

# 2008-2009 Proposed Budget BUDGET IN BRIEF

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

## **Proposed Financial Plan**

The 2008-2009 Proposed Operating and Capital Budgets for the City of San José total \$2.7 billion and represent the City Manager's proposed financial plan for the upcoming year. The Mayor and City Council, who are responsible for adopting the City's final budget, will be holding a series of City Council Budget Study Sessions during May to thoroughly analyze the many proposals set forth in this budget. In addition, two public hearings along with community meetings in each Council District will be held to solicit input from the community. In June, the Mayor and City Council will adopt the final budget, incorporating any changes resulting from that review.

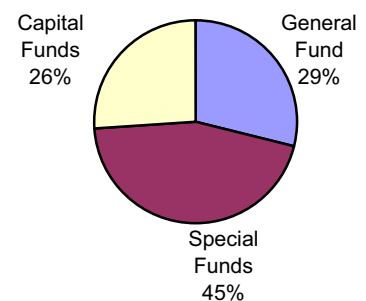
The City of San José continues to face significant and enduring fiscal challenges. For the seventh consecutive year, the Proposed Budget closes a General Fund shortfall as the growth in revenues has not kept pace with the growth in expenditures. The 2008-2009 Proposed Budget addresses a General Fund gap of \$29.6 million. To address this shortfall, a combination of service reductions, funding shifts, use of reserves, and fee increases is proposed. There is also a modest level of additions to address some of our critical service and infrastructure needs as well as key initiatives. This budget attempts to align limited resources to meet the needs of the community, with a continued focus on City Council and community priorities, delivering essential services, basic infrastructure needs, economic development, and maintaining the City's strong commitment to neighborhoods.

## **Community-Based Budgeting Process**

Community involvement through the *Budget Prioritization Survey* and a *Neighborhood Budget Priority Session* helped in the initial development and subsequent reaffirmation of the following three-year City priorities:

- Regain our status as the Safest Big City in America
- Eliminate the structural deficit
- Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure
- Increase economic vitality
- Provide full funding for parks, pools, community centers and libraries, including maintenance, operation and development

## **2008-2009 Proposed Budget**



**General Fund:** used for regular operating expenditures, such as public safety, parks, and libraries.

**Special Purpose Funds:** used for operations that receive direct funding, which can only be used for a specific purpose, such as the Airport.

**Capital Funds:** used for infrastructure improvements, including transportation, public safety, airport, parks, and library projects.

## **Budget Hearings**

The City Council will hold 8 budget study sessions in May and two public hearings. The public hearings are scheduled for 7:00 p.m. on May 13<sup>th</sup> and June 16<sup>th</sup>. The schedule for the study sessions and public hearings is posted on the web at [www.sanjoseca.gov](http://www.sanjoseca.gov). The study sessions and public hearings will be held in the City Hall Council Chambers, 200 East Santa Clara Street, San José and are televised on cable channel 26. Live and archived broadcasts of these sessions are also accessible on the City's website. The final budget will be adopted on June 24<sup>th</sup>.

# Balancing the Budget

The General Fund is used to provide many of the basic services provided by the City, including police, fire, libraries, parks, and traffic maintenance.

<b>2008-2009 GENERAL FUND BALANCING PLAN</b>		
<b>(\$ in 000s)</b>		
	<b>2008-2009</b>	<b>Ongoing</b>
General Fund Shortfall	(\$ 23,360)	(\$ 23,360)
Development Fee Program Shortfall	(6,277)	(6,277)
<b>Total General Fund Shortfall</b>	<b>(\$ 29,637)</b>	<b>(\$ 29,637)</b>
<b>Source of Funds:</b>		
Use of 2008-2009 Future Deficit Reserve	\$ 7,271	\$ 0
Use of Earmarked Reserves	10,482	1,112
Development-Related Reserves/Fee Revenue	5,273	4,517
Transfers from Other Funds	3,041	1,970
Miscellaneous Revenue Adjustments	5,280	10,040
<b>Total Change to Source of Funds</b>	<b>\$ 31,347</b>	<b>\$ 17,639</b>
<b>Use of Funds:</b>		
Staffing & Non-Personal/Equipment Reductions	(\$ 15,267)	(\$ 15,993)
Funding Shifts and Use of Reserves	(6,339)	(4,895)
Technology & Infrastructure Maintenance	6,705	1,088
Neighborhood Services	6,355	5,253
Public Safety and Economic Development	3,710	2,686
Miscellaneous Additions	6,546	2,588
<b>Total Change to Use of Funds</b>	<b>\$ 1,710</b>	<b>(\$ 9,273)</b>
<b>Total Change in the General Fund</b>	<b>\$ 29,637</b>	<b>\$ 26,912</b>
<b>Remaining Shortfall</b>	<b>0</b>	<b>(\$ 2,725)</b>

