1,107,000 | 0 |
| Police | Police Sexual Assaults Investigations Unit | 3.00 | 541,000 | 0 |
| Police | Police Metro Unit | 12.00 | 1,698,000 | 0 |
| Police | Police Downtown Services Unit | 10.00 | 1,365,000 | 0 |
| Police | Police Financial Crimes and High Tech Units Consolidation | 7.00 | 943,000 | 0 |
| Police | Police Vehicular Crimes Unit | 5.00 | 727,000 | 0 |
| Police | Police Crime Prevention and Community Education Consolidation | 3.00 | 602,000 | 0 |
| Police | Police Robbery Investigations Unit | 3.00 | 499,000 | 0 |
| Police | Police Activities League | 3.00 | 491,000 | 0 |
| Police | Police School Liaison Unit | 3.00 | 490,000 | 0 |
| Police | Police Backgrounding/Recruiting Unit | 3.00 | 445,000 | 0 |
| Police | Police Field Training Officer Program | 0.00 | 403,000 | 0 |
| Police | Police Family Violence Unit | 2.00 | 350,000 | 0 |
| Police | Police Assaults/Juvenile Investigations Unit | 2.00 | 307,000 | 0 |
| Police | Police Vice Unit | 2.00 | 241,000 | 0 |
| Police | Police Department Overtime | 0.00 | 32,000 | 0 |
| Police | To Be Determined | | 1,218,000 | |
| | ***Subtotal*** | **144.00** | **$ 22,362,000** | **$ 12,071,000** |
| | **Total Sworn Restorations** | **229.00** | **$34,330,000** | **$ 17,165,000** |

* The amount of ongoing savings will need to be adjusted based on the amount of ongoing employee concessions achieved.

## 2010-2011 Proposed Budget Employee Concessions and Service Restorations

### Employee Concessions (Source)

| | 10% Total 2010-2011 | 5% Ongoing |
|---|---|---|
| AEA | $194,000 | $97,000 |
| OE3 | $2,638,000 | $1,319,000 |
| IBEW | $414,000 | $207,000 |
| AMSP | $334,000 | $167,000 |
| CAMP | $2,078,000 | $1,039,000 |
| ALP | $708,000 | $354,000 |
| Unit 99/Unrep | $1,385,000 | $0 |
| **Total** | **$7,751,000** | **$3,183,000** |

### Non-Sworn Service Restorations (Use)

| Department | Proposal | Positions | General Fund 2010-2011 | General Fund Ongoing* |
|---|---|---|---|---|
| Library | Branch Library Hours (restore to 4.5 days of service - 25 hours per week to 39 hours per week) | 61.42 | 4,539,000 | 3,183,000 |
| PRNS | Community Centers** (restore remaining 15 community centers proposed for elimination in 2010-2011) | 23.29 | 1,380,000 | 0 |
| Library | Dr. Martin Luther King Jr. Library (from 50% to 35% reduction in service) | 5.63 | 416,000 | 0 |
| PRNS | Park Ranger Program | 8.98 | 562,000 | 0 |
| PRNS | Anti-Graffiti Program | 2.00 | 208,000 | 0 |
| HR | Workers' Compensation Claims Staffing | 2.00 | 203,000 | 0 |
| IT | Technology Business Applications Management | 1.00 | 151,000 | 0 |
| Attorney | Legal Representation/Transactions (Deputy City Attorneys) | 2.00 | 292,000 | 0 |
| | **Total Non-Sworn Restorations** | **106.32** | **$ 7,751,000** | **$ 3,183,000** |
| | **Total Sworn and Non-Sworn Restorations** | **335.32** | **$ 42,081,000** | **$ 20,348,000** |

* The amount of ongoing savings will need to be adjusted based on the amount of ongoing employee concessions achieved.

** With this action, the following Community Centers would be restored: Calabazas, Moreland West, West San Jose, Mckinley, Noble House Neighborhood Center & Noble Modular Neighborhood Center, Berryessa, River Glen, Shirakawa Millbrook, Erickson, Kirk, Paul Moore, Almaden Winery, Hoffman/ Via Monte, Vista Park. The Proposed Budget Community Center Hub Model would be delayed until July 1, 2011.

