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Mayor Releases March Budget Message

Proposal calls for targeted spending on flood recovery, disaster preparedness and road repair as the City faces an increasingly-challenging fiscal outlook

San Jose, Calif. – Amid a challenging fiscal landscape, Mayor Sam Liccardo has released his March Budget Message for the 2017-18 fiscal year calling for a prudent and targeted approach to spending that focuses on the community’s highest priorities and most pressing challenges.

“We’ve made significant progress over the past year in restoring services after a decade of budget cuts,” said Mayor Sam Liccardo. “Yet, like many other cities, San Jose continues to be constrained by a variety of larger fiscal forces and challenges. That’s why we must remain focused on strategic investments that will create the greatest impact with the scarce dollars available.”

Given the challenging fiscal environment, the Mayor’s budget message focuses on a few key strategies:

- 1) In the wake of last month’s Coyote Creek flooding, the Mayor has proposed instituting a number of immediate actions to assist with flood recovery and disaster preparedness.
- 2) The Mayor has also included proposals that leverage the tremendous energy of San Jose volunteers (exemplified by the recent flood relief effort) to advance the new #BeautifySJ campaign focused on reducing blight, trash and graffiti across San Jose.
- 3) Since every \$1 invested in preventative road maintenance can save \$4 to \$5 in future repairs, the Mayor has proposed increasing the FY 2017-18 street pavement maintenance allocation to \$50 million, which will allow the City to pave 200 miles next fiscal year.
- 4) Furthermore, the Mayor has focused his remaining spending proposals on modest allocations that will leverage private funding or resources, create new efficiencies to achieve an even greater impact.

[Read the Mayor’s entire March Budget Message](#)

The release of the Mayor’s FY 2017-18 March Budget Message follows a year in which the City Council significantly restored services to the community. In the FY 2016-17 budget, the City Council: eliminated all “browned out” fire stations, restored two-person “squad cars”, added 19 Community Service Officers to respond to burglaries and other lower-priority calls, added additional crime and intelligence analysts, doubled funding for homeless rapid rehousing services, and expanded street maintenance funding to cover the entire major street network.

In addition, the City Council made a significant investment in a new police officer contract that, when combined with the new negotiated pension settlement, has already boosted recruiting of high-quality police officer candidates by roughly 50% over the prior two academy cycles.

However, even with this service restoration actions, the City of San Jose continues to face many of the same fiscal challenges that are confronting other major cities. In fact, earlier on Friday, the City Manager released his five-year general fund forecast which projects deficits ranging from \$11.5 million to \$34.8 million in each of the next five years (note: both San Francisco and Oakland have also projected deficits in their respective budget forecasts).

Fortunately, the size of these projected deficits remain relatively small when compared to the overall size of the General Fund, and the magnitude of the deficits experienced a decade ago. Furthermore, the City is already undertaking multiple cost-saving strategies (not yet reflected in the General Fund Forecast) that should allow us to close these gaps without significant service cuts in the year ahead. These strategies include:

- The pending sale of Hayes Mansion: the pending sale of this property in the coming months will relieve the City's General Fund of an annual debt service burden of \$3.5 million.
- Upcoming Bond Re-Financing: by refinancing and consolidating Redevelopment Agency debt this summer, the City can accelerate tax revenues that come through the "waterfall" to taxing entities, ultimately benefiting the General Fund.
- Judgement Against HUD: Re-allocating \$8 million of the \$36.3 million judgement award to the City's Rapid Rehousing Program (over the next two years) will alleviate the General Fund of this obligation.

"While the current fiscal outlook prevents us from restoring services as quickly as we would like, we will continue stretching our limited dollars as far as we can to address our community's most critical needs," continued Mayor Liccardo. "And even though we still have much work left to achieve the level of services that our residents desire and deserve, I am confident that we remain on the path towards a brighter future."

The City Council will discuss and vote on the Mayor's March Budget Message at its March 28 meeting. Following this action, the City Manager will use the direction included in the approved budget message to develop a proposed budget for the 2017-18 fiscal year, which will be released on May 1. The City Council will adopt a final budget in June.

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