## **How was the General Fund Budget Deficit Calculated?**

Each year, a Five-Year General Fund Forecast is prepared that compares the estimated revenues and expenditures over the next five years to determine if there is a projected surplus or deficit.

The expenditure figures, which reflect the cost of existing programs, are updated to reflect estimated salary and benefit costs and any changes in contractual obligations. In addition, expenditures to which the City is considered to be committed by prior City Council action are included, such as costs related to operating new facilities.

In 2008-2009, the expenditures are projected to exceed the revenues by \$29.6 million. In the February 2008 Forecast, budget deficits were also projected in four of the five years.

The Proposed Budget closes 91% of the \$29.6 million gap on an ongoing basis. This is an important step in closing the City's larger General Fund structural deficit. In addressing the fiscal health of the City, a broader definition of structural deficit has been developed that incorporates the following: \$75 million shortfall over four years contained in the Five-Year Forecast; \$40.2 million for unmet/deferred maintenance; and \$21.6 million for the unfunded cost for General Fund retirement benefits. The City's goal is to address this \$137 million deficit over the next three years.

## **BUDGET ACTIONS TO ADDRESS THE CITY COUNCIL'S THREE-YEAR GOALS**

### **Regain Our Status as the Safest Big City in America**

Add 15 new sworn Police personnel; protect all core patrol and emergency response functions; Police Substation and new fire facilities under construction

### **Eliminate the Structural Budget Deficit**

Add \$1.9 million to begin addressing liability for post-employment benefits; \$350,000 for service delivery optimization; add a Business Tax Administration Fee and a Business Field Enforcement Pilot Program

### **Increase Economic Vitality**

Add staff for San José industrial development, retail strategy, and Downtown coordination; add Green Vision resources (\$7.6 million—all funds); Business Owner Space.com network partners support

### **Reduce Deferred Maintenance/Infrastructure Backlog and Develop a Strategy to Improve the Infrastructure**

Add \$5 million in one-time funding for deferred infrastructure maintenance; add \$312,000 for new transportation assets; pavement maintenance funding from the State of California (Prop 1B and 42)

### **Provide Full Funding for Parks, Pools, Community Centers and Libraries**

Add \$1.8 million for new park and community facilities; add \$861,000 for three new branch libraries; add ongoing funding for Northside Community Center; continue library and community center staffing and operations during peak usage demand

# Budget Facts

## 2008-2009 Proposed Budget

### GENERAL FUND

Police	\$ 277,946,060
Fire	157,682,716
City-wide Expenses	79,940,139
Parks, Recreation & Neighborhood Services	58,973,629
Planning, Building & Code Enforcement	36,086,509
Transportation	33,044,600
Libraries	29,061,613
General Services	24,926,510
City Management (Manager and City Council)	20,354,505
Finance and Human Resources	19,735,939
Information Technology	16,435,526
City Attorney	13,190,438
Public Works	9,860,408
Transfers to Other Funds	32,787,459
Capital Improvements	2,990,000
Other	13,759,949
Reserves	87,030,440
<b>Total General Fund</b>	<b>\$ 913,806,440</b>

### ENTERPRISE/SPECIAL PURPOSE FUNDS

Airport	\$ 521,963,263
Waste Water Treatment Plant & Sanitary Sewer	237,574,965
Housing	288,162,704
Waste Mgmt (Garbage Collection/Recycling)	128,583,708
Municipal Water	30,200,734
Storm Sewer Operations	27,433,280
Convention and Cultural Facilities	26,654,989
Anti-Tobacco Settlement (Healthy Neighborhoods)	19,004,446
Community Development Block Grant	18,304,994
Parking	17,737,199
Workforce Investment Act	12,589,836
Other	293,683,725
<b>Total Special Purpose Funds</b>	<b>\$ 1,621,893,843</b>