Attachment 1

## 2010-2011 Proposed Budget Employee Concessions and Service Restorations

### MEF & CEO (Non-Sworn) Service Restorations List

| Department | Proposal | Positions | General Fund 2010-2011 | General Fund Ongoing* |
|---|---|---|---|---|
| Library | Branch Library Hours (restore to 5 days of service - from 39 hours per week to 47 hours per week) | 32.01 | 2,098,000 | 0 |
| Library | Branch Library Services (restore to 2009-2010 service levels) | 10.75 | 960,000 | 0 |
| Library | Dr. Martin Luther King Library (restore to current service level) | 11.14 | 904,000 | 0 |
| Library | Library Homework Center Program | 5.50 | 194,000 | 0 |
| Trans | Neighborhood Traffic Calming Staffing | 6.00 | 619,000 | 0 |
| HR | Employment Services Staffing | 1.00 | 108,000 | 0 |
| HR | Workers' Compensation Claims Staffing | 2.00 | 179,000 | 0 |
| Gen Serv | City Hall Security Staffing | 1.00 | 77,000 | 0 |
| Finance | Financial Reporting Oversight | 1.00 | 110,000 | 0 |
| HR | Subrogation Decentralization | 1.00 | 89,000 | 0 |
| Gen Serv | Facilities Staffing | 2.00 | 138,000 | 0 |
| Police | Police Communications and Dispatch Unit | 3.50 | 405,000 | 0 |
| HR | City-Wide Temporary Pool Program Staffing | 1.00 | 91,000 | 0 |
| Gen Serv | Animal Care Dispatching Services | 1.00 | 92,000 | 0 |
| IT | Technology Infrastructure Operations Staffing | 1.00 | 145,000 | 0 |
| Fire | Fire Department Public Education | 1.00 | 133,000 | 0 |
| Finance | Purchasing and P-Card Oversight Decentralization | 1.00 | 127,000 | 0 |
| Finance | Revenue Management Customer Service Staffing | 1.00 | 92,000 | 0 |
| Finance | IBS Consolidation/Revenue Management Collections Staffing Funding Reallocation | 2.00 | 102,000 | 0 |
| Gen Serv | Event Services Staffing | 1.00 | 96,000 | 0 |
| IT | Legacy Telecom Staffing | 1.00 | 116,000 | 0 |
| PRNS | Special Events Coordination | 6.67 | 314,000 | 0 |
| HR | Driver's License Record Program Decentralization | 1.00 | 83,000 | 0 |
| HR | Training and Workforce Development Staffing/ City-wide Training | 1.00 | 110,000 | 0 |
| Gen Serv | City Hall and Police Administration Building Custodial Services (delay outsourcing by one year) | 22.75 | 426,000 | 0 |
| Attorney | SNI Attorney's Office (Legal Administrative Asst) | 1.00 | 101,000 | 0 |
| Clerk | Records Request and Research Staffing | 0.00 | 20,000 | 0 |
| Gen Serv | Fleet Management Services and Staffing | 3.00 | 227,000 | 0 |
| Trans | Pavement Resurfacing and Sealing | 6.00 | 1,655,000 | 0 |
| Auditor | Audit Staffing | 1.00 | 101,000 | 0 |
| Trans | Street Landscape Maintenance Inspection Staffing Realignment | 4.00 | 161,000 | 0 |
| Trans | Infrastructure Maintenance Staffing (Pavement) | 1.00 | 93,000 | 0 |
| OED | Special Events Coordination | 1.00 | 131,000 | 0 |
| Attorney | Legal Representation (Deputy City Attorney) | 1.00 | 133,000 | 0 |
| CMO | City Manager's Special Projects Staffing | 0.00 | 229,000 | 0 |
| | 2011-2012 Future Deficit Reserve | 0.00 | 1,229,000 | 0 |
| | **Total MEF & CEO Restorations** | **136.32** | **$ 11,888,000** | **$ 0** |

* The amount of ongoing savings will need to be adjusted based on the amount of the ongoing employee concessions achieved. Any ongoing savings should be used to buy back an on ongoing basis services on the Non-Sworn Service Restorations List as follows: Branch Library Hours ($1,789,000); Community Centers ($2,307,000); Dr. MLK Jr. Library ($459,000); Park Ranger Program ($752,000); a portion of the restoration of Branch Libraries to 5 days per week ($637,000)

