



2018-2019 CAPITAL BUDGET

**2019-2023 CAPITAL
IMPROVEMENT PROGRAM**



**MAYOR'S JUNE
BUDGET MESSAGE**



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

**SUBJECT: JUNE BUDGET MESSAGE FOR
FISCAL YEAR 2018-2019**

DATE: June 1, 2018

Approved:

Date:

6-1-18

RECOMMENDATION

I recommend that the City Council:

1. Approve the City Manager's Proposed Budget with the additional direction outlined in this memorandum for purposes of adopting a final budget for Fiscal Year 2018-2019.
2. Adopt a resolution authorizing the City Manager to negotiate and execute agreements for projects approved in the Mayor's Budget Message when amounts exceed the City Manager's existing contract authority provided that any required environmental review for the project has been completed.
3. Authorize the changes proposed in the following Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where the Addenda are amended or superseded by the contents of this Budget Message.
4. Decline to approve Manager's Budget Addendum #2 (Office of Retirement Services FY 18-19 Proposed Administrative Budget, but direct the Director of ORS to return to Council in a future session for approval of "a budget...covering the entire aggregate expense of administration of the retirement plan or plans," as required by San José Charter Section 810(d), as further described in Section 7.c. ("Retirement Services") of this June Budget Message, *infra*.
5. Approve Manager's Budget Addendum #28 (Local Sales Tax Budget Adjustments) with the following amendments: (a) include \$1.5 million for identifying and securing a permanent site for the SJPD Academy training center to facilitate the future use of the South Substation, (b) include \$1.0 million for street repaving/pavement maintenance, and (c) eliminate the \$2.5 million Essential Services Reserve allocation.

- MBA #4 Education and Digital Literacy Initiative
- MBA #5 Mayor’s Gang Prevention Task Force and San José Bringing Everyone’s Strengths Together Allocation Plan
- MBA #10 Homeless Response Team Park Rangers Extension
- MBA #16 Team San Jose 2018-2019 Performance Measures
- MBA #17 Proposed 2018-2019 Transient Occupancy Tax Funded Arts and Cultural Development Grants
- MBA #19 Anti-Litter Program Performance Measures
- MBA #20 Citywide Planning Fee and Staffing Expansion
- MBA #24 Recommendation on the 2019-2023 Proposed Capital Improvement Program
- MBA #25 2018-2019 Proposed Fees and Charges Report Amendments
- MBA #26 Tree Maintenance and Sidewalk Repair Financial Hardship Assistance Program Modification
- MBA #27 CSA Performance Measures Dashboards by City Service Area
- MBA #28 Local Sales Tax Budget Adjustments
- MBA #29 Recommended Amendments to the 2018-2019 Proposed Operating and Capital Budgets

INTRODUCTION

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2018-2019 June Budget Message for consideration by the City Council and the community. As we enter the 2018-2019 Fiscal Year, we can continue to modestly improve services and safety for our residents.

We have collectively made many sacrifices and difficult decisions to reach this point, and as reflected in the General Fund Forecast, we still face challenging years ahead, requiring a prudent and strategic approach to spending. As directed in my March Budget Message, we will set aside \$15.5 million in 2019-2020 for our future deficit reserve, to cushion against a projected deficit of the same size next year. We must focus our investments carefully to expand affordable housing, improve public safety, broaden economic opportunity, improve the livability of our neighborhoods, and rebuild our infrastructure.

**2019-2023 General Fund Forecast
Incremental General Fund Surplus / (Shortfall) \$ in Millions**

2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
(\$4.3 M)*	(\$15.5 M)	(\$8.9 M)	(\$10.5 M)	\$10.8 M

Source: 2019-2023 Five-Year Forecast and Revenue Projections for the GF and Capital Improvement Program

* Figure revised from the 7.3 million shortfall presented in the February 2018 Forecast; this shortfall amount has been addressed in the 2018-2019 Proposed Budget.

The targeted investments in this June Budget Message employ a fiscally prudent approach to spending, using "one-time" funding for "one-time" expenditures, rather than committing to programs that require ongoing dollars in years for which our Budget Office projects future deficits (specifically Fiscal Year 2019-2021). When well-focused, these one-time investments can stretch our scarce

public dollars by leveraging private or philanthropic resources, volunteer energy, and force-multiplying technology.