### CAPITAL IMPROVEMENT FUNDS

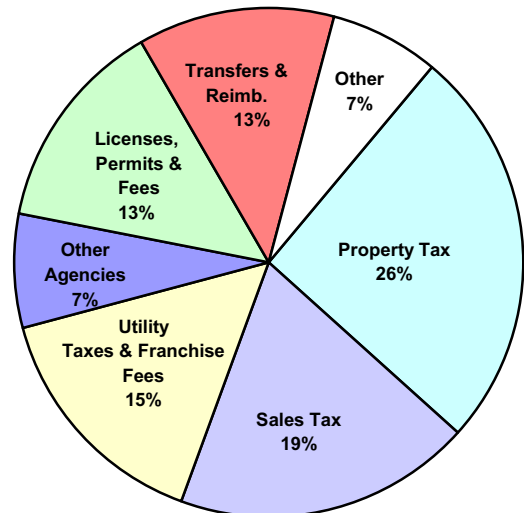
Airport	\$ 221,224,745
Parks and Community Facilities	165,387,728
Water Pollution Control	93,513,920
Traffic	54,633,144
Sanitary Sewers	52,109,836
Library	51,058,488
Public Safety	42,470,442
Water Utility System	9,428,526
Other	40,833,118
<b>Total Capital Funds</b>	<b>\$ 730,659,947</b>

**TOTAL ALL FUNDS \$ 3,266,360,230**

*Less Transfers, Loans & Contributions (580,865,207)*

**NET CITY USE OF FUNDS \$ 2,685,495,023**

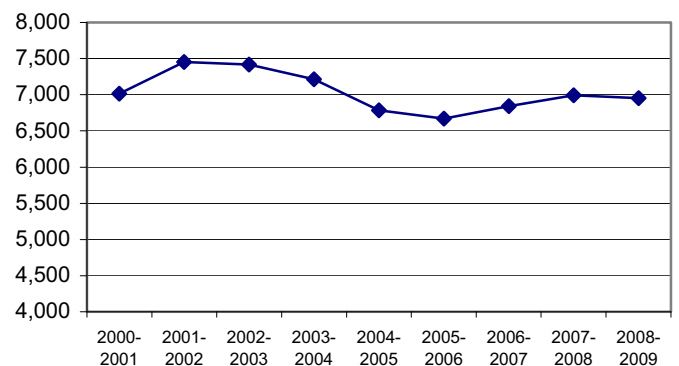
## 2008-2009 Major Sources of General Fund Revenues\*



\* Excludes Fund Balance

## Total City Positions

### Position History



In the 2008-2009 Proposed Budget, a net reduction of 39 positions from the 2007-2008 Adopted Budget level is recommended. This includes the addition of 125 positions spread throughout the organization, offset by reductions of 164 positions necessary to bring the budget into balance. The 2008-2009 staffing level of 6,953 would still only be roughly equivalent to 2000-2001 levels. Personnel in the Police and Fire Departments account for almost 40% of the positions in 2008-2009.

# Service Delivery Highlights

The City of San José organizes its operations into six City Service Areas (CSAs). Following is a brief description of the expected service delivery in 2008-2009 and the impacts of the proposed budget actions.

## Key Public Safety Services

Crime Prevention  
Emergency Medical Services  
Emergency Preparedness  
Fire Prevention  
Fire Suppression  
Police Investigations  
Police Patrol  
Public Education



## Public Safety

### Expected Service Delivery

- ❑ Provide essential emergency services (patrol, fire suppression, and emergency medical services) in a timely and effective manner.
- ❑ Implement regional terrorism response planning and San José Prepared!
- ❑ Effectively investigate crimes and prosecute suspects.