Attachment 2

| FUND | SOURCE | 2010-2011 | Ongoing | USE | 2010-2011 | Ongoing |
|---|---|---|---|---|---|---|
| General Fund | Essential Services Preservation Fund | $ 750,000 | $ 250,000 | Alma Senior Center | $ 241,115 | |
| | City Council Rebudget Reductions (1/3rd rollover cap) | $ 1,296,758 | | Alum Rock Youth Center | $ 258,246 | |
| | City Council Transition Fund (elimination) | $ 25,000 | $ 25,000 | Alviso Community Center | $ 118,102 | |
| | State of the City Convocation (33% cut) | $ 30,000 | $ 30,000 | Gardner Community Center | $ 310,285 | |
| | City Memberships and Dues (cut U.S. Conference of Mayors) | $ 27,000 | $ 27,000 | Starbird Community Center | $ 145,206 | |
| | Lake Cunningham Marina General Fund Revenues | $ 15,000 | | Washington United Youth Center | $ 302,157 | |
| | Unemployment Insurance Reserve reduction | $ 825,000 | | 1 Additional Ballot Measure | $ 280,000 | |
| | Lake Almaden Revenues | $ 60,000 | | Evergreen Innovation Corridor | $ 10,000 | |
| | | | | Development Services Project Manager | $ 175,000 | |
| | | | | Clerk's Office Analyst | $ 111,000 | |
| | | | | School Crossing Guard Program | $ 275,000 | $ 275,000 |
| | | | | Aquatics | $ 75,000 | |
| | | | | Sports Authority | $ 60,000 | |
| | | | | Lake Almaden Summer 2010 Programming | $ 95,000 | |
| | | | | Funds to Minimize Police Layoffs | $ 572,648 | |
| | **TOTAL** | **$ 3,028,758** | **$ 332,000** | **TOTAL** | **$ 3,028,758** | **$ 275,000** |
| General Fund | Shopping Center Improvements | $ 300,000 | | Special Tenant Improvement/Industrial Tool Installation | $ 1,120,629 | |
| | Stevens Creek Auto Row | $ 133,800 | | | | |
| | Building Fee Reserve | $ 286,829 | | | | |
| | STI/TI Revenue | $ 400,000 | | | | |
| | **TOTAL** | **$ 1,120,629** | | **TOTAL** | **$ 1,120,629** | |
| General Fund | Neighborhood Investment Fund Reserve | $ 542,036 | | 3.0 Full-Time SNI Community Activity Workers | $ 221,337 | |
| | Redevelopment Agency Reimbursement | $ (93,000) | | 1.0 Sr. Deputy City Att, 1.0 Legal Analyst II | $ 320,699 | |
| | | | | Legal Administrative Assistant | $ (93,000) | |
| | **TOTAL** | **$ 449,036** | | **TOTAL** | **$ 449,036** | |
| Gift Trust Fund | Lake Almaden Summer 2010 Programming | $ 35,000 | | Lake Almaden Summer 2010 Programming | $ 35,000 | |
| Gift Trust Fund | Art & Education Week Gift | $ 65,847 | | Arts Express | $ 119,561 | |
| | Cultural Performance Gift | $ 1,500 | | | | |
| | Incubation Office Space Fund Gift | $ 52,214 | | | | |
| | **TOTAL** | **$ 119,561** | | **TOTAL** | **$ 119,561** | |
| Construction & Conveyence Tax Fund-District 5 | Council District 5 Sports Field in CD 5 C&C | $ 623,000 | | Alum Rock Sports Field Partnership at Sheppard School | $ 1,500,000 | |
| | Council District 5 Sports Field in the Park Trust Fund | $ 377,000 | | | | |
| | District 5 Aquatics Master Plan Implementation Fund Reserve | $ 500,000 | | | | |
| | **TOTAL** | **$ 1,500,000** | | **TOTAL** | **$ 1,500,000** | |
| Construction & Conveyence Tax Fund District 5 | District 5 Public Art Allocation Fund- Ending Fund Balance | **$ 50,000** | | Alum Rock Cultural History Corridor Public Art Project | **$ 50,000** | |
| Emma Prusch Memorial Park Fund | Ending Fund Balance | **$ 1,500** | | Emma Prusch Farm Park Harvest Festival | **$ 1,500** | |
| Lake Cunningham Fund | Ending Fund Balance | **$ 75,000** | | Lake Cunningham Marina (Transfer to General Fund) | **$ 75,000** | |
| Transient Occupancy Tax | OCA Renovation Funding- Beginning Fund Balance | $ 150,000 | | Cultural Arts Grants | $ 150,000 | |
| | **TOTAL changes for the entire document** | **$ 6,529,484** | **$ 332,000** | | **$ 6,529,484** | **$ 275,000** |