SPENDING PROPOSALS

I propose that we focus our attention on those expenditures that demonstrably make San José safer, more equitable, cleaner, and better, with the following changes to the City Manager's 2018- 2019 Proposed Operating and Capital Budgets for Council adoption:

1. Housing for All

- a. Homeless Housing Innovations:** We have heard several compelling ideas to move homeless people off the streets into permanent, supportive housing, with new construction techniques, and better financing approaches. For example, Jim Salata of Garden City Construction has begun assembling philanthropic donors to enable the rehabilitation of the Old City Hall Annex for more than 100 units of supportive housing for the homeless, at a fraction of the cost of building new apartments. Assuming this project obtains the County's approval for this use of their building, we should do all that we can to support projects like this. Given the scale of the homelessness crisis we face, we must identify and incentivize innovative, cost-effective, and scalable concepts for moving people into permanent housing. The City Manager is directed to include \$500,000 from the Essential Services Reserve for "seed funding" and early development of unconventional, cost-effective housing concepts that can rapidly address homelessness.
- b. Homeless Task Force Coordination:** Last year, Councilmember Peralez started The Homelessness Task Force. Modeled after the Mayor's Gang Prevention Task Force, this body will coordinate the efforts of diverse stakeholders, leveraging expertise as part of a coordinated effort to reduce homelessness. The Councilmember has hosted two planning meetings of the Task Force, bringing together policy makers, service providers, law enforcement, and advocates. The City Manager is directed to begin coordinating this Task Force and report back through the mid-year budget process on progress of the Task Force and whether additional resources are needed. (BD#53 Peralez).
- c. Housing Development Catalyst:** We've set an ambitious goal of creating 25,000 units of housing over the next five years, which will require radical improvements to City entitlement and permit processes to achieve. The City Manager is directed to establish a "Housing Catalyst Team" to facilitate and promote both market rate and affordable housing opportunities. This team should assist housing developers with site selection, and help navigate the City's permitting and entitlement process. This team's scope of work should also include proactively identifying and marketing housing sites or opportunities to potential developers and investors, and to coordinate the implementation of the housing crisis work plan. In partnership with the Office of Civic Innovation and Digital Strategy, the team should develop a spatial database of housing opportunity sites. The Housing Department also recently received a grant from Destination:Home Silicon Valley to fund an Affordable Housing Planner position in PBCE for three years. The Destination:Home position would

be an integral part of the Catalyst Team, but would focus wholly on affordable housing. Therefore, the City Manager is directed to establish a Housing Catalyst Team, for both affordable and market rate housing, overseen by the City Manager's Office. Additionally, the City Manager is directed to add 1.0 Executive Analyst position for a three-year period ending June 2021 funded from the General Plan Update Reserve at \$150,000 per year.

- d. **Expediting Housing Development Through a Comprehensive Update of Zoning Code to Align with the General Plan:** The Envision San José 2040 General Plan sets out a vision for San José, mapping out where we want future growth to occur. For decades, San José's General Plan land use designations—rather than zoning districts—have determined development, adding a costly and time-consuming step in the process where zoning does not match the site's GP land use designation. This creates unnecessary obstacles to housing development, and to job expansion. We also must update our Zoning Code to remove inconsistencies, redundancies, and antiquated terminology, and the upcoming General Plan Four-Year Review provides an appropriate opportunity for this work. I recommend that a two-phased approach should be undertaken to complete a comprehensive update of the Zoning Code. Phase 1 would include a thorough review of the Zoning Code to achieve consistency with the General Plan—adding new zoning districts, and modifying existing zoning districts. Phase 2 would consist of a comprehensive rezoning of individual properties to be consistent with the General Plan. The City Manager is directed to allocate \$144,000 from Essential Services Reserve for Phase 1 of this plan for a 1.0 FTE Planner III position limit dated through June 2019. The City Manager is directed to target a one-year completion for Phase 1. (BD #4 Diep)

- e. **South De Anza Boulevard Urban Village Plan:** Given the level of interest in West San José, I direct the City Manager to pursue planning grant opportunities through Metropolitan Transportation Commission (MTC) or other State or local agencies for the preparation of the South De Anza Boulevard Urban Village Plan. (BD# 26 Jones)

2. Safe City

- a. **LUCAS Chest Compression Systems:** During CPR, a steady flow of oxygen to the heart and brain will save lives of patients suffering sudden cardiac arrest, and will minimize neurological damage. One or two minutes after commencing administration, manual CPR becomes inconsistent, and a chest compression system device such as the LUCAS System ensures that chest compressions proceed without interruption, allowing first responders to focus on other life-saving tasks. The City Manager is directed to allocate \$40,000 in one-time Essential Services Reserve funding to the San José Fire Department for needed equipment. (BD #7 Davis).