### Impacts of Budget Actions

- ❑ Add 15 new police officers to address identified service needs including beat patrol, traffic calming, property crimes, and community policing.
- ❑ Eliminate Hose Wagon 6 (Willow Glen) and 3 Fire Engineers upon attrition due to low service need; eliminate 2 relief Fire Captain positions to align with minimum staffing needs; reduce discretionary Fire overtime.
- ❑ Reduce Crossing Guard Services by eliminating vacant positions in 2008-2009 at unstaffed intersections, and positions at middle school intersections in 2009-2010 to provide time to explore alternative service delivery models, funding, and/or transitioning services with the Schools/City Collaborative.
- ❑ Restore a Fire Equipment Technician; extend temporary analytical staff to implement Fire's Records Management System, conduct preliminary revenue analysis, and address non-development fee program record keeping issues.
- ❑ Eliminate 5 vacant Police administrative and records positions and 2 Fire administrative management and support staff positions.
- ❑ Eliminate the Challenges and Choices Program (4 positions) in January 2009 to allow time to explore in-classroom service consolidation.

## Key Community & Economic Development Services

Building Permits  
Development Services  
Economic Development  
Housing Services  
Land Use and Planning  
Local & Small Business  
Technical Services  
Public Art  
Workforce Investment



## Community & Economic Development

### Expected Service Delivery

- ❑ Aggressively implement the City's Economic Development Strategy.
- ❑ Expand market-rate and affordable housing opportunities.
- ❑ Provide quality and small business support and workforce development services in partnership with work2future.
- ❑ Provide excellent customer service in the development review process.
- ❑ Advance Green Vision goals of catalyzing clean technology innovation and creating green collar jobs.

### Impacts of Budget Actions

- ❑ Add resources to implement the retail strategy, to support industrial development, and to coordinate downtown issues.
- ❑ Add non-profit oversight staffing to manage the City's non-profit projects.
- ❑ Increase development fees by an average of 4% to 10% to recover costs and add staff in the Planning and Fire fee programs to improve services.
- ❑ Enhance efforts to eliminate homelessness and provide emergency services following fires or natural disasters.
- ❑ Add resources for the small business network BusinessOwnerSpace.com.

# Service Delivery Highlights

## Neighborhood Services

### Expected Service Delivery

- ❑ New facilities scheduled to open include the Joyce Ellington, Pearl Avenue, and Willow Glen libraries and the Mayfair and Roosevelt community centers.
- ❑ Continue to provide homework support, sports activities and other enrichment to youth as well as maintain library hours Monday through Saturday.
- ❑ Maintain conflict resolution and intervention at schools.
- ❑ Continue to provide blight abatement and other code enforcement services.
- ❑ Continue towards the goal of providing 4,000 Smart Start San José childcare spaces by 2010.
- ❑ Continue operation of the City's Animal Care Facility.

### Impacts of Budget Actions

- ❑ Add 37.6 positions to support new or renovated parks and recreation facilities and libraries.
- ❑ Eliminate Sunday hours at seven branch libraries (Dr. Martin Luther King Jr. Main Library to maintain current hours).
- ❑ Eliminate the Summer Work Experience Program in summer 2009.
- ❑ Add \$1 million for the Bringing Everyone's Strength Together (BEST) Program.
- ❑ Increase Solid Waste fees by 12.6% and Multiple Housing fees by 2% to maintain cost recovery.
- ❑ Eliminate City funding in 2009-2010 for approximately 72 drop-in homework centers (Level 1) that receive dual City and state funding.
- ❑ Eliminate vacant positions in Parks, Recreation and Neighborhood Services (8), Library (1), and the Code Enforcement Program (1).

## Environmental & Utility Services

### Expected Service Delivery

- ❑ Continue to implement the solid waste diversion program and recycled water expansion as well as develop and implement energy efficiency and green building programs to meet Green Vision goals.
- ❑ Replace and rehabilitate the City's aging infrastructure.
- ❑ Continue to meet storm water permit requirements.

### Impacts of Budget Actions

- ❑ Add 10 positions at the Water Pollution Control Plant for capital project support, Plant training and safety, Fat, Oil and Grease Program expansion support, and the Plant pretreatment program.
- ❑ Implement rate increases of 30% for the Storm Sewer, 15% for Sewer Service and Use Charge, 4.5% for Single Family Dwellings Recycle Plus! garbage, 8% for Multi-Family Dwelling Recycle Plus! garbage, and 8.8% for the Municipal Water System in order to maintain a reliable utility infrastructure.
- ❑ Add 4 positions to support the Construction and Demolition Recycling and "Zero Waste" Organic Materials Recovery Programs.
- ❑ Increase Multi-Family Dwelling waste diversion from 35% to 70% through a change in the sorting of refuse from these homes.

