



Memorandum

TO: MAYOR MAHAN

FROM: Councilmember Davis

SUBJECT: BUDGET DOCUMENT

DATE: May 23, 2024

Approved

Date: 5/23/2024

RECOMMENDATION

Modify the City Manager's 2024-2025 Proposed Budget to incorporate the following budget proposal, including any required funding allocation adjustments.

Proposal

Program/Project Title: Enhanced Infrastructure Financing District

Amount of City Funding Required: \$100,000

This change is:

One-time Ongoing

Cost Estimate Number (if applicable): 34

Proposal Description, including the reason for the need and anticipated outcomes (Please describe how the proposal will affect services for San José residents, community groups, businesses, etc.):

The City should develop a policy for establishing one or more Enhanced Infrastructure Financing Districts (EIFDs) across the city, creating positive benefits for local residents while limiting negative fiscal impacts on City resources.

A City EIFD policy could include:

- **Fiscal Analysis:** Demonstrating a positive net impact on the City General Fund.
- **"But for" Analysis:** Evaluating if the City's participation is necessary for projects to proceed.
- **County Contribution Requirement:** Ensuring the County's contribution of property tax to the project is equal to or greater than the City's contribution.
- **City Contribution Limit:** Ensuring the City does not contribute 100% of its share of property tax.

- **Project Importance:** Considering whether a project is of countywide, regional, or statewide importance.
- **Boundary Options:** Exploring various boundary options.
- **Public Financing and Bond Issuance:** Considering public financing and bond issuance, which may require 55% voter approval.
- **Governing Board Establishment:** Setting up a governing board.
- **Implementation Path Analysis:** Analyzing the best path to implementation.

EIFDs present significant potential funding streams for a broad range of infrastructure projects, which the city currently has little funding for, and can be used for the maintenance of infrastructure financed in whole or in part by the district.

Staff estimates a funding need of \$100,000 for consultant services. The consultant would help map a path to implement an EIFD, including the potential for multiple EIFDs within the City, and assist in formulating a policy for proceeding in San José. In addition to performing the above analysis, the consultant would:

- Survey and help the City learn from analogous efforts in other California cities.
- Specify the uses most often and likely to be successfully funded.
- Map out legal and timing requirements.
- Identify best practices for coordinating an EIFD with other jurisdictions.
- Provide other relevant data useful to the City’s efforts to pursue EIFD funding.

Investing \$100,000 in an analysis for establishing one or more EIFDs is a prudent decision given the significant revenue potential and funding flexibility these districts can offer. EIFDs present a unique opportunity to generate substantial funding streams for a wide range of infrastructure projects, which are currently underfunded.

In summary, the \$100,000 investment in EIFD analysis is a strategic move that can unlock significant future revenue, support essential infrastructure projects, and foster sustainable growth. The potential benefits far outweigh the initial cost, making this a sound decision for the City.

Funding Source

Essential Services Reserve:

Other (Please specify program/project/fund):

Department or Organization Contact

Please list the contact information for the individual that certified cost estimates contained within your recommendation:

Name and Title: Nanci Klein, Director

Department or Organization: Office of Economic Development

Phone Number: (408) 535-8184

Email: nanci.klein@sanjoseca.gov