## 2010 COMMUNITY BUDGET MEETING SUMMARY

This document provides a summary of the Community Budget Meetings jointly coordinated and hosted by the City Council, the City Manager and Mayor's Office. Between March and April community budget information meetings were held in each Council district to provide residents with an opportunity to learn about the budget and how general fund dollars are spent, as well as encourage community conversations around the City Manager's Proposed Budget for 2010-11. Eleven meetings were held and 1,075 people attended to speak directly to and share their thoughts with their Councilmember and city officials.

Plans to make specific budget cuts to balance the 2010-11 budget were presented during the meetings. After each presentation, participants were asked to provide feedback about their opinions of the proposed cuts in response to specific questions. The data used to create the graphs below come from a self-selected sample of engaged residents who were motivated enough to attend the community budget meetings *and* to complete a comment card. Although this is not a statistically valid sample, it is possible to use this data for discussions about what the public generally feels should be the priorities of the City of San José.

The first question posed was, "What is your most significant concern about how the proposals will affect you and your family?" The responses were aggregated into the following categories:

- Public Safety Services (includes concerns about police, fire, and public safety in general)
- Library Services (includes concerns about cuts to library hours, days and services)
- Neighborhood Services (includes concerns about cuts to community centers, youth and elderly services, and parks and recreation)
- Quality of Life (includes general concerns over quality of life issues such as affordability and beautification) and
- Other (a general catch-all for those responses that did not fit into the other four categories)

As the figure below shows, nearly 60% of all respondents to this question were concerned with cuts in neighborhood services. Some comments expressed by participants are provided below.

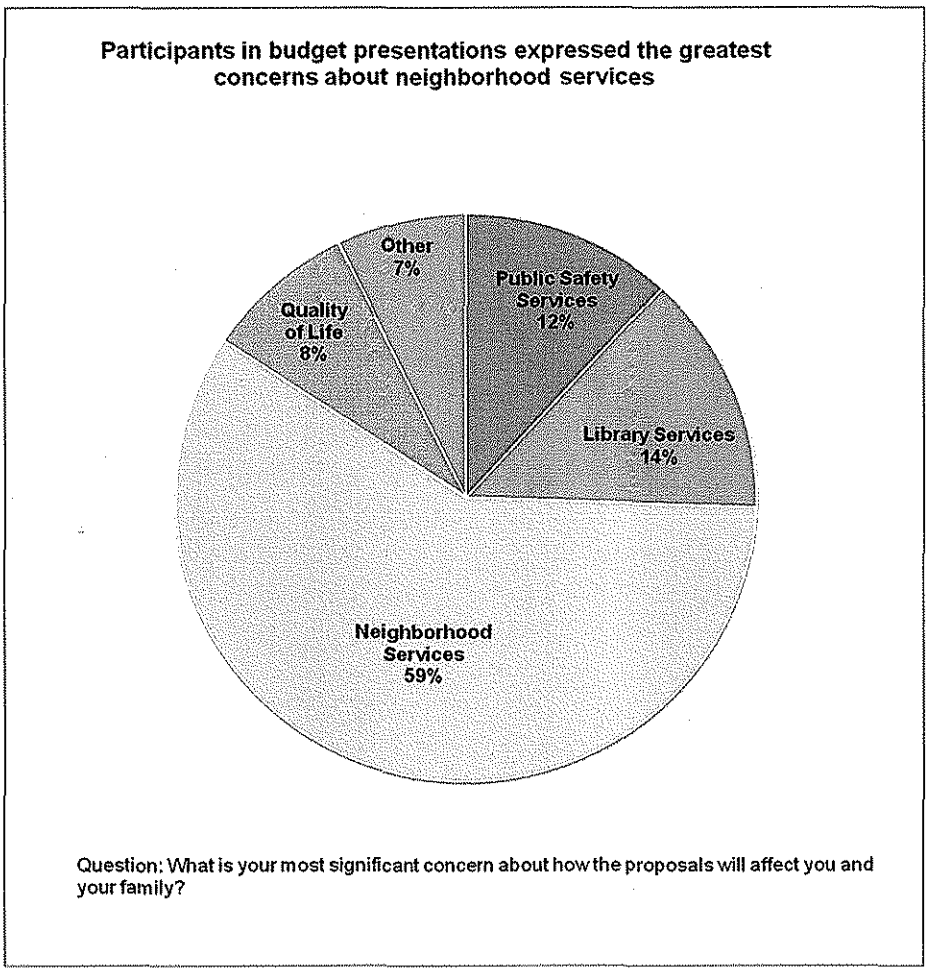
- "The closings of community centers and libraries will be devastating."