### Key Neighborhood Services

Adult & Youth Sports  
After School Programs  
Animal Care Services  
Anti-Graffiti and Anti-Litter  
At-Risk Youth Services  
Code Enforcement  
Community Centers  
Libraries  
Park Facilities  
Senior Services



### Key Environmental & Utility Services

Energy Conservation Efforts  
Garbage Collection & Recycling  
"Green" Building Program  
Municipal Water System  
Neighborhood Cleanups  
Sanitary Sewer Maintenance  
Storm Sewer Maintenance  
Water Pollution Control Plant  
Water Recycling



# Service Delivery Highlights

## Key Transportation & Aviation Services

Airport Operations  
Landscape & Tree Maintenance  
Parking Services  
Street Pavement Maintenance  
Traffic Capital Improvements  
Traffic Maintenance  
Traffic Safety Education  
Transportation Planning and Project Delivery



## Key Strategic Support Services

Facility Maintenance  
Financial Management  
Fleet Maintenance  
Human Resources  
Information Technology  
Public Works Services  
Retirement Services



## Transportation & Aviation Services

### Expected Service Delivery

- ❑ Finalize construction of the North Concourse (fall 2008 est. completion) and the development of the Terminal Area Improvement Program at the Airport.
- ❑ Provide enhanced safety and security at the Airport.
- ❑ Provide timely infrastructure repairs to ensure basic community safety (potholes and larger pavement failures, signals, signs, markings, etc.).
- ❑ Leverage State and federal funding for regional transportation projects.
- ❑ Perform street sealing preventative maintenance and resurfacing.

### Impacts of Budget Actions

- ❑ Add funding to support the Airport's Shared Use System, which assists the Airport in managing and allocating airline gates, holdrooms, and counters.
- ❑ Add 3 Parking and Traffic Control Officers to improve pedestrian safety at Terminal C; add 2 positions for OSHA compliance training at the Airport.
- ❑ Support Green Vision initiatives such as smart streetlights, planting street trees, Airport recycling, and sustainable methods for providing services.
- ❑ Shift responsibility for all street tree maintenance and emergency services to property owners, except in cases where there is an economic hardship.
- ❑ Eliminate 7 positions and reduce street landscape maintenance by one-third, including median island, frontage, and roadway landscapes.
- ❑ Add 2 Parking and Traffic Control Officers to expand the School Area Safety and Parking Compliance Program to improve safety around schools.

## Strategic Support

### Expected Service Delivery

- ❑ Oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customer and City staff needs.
- ❑ Maintain City facilities, equipment, and vehicles.
- ❑ Attract and retain qualified employees.
- ❑ Ensure that the City's finance and technology resources are protected and available to address short and long-term needs of the community.

### Impacts of Budget Actions

- ❑ Add \$5 million to address the significant backlog of deferred infrastructure needs and \$1 million for City Council-initiated neighborhood investments.
- ❑ Add 2 positions to establish an Employee Wellness Program and 1 position to develop a succession planning strategy at the Water Pollution Control Plant.
- ❑ Add 2 positions to establish a Business Field Enforcement pilot program.
- ❑ Establish a Business Tax Administration Fee of \$22 annually.
- ❑ Consolidate vehicle maintenance and operations at the Central Service Yard.
- ❑ Add a city-wide Geographic Information System (GIS) Manager.
- ❑ Add \$1.9 million to address a portion of the unfunded liability for post-employment health benefits and add \$150,000 for retiree health care studies.
- ❑ Add \$350,000 for optimization and service delivery model reviews.

