

City of San José

City Council Study Session
2013-2014 Budget Planning

February 11, 2013

2013-2014 Budget Planning Study Session

Agenda:

- 2013-2014 General Fund Budget Planning
- Community Perspective – Phone Survey and Priority Setting Session Results
- City Council Funding Priorities
- Study Session Topics Prioritization
- Priority Policies and Ordinances Update
- Public Comment

2013-2014 General Fund Budget Planning

February 2012 Forecast

2013-2017 General Fund Forecast Incremental General Fund Surplus/(Shortfall)

2013-2014	2014-2015	2015-2016	2016-2017
(\$22.5 M)	(\$1.3 M)	\$19.0 M	\$10.7 M

Does not include:

- Salary increases (with the exception of salary steps for eligible non-management employees and management performance pay)
- Fully funding the annual required contributions for police/fire retiree healthcare
- Fiscal Reform Plan implementation
- Restoring key services to January 1, 2011 levels
- Unmet/deferred infrastructure and maintenance needs
- One-time revenue sources or expenditure needs

2013-2014 General Fund Budget Planning

2013-2014 Forecast: Work-in-Progress

2013-2014 Ongoing Shortfall (Feb. 2012 Forecast)	(\$22.5 M)
2012-2013 Two-Year Budget Strategy (Ongoing)	9.0 M
Revised 2013-2014 Ongoing Shortfall	(\$13.5 M)
<u>Est. Retirement Contribution Chgs from Forecast:</u>	
Retirement – Pension (e.g., valuations, assumptions, SRBR eliminations – Police/Fire pending)	\$3.3 M
Retirement – Other Post Employment Benefits (e.g., valuations, assumptions, low cost plan)	6.8 M
Total Estimated Retirement Contribution Changes	\$10.1 M
Estimated 2013-2014 Ongoing General Fund Shortfall with Retirement Contribution Changes	(\$3.4 M)
Continuation of Programs Funded One-Time in 2012-2013	(\$5.2 M)
Revised Estimated 2013-2014 General Fund Shortfall	(\$8.6 M)

2013-2014 General Fund Budget Planning

2013-2014 Forecast: Other Elements

Positive or Negative Forecast Impacts	Positive Forecast Impacts	Negative Forecast Impacts
<p>A) All other costs (e.g., current/future position costs - salary, health, dental, other fringe; utilities; contractual services; vehicle operating & maint.; workers' comp.; sick leave payments)</p> <p>B) Successor Agency to the Redevelopment Agency impact</p> <p>C) Revenue estimates</p>	<p>A) Retirement Reform – additional employee retirement contributions (\$11 - \$12 M) or Opt-In Program (\$ TBD)</p> <p>B) Federated Retirement System OPEB – full funding phase-in extension (\$3.8 M)</p>	<p>A) Retirement Reform – any potential legal challenges to SRBR elimination (\$12 M)</p> <p>B) Any potential arbitration awards for sworn Police and Fire (e.g., 10% compensation increase = \$36 M)</p>

2013-2014 General Fund Budget Planning

Potential One-Time Funding Sources

Source of One-Time Funds	(\$ in M)
2013-2014 Future Deficit Reserve	\$22.5
Property Tax Administrative Fee Recalculation (2004-2005 through 2011-2012)	\$6.9
Civic Center Debt Refunding	?
Business Tax Amnesty Program	?
Successor Agency City Legal Obligations Reserve	?
Total Source of One-Time Funds	at least \$29.4