- "Please don't take services away from the people who need them most e.g., elderly, mentally and physically handicapped, unemployed, low-income, etc. This includes the library which provides so many services for this population."

- "We all want to be in our community centers. Please don't close it. Where else are we going to be?"

- "An ounce of prevention is said to be worth a pound of cure. Price is only an issue in the absence of value. With that said we need more prevention, not more security for our city. We must start at the root of the problem, not after the bad apple has appeared. Keeping our community and its leaders is essential! This is very valuable."

- "Please increase opportunities for the public to volunteer to run recreational activities at community centers."




The second question posed to the participants was, "From your perspective, how important is it for City Council to achieve the reduction in salary/benefit costs? To raise new revenue in the future?" Of the 209 participants responding to this question, 55% (115 individuals) specifically mentioned that it was important for Council to achieve reductions in salaries and benefits. In addition, 38% (79 individuals) commented about the importance of raising new revenue in the future.

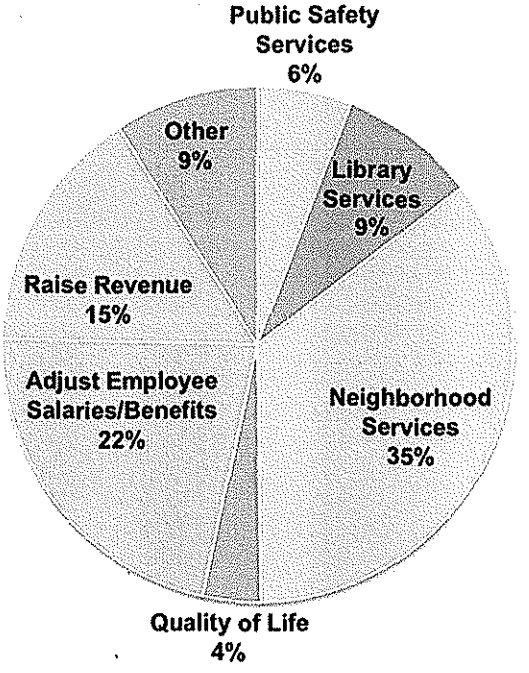
The third question posed to the participants was, "Based on everything you heard tonight, what is most important for City leaders to keep in mind as they plan the 2010-11 Budget?" The responses were coded as follows:

- Public Safety Services (includes concerns about police, fire, and public safety in general)
- Library Services (includes concerns about cuts to library hours, days and services)
- Neighborhood Services (includes concerns about cuts to community centers, youth and elderly services, and parks and recreation)
- Quality of Life (includes general concerns over quality of life issues such as affordability and beautification)
- Adjust Employee Salaries/Benefits (includes concerns over the structure of union contracts, benefits packages, and management salaries);
- Raise Revenue (includes comments and ideas about either cutting specific items or enhancing revenues) and
- Other (a general catch-all for those responses that did not fit into the other categories).

More than one-third (35%) of respondents suggested that city leaders maintain funding for neighborhood services, while another 22% suggested leaders adjust employee salaries and benefits to reduce spending. A sample of some the comments are included below:

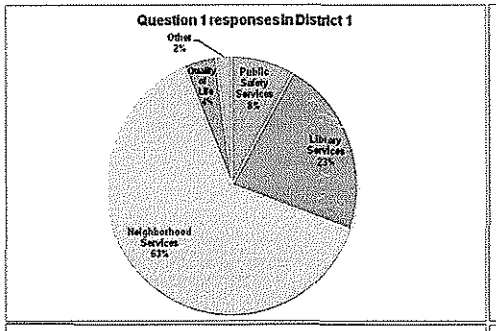
- "Community based services directly impact our neighborhoods."
- "The gap between revenues and salary/benefit costs will only grow if the City Council does not address the cost of salary/benefits now."
- "Have the fortitude to make tough and maybe unpopular decisions. Don't push the problem to future years."
- "Adopting an ordinance controlling medical cannibis co-ops will bring $2,047,333 per year. ($960,000 from special operating fee per Council Member Oliverios's proposal plus $24,000 in business license fees plus $1,061,333 from 3% tax on sales from 32 co-ops currently open). This new revenue solves the branch library hour reduction + crime prevention unit reduction (for example)."
- "This city is a great city because of the services that the city provides to its residents. Don't cut services that invigorate the communities."
- "We have all made some budget cuts. The most important is to see it is fair for all!"
- "Why would anyone want to move/live/stay here if there are no services? Surely, we as taxpayers must also do our share – raise taxes to get over this 2010-11 hump."