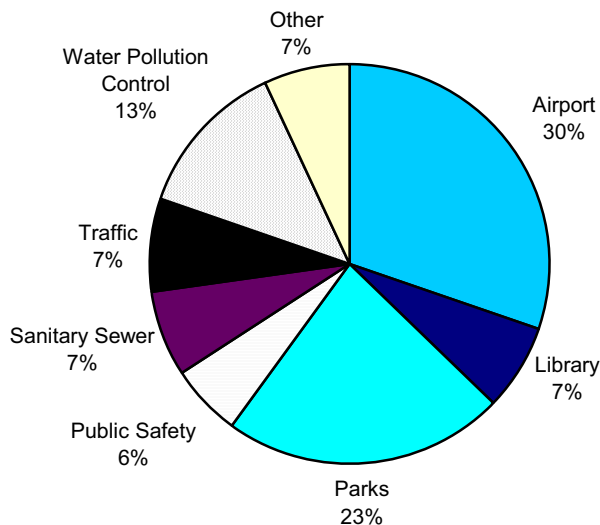
# Investing in the City's Infrastructure

The capital investments proposed over the next five years are substantial, with a 2008-2009 Proposed Capital Budget of \$730.7 million and a 2009-2013 Proposed Capital Improvement Program (CIP) of \$1.9 billion.

The City is now in the second half of the *Decade of Investment* that is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million for these purposes. The expansion of the Airport will deliver a facility that meets the needs of both customers and the airlines in a cost effective manner. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and the capacity to address future growth.

With the number of new facilities coming online in the 2009-2013 CIP, General Fund operating costs will total \$6.0 million in 2009-2010 and climb to \$11.3 million by 2012-2013. In addition, the backlog of unmet infrastructure needs and deferred maintenance continues to be a major challenge as strategies are developed to eliminate the General Fund structural deficit.

## 2008-2009 Proposed Capital Budget



## Major Projects to be Completed over the Next Five Years

### 2008-2009 Projects

Airport North Concourse Building  
 Airport People Mover Conceptual Design  
 Alum Rock Sanitary Sewer Rehab  
 Julian-Sunol Supplement Sewer Rehab  
 Willow Glen Branch Library  
 Mayfair Community Center  
 Roosevelt Community Center  
 Santa Teresa Branch Library

### 2009-2010 Projects

Bascom Community Center / Library  
 East SJ Carnegie Branch Library  
 Edenvale Sanitary Supplement, Ph. V  
 Educational Park Branch Library  
 Fire Station 2 Rebuild  
 Fire Station 19 Relocation (Piedmont)  
 Fire Station 36 (Silver Creek/Yerba Buena)  
 Happy Hollow Park and Zoo Renovations  
 Naglee Avenue Sewer Replacement  
 North First Street Water Main Replacement  
 Seven Trees Community Center/Library  
 SJSU to Japantown Pedestrian Corridor  
 South San José Police Substation  
 University Avenue Sewer Replacement

### 2010-2011 Projects

Airport Consolidated Rental Car Facility  
 Almaden Road Sewer Rehabilitation  
 Blossom Hill Road Sanitary Supplement  
 Calabazas Branch Library  
 Driver Safety Training Center  
 Jackson Street: Light Rail Station to Japantown Pedestrian Corridor  
 Water Pollution Control Plant Master Plan