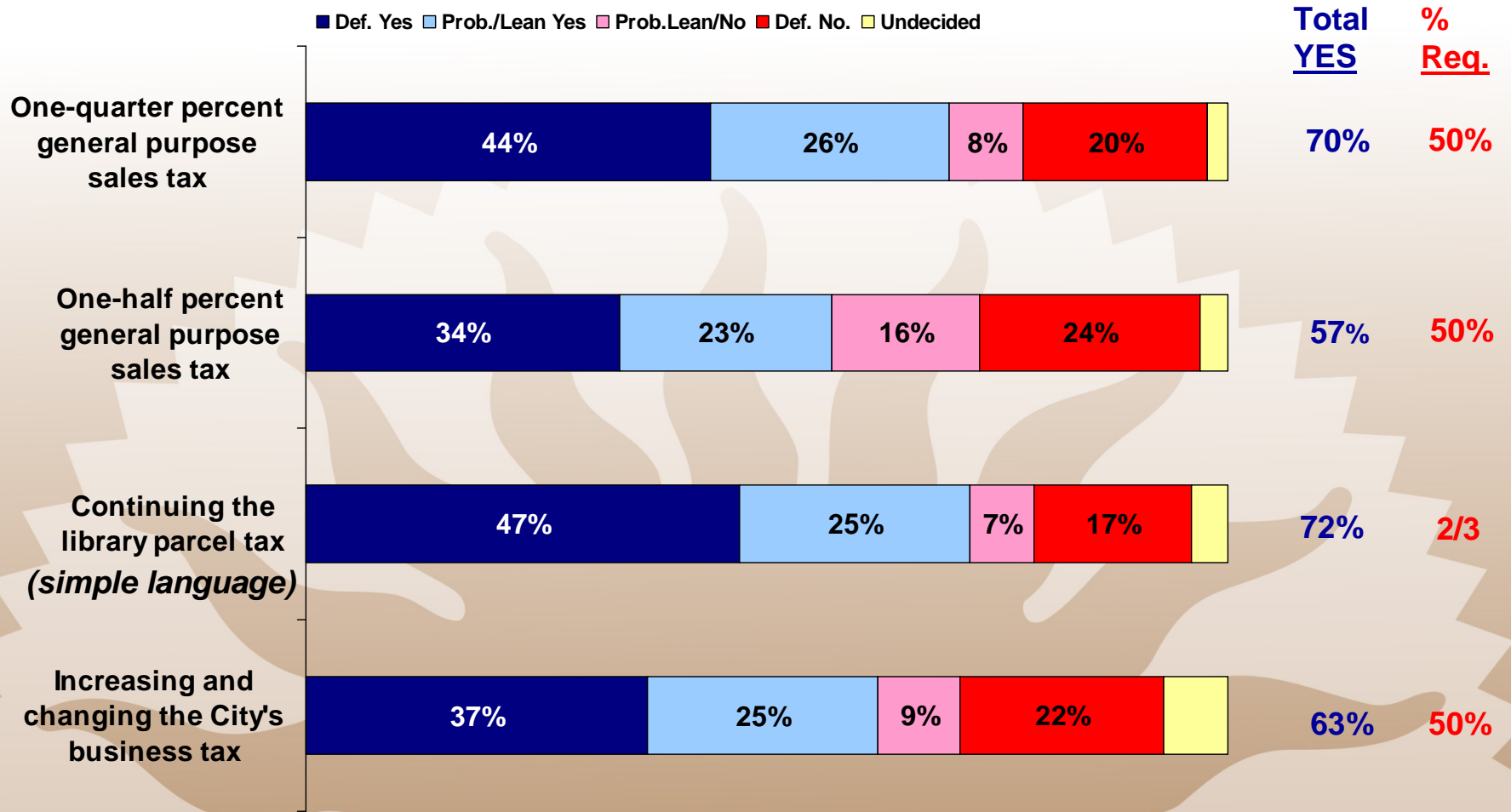
2013-2014 General Fund Budget Planning

Budget Balancing Considerations

- Employer competitiveness
(retain City employees for effective service delivery)
- Open labor contracts with 11 bargaining groups
- Services to expand/add if resources are available or services to eliminate/reduce if there is a budget shortfall
- Reprioritization of services with existing resources
- Use of one-time funding
- Two-year budget strategy to stabilize services/organization