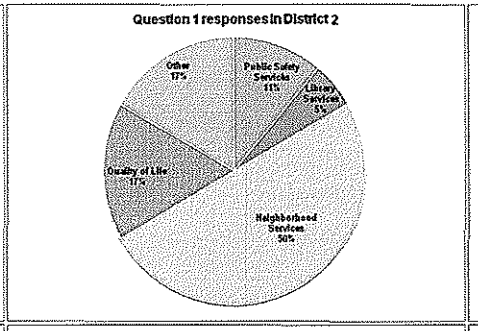
**Participants in budget presentations want City leaders to maintain funding for neighborhood services as they plan the 2010-11 budget**

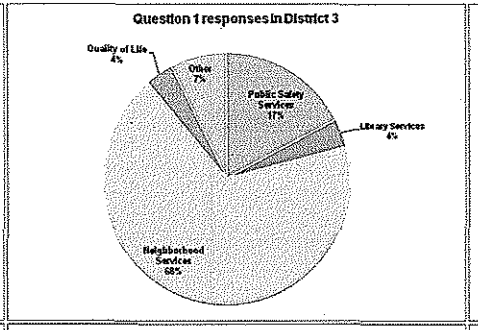


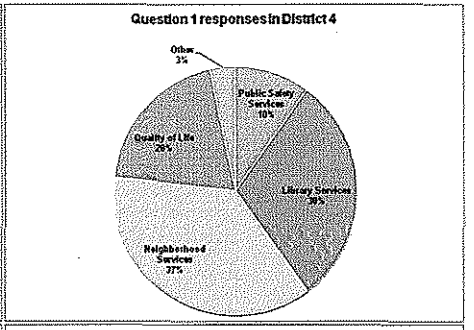

Question: Based on everything you heard tonight, what is most important for City leaders to keep in mind as they plan the 2010-11 Budget?

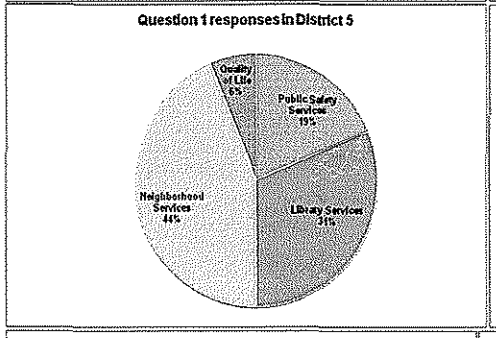
## District Responses to Question 1: What is your most significant concern about how the proposals will affect you and your family?

