



Memorandum

TO: MAYOR REED

FROM: Councilmember Constant

SUBJECT: BUDGET DOCUMENT

DATE: October 6, 2010

Approved _____ Date _____

RECOMMENDATION

That the following recommendations be enacted:

- Direct the Redevelopment Director and City Manager, in coordination with the City Auditor, to evaluate the potential savings that can be generated by moving the administration, operations, and responsibilities of the city's Housing Department into the Redevelopment Agency.
- Direct the Redevelopment Director and City Manager, in coordination with the City Auditor, to evaluate the potential savings and elimination of duplication of services that can be realized by moving the functions of the city's Economic Development Department into the Redevelopment agency.

BACKGROUND

The consolidation of departments and their associated workloads can generate significant savings by eliminating duplication of services and integration of similar functions, as well as economies of scale that are generated.

The city administration has been performing functions in the Housing and Economic Development Departments that are truly core services of the Redevelopment Agency. The city has been experiencing ongoing overwhelming deficits for nine years and is projecting several more years of deficits. Throughout the last 3 years we, as a City Council, have worked diligently to identify and address the underlying issues that relate to this ongoing structural budget deficit. It has become abundantly clear that the main driving factor driving these deficits is escalating total employee compensation. These skyrocketing costs have been fueled in large part by the city's pension obligations and retiree healthcare prefunding. These factors have been confirmed by the independent reports of the Santa Clara Civil Grand Jury and the City Auditor.

As a direct result, the city's financial burden for employee related overhead is exponentially higher than those of the Redevelopment Agency. Moving these core functions of the Redevelopment Agency's mission to the Redevelopment Agency will result in significantly lower costs related to total employee compensation. This is a clear goal that the council has established.

Anticipated Outcomes

Requested funding changes would affect benefits or services for San José residents, businesses, community groups, etc. in accordance with one of the following goals and objectives relevant to the City's redevelopment efforts:

- Create Jobs and Expand Business
- Strong Neighborhoods Initiative and Affordable Housing