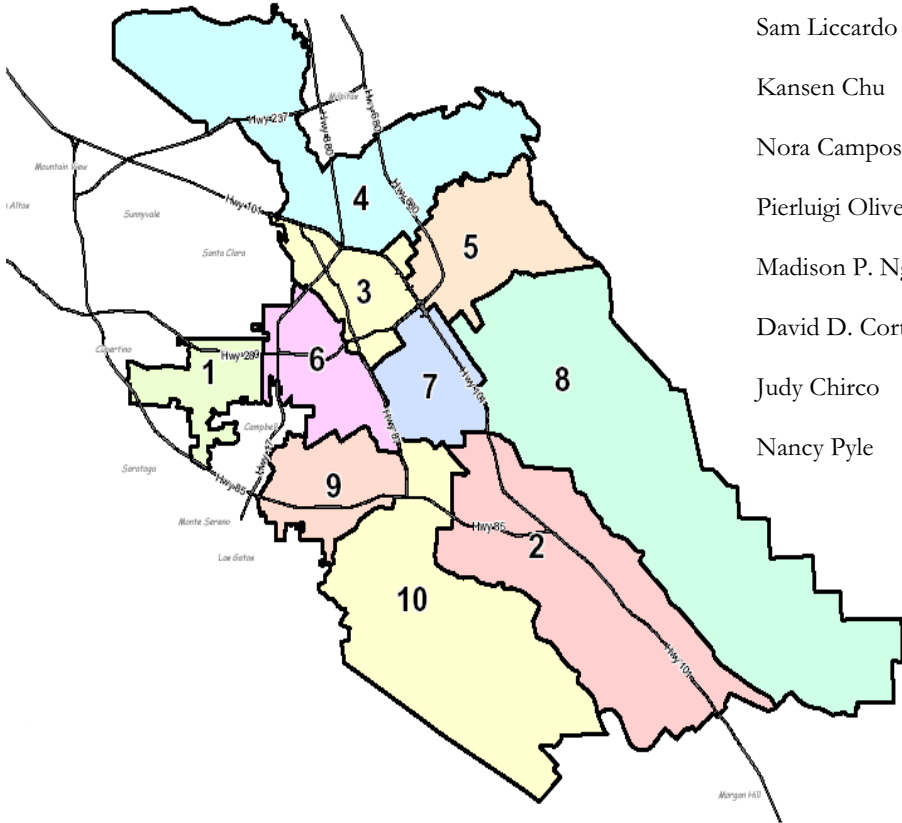
### 2011-2012 Projects

Airport Belly-Freight Facility  
 Albany-Kiely Storm Improvements Ph. V  
 Coleman Road Sewer Improvements  
 Cropley Avenue Sewer Improvements  
 Fire Station 21 Relocation (White Rd.)  
 Fire Station 37 (Willow Glen)  
 Morrill Ave./Sierra Rd. Sewer Impvmts.  
 Southeast Branch Library

### 2012-2013 Projects

Airport Taxiway W, Phase I/II  
 Capitol Avenue Sewer Improvements  
 Foxworthy Avenue Sewer Improvements  
 Jacob Avenue Sewer Improvements  
 Parkmoor-Meridian Sewer Rehabilitation

# Roster of Elected Officials



CITY COUNCIL	DISTRICT	TELEPHONE/ E-MAIL
Chuck Reed	Mayor	535-4800 <a href="mailto:mayoremail@sanjoseca.gov">mayoremail@sanjoseca.gov</a>
Pete Constant	1	535-4901 <a href="mailto:District1@sanjoseca.gov">District1@sanjoseca.gov</a>
Forrest Williams	2	535-4902 <a href="mailto:forrest.williams@sanjoseca.gov">forrest.williams@sanjoseca.gov</a>
Sam Liccardo	3	535-4903 <a href="mailto:District3@sanjoseca.gov">District3@sanjoseca.gov</a>
Kansen Chu	4	535-4904 <a href="mailto:District4@sanjoseca.gov">District4@sanjoseca.gov</a>
Nora Campos	5	535-4905 <a href="mailto:District5@sanjoseca.gov">District5@sanjoseca.gov</a>
Pierluigi Oliverio	6	535-4906 <a href="mailto:District6@sanjoseca.gov">District6@sanjoseca.gov</a>
Madison P. Nguyen	7	535-4907 <a href="mailto:District7@sanjoseca.gov">District7@sanjoseca.gov</a>
David D. Cortese	8	535-4908 <a href="mailto:dave.cortese@sanjoseca.gov">dave.cortese@sanjoseca.gov</a>
Judy Chirco	9	535-4909 <a href="mailto:judy.chirco@sanjoseca.gov">judy.chirco@sanjoseca.gov</a>
Nancy Pyle	10	535-4910 <a href="mailto:District10@sanjoseca.gov">District10@sanjoseca.gov</a>

## Managing Our Finances

Despite the City's economic challenges, the City of San José is recognized for its excellent financial management. San José has maintained its strong AA+ bond rating, the highest of any major California city. The City's annual Operating and Capital Budgets have also received awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers.

The City's excellent credit ratings will save taxpayers money in financing costs for the three general obligation bonds passed for park, library, and public safety improvements.

## Accessing the Budget

On-line versions of the City of San José's 2008-2009 Proposed Operating and Capital budgets are posted on the City's website at [www.sanjoseca.gov](http://www.sanjoseca.gov). These documents are also available at your public library. For more information about the City of San José Budget, please contact the City Manager's Budget Office at (408) 535-8144.

This publication can be made available upon request in alternative formats such as Braille, large print, audio-tape or computer disk. Requests can be made by calling (408) 535-8144 (Voice) or (408) 294-9337 (TTY).