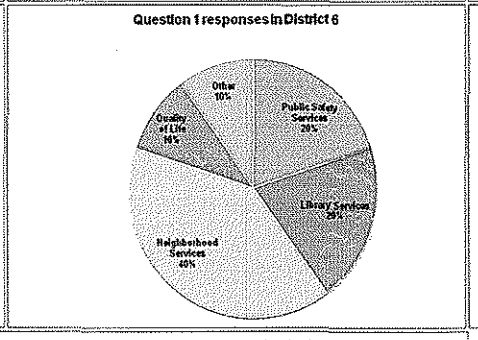


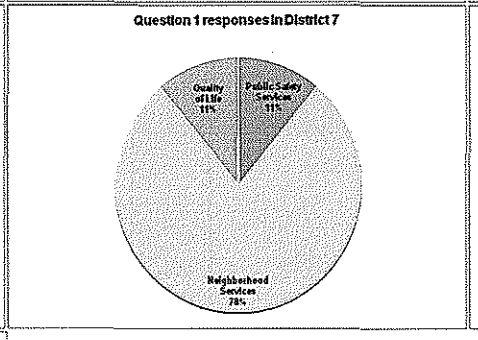



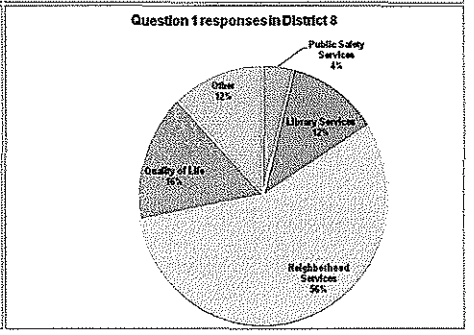



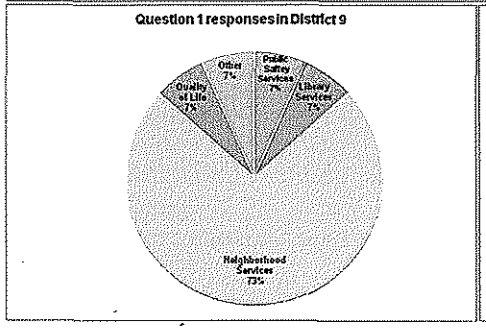



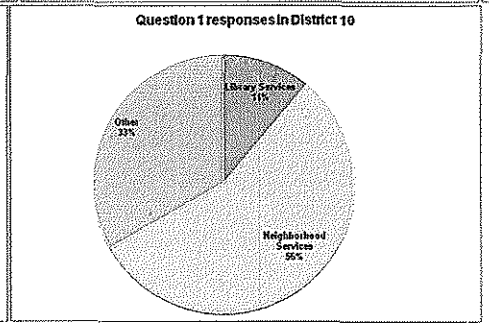



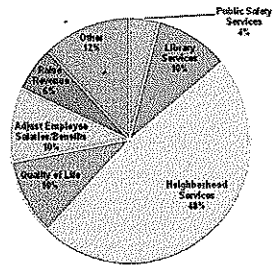



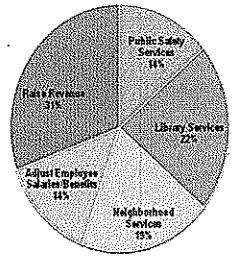



## District Responses to Question 3: Based on everything you heard tonight, what is most important for City leaders to keep in mind as they plan the 2010-11 Budget?

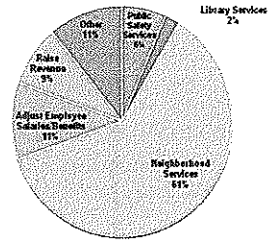
Question 3 responses in District 1



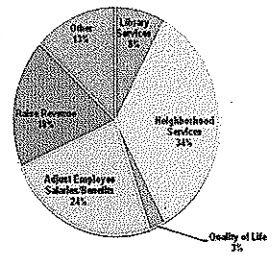

Question 3 responses in District 2



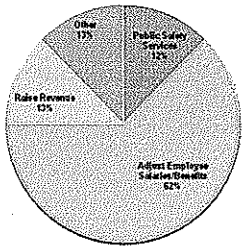

Question 3 responses in District 3



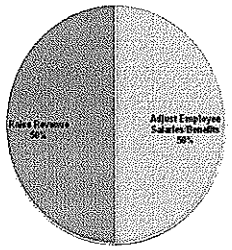

Question 3 responses in District 4



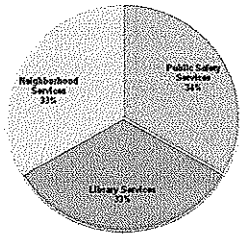

Question 3 responses in District 5



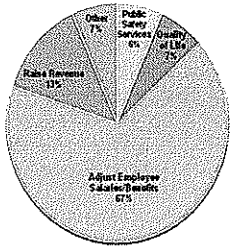

Question 3 responses in District 6



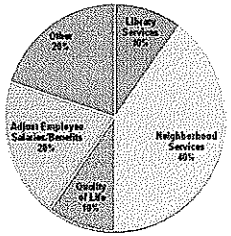

Question 3 responses in District 7

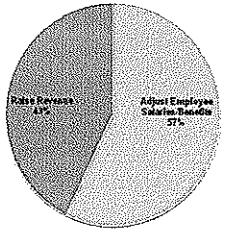



Question 3 responses in District 8




Question 3 responses in District 9




Question 3 responses in District 10