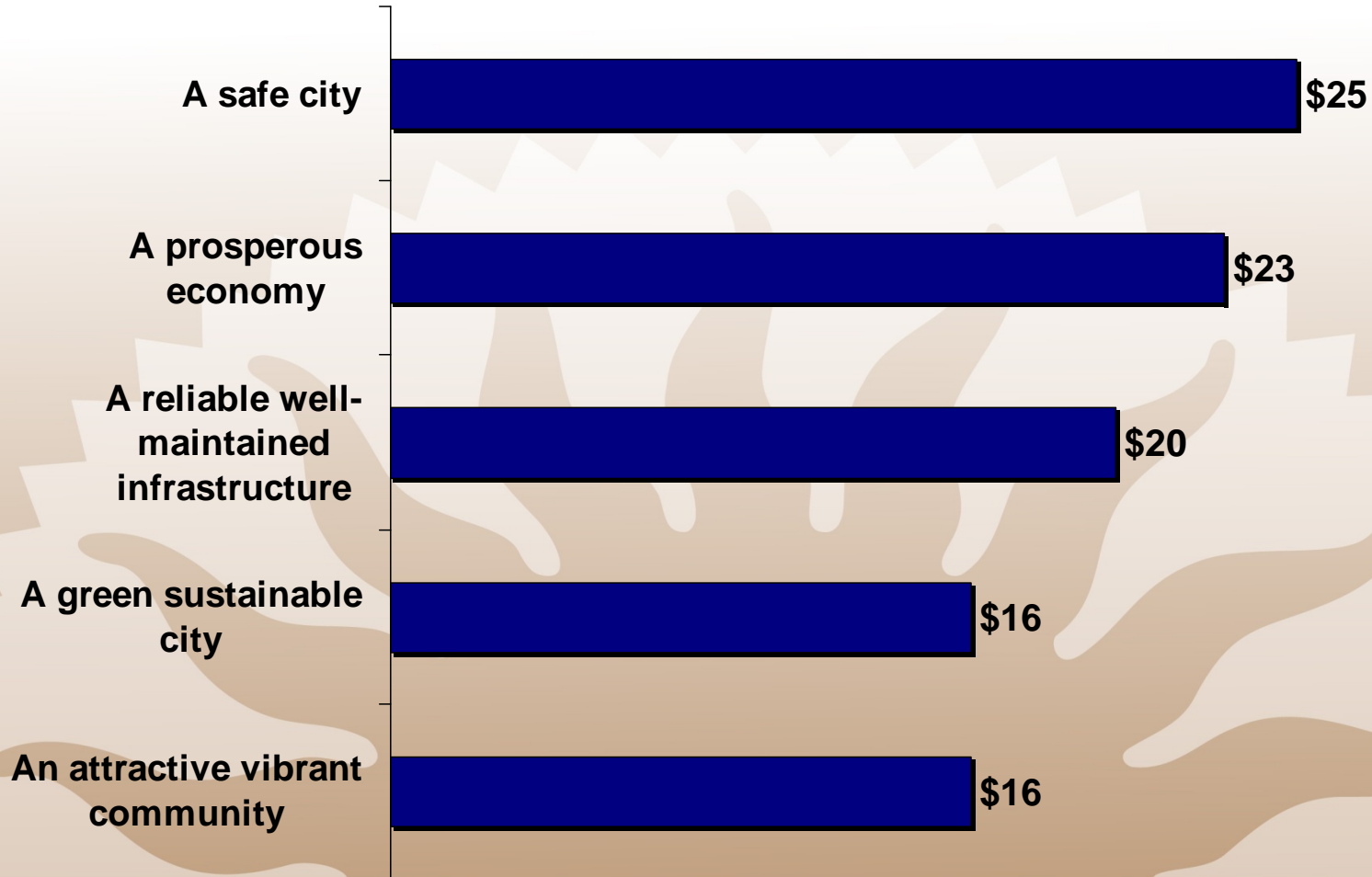
Community Perspective – Phone Survey

Voter Support for Potential Tax Measures



Community Perspective – Phone Survey

Hypothetical Allocation of a \$100 Budget between City Objectives



Community Perspective – Phone Survey

Prioritization of Budget Enhancements if Funding Available

Potential Budget Enhancement	%		
	Highest Priority	Second Highest Priority	Total Selected
Hiring more police officers	50	19	69
Increasing the size of the fire department	8	32	40
Restoring pay for City employees who previously agreed to pay cuts	17	13	30
Increasing library hours	10	11	22
Increasing community center hours	5	11	16
All/None/Don't know	10	14	-

Community Perspective Neighborhood Associations/Youth Commission Priority Setting Session Results



City Council Funding Priorities

Funding Categories

- Restoring City Services to January 1, 2011 Levels
- Unmet/Deferred Infrastructure Needs
- Compensation Increases

City Council Funding Priorities

Discussion on Funding Categories

- Which of the funding categories is most important to the City right now?
- Which one is least important?
- What is the balance between them?
- Is there something missing?

City Council Funding Priorities

Compensation Goals and Principles

- What is the goal of increasing compensation? For example, should increases focus on retaining talent in critical and hard to fill areas?
- What other goals and principles should guide compensation increases?
- What are the risks?