- b. **Electronic Speed Monitoring Signs:** Since its opening, Steindorf K-8 STEAM School has hired one school crossing guard to facilitate student safety. The installation of two electronic speed monitoring signs on Foxworthy Avenue near Steindorf Elementary will help calm traffic in an already congested school zone. Our DOT data identifies Hillsdale Avenue as one of San José's seventeen Priority Safety Corridors—those stretches with the highest frequency of injury-causing traffic collisions. I recommend the installation of two radar

speed display signs along this corridor, and that the City Manager allocate \$65,000 in one-time funding from the existing Safety and Pedestrian Improvements Project. (BD #46 Rocha).

- c. **Accessible Pedestrian Signal:** We need additional measures to ensure safe crossing for the visually impaired at the Santa Clara Valley Blind Center, near 101 N. Bascom Avenue. The City Manager is directed to allocate \$110,000 in one-time Essential Services Reserve funding for an audio-enabled pedestrian crossing. (BD #8 Davis)
- d. **Crosswalk at Lucretia Avenue:** The Vietnamese-American/Shirakawa Community Center and Our Lady of Refuge Catholic Church are located across a heavily-trafficked Lucretia Avenue, frequently hosting large community events that rely on the other side for parking. As a result, many attendees cross the street here illegally and dangerously. The City Manager is directed to allocate \$115,000 in one-time funding from the existing Safety and Pedestrian Improvements Project, for installation of a new crosswalk on Lucretia Avenue. The \$546 in ongoing funding should be absorbed by the Department of Transportation. (BD #23 Nguyen)
- e. **Street Pavement Maintenance:** The City suffers long-term fiscal harm—and our residents incur greater safety risks—with the neglect of road maintenance. Although we have made substantial gains in recent years, particularly through Senator Jim Beall’s leadership in enabling passage of SB1, and through the VTA Measure B effort that I co-led with the Silicon Valley Leadership Group in 2016. Together, these measures would enable us to repave more than 200 miles of roads in the coming year, more than we’ve paved in two decades. Both funding streams are encountering challenges, however, at the ballot box and in court. I recommend that we continue to commit discretionary General Fund dollars to pavement maintenance until we have greater certainty regarding other funding sources. The City Manager is directed to allocate \$1.45 million in one-time Essential Services Reserve funding to the Pavement Maintenance Program.
- f. **Sexual Assault Education and Training:** In the last decade, while total violent crime has increased roughly proportionate with population growth (15%), the number of reported rapes in San José has doubled. Although some share of that increase appears due to changes in how the U.S. Department of Justice categorizes rape for statistical purposes, we have much work to do to ensure our youth understand consent, refusal, and healthy relationships. I direct one-time funding of \$150,000 from the Essential Services Reserve for an education program conducted by a competent non-profit organization, such as the YWCA. The content should be based on the most recent affirmative consent-based curriculum and be provided with multiple age-appropriate options for middle and high school students. The City Manager is directed to report to the Public Safety, Finance and Strategic Support Committee next spring with a preliminary evaluation of the program. To the extent possible, the education and training program should align with the work being done with the Mayor’s Gang Prevention Task Force. (BD #77 Arenas)
- g. **Domestic Violence High Risk Response Team:** Last year, SJPd received 3,635 dispatches for domestic violence in San José, but a connection to a domestic violence advocate was only made in approximately 1,000 cases, and only 200 domestic violence survivors actually chose

to receive services. While various agencies offer critical services to domestic violence victims, many fall through the cracks because these efforts appear too often uncoordinated and poorly aligned with survivors' needs. A High Risk Response Team, coordinated through a partnership between the YWCA and the San José Police Department, can reduce lethality and improve service delivery to survivors. This nationally recognized model employs four strategies: early identification of high-risk cases, engagement of a multidisciplinary team, ongoing monitoring and containment of offenders, and victim services. The City Manager is directed to allocate \$160,000 in one-time Essential Services Reserve for a Response Team and \$20,000 in Police overtime to support the effort. The City Manager is directed to report to the Public Safety, Finance and Strategic Support Committee next spring with a preliminary evaluation of the program impact. (BD #34 Carrasco)

- h. South San José Substation:** The South Substation is heavily utilized by SJPD each day, currently supporting operations of its Academy, deployment of Community Service Officers, SJPD fleet refilling, officer backgrounding and recruiting, report-writing, the School Safety Unit, and the Division of Cannabis Regulation. Many of our residents would like to see the South Substation fully activated for the deployment of sworn officers, and I share in that goal. I concur with our Police Chief, however, that our first priority lies in rebuilding Department police staffing, which will have a far greater impact on improving police response than opening the Substation or any other building. We should fully operate the Substation when the Department has sufficient staff to fill its patrol and investigative ranks (to our 1,150 authorized positions) sufficiently to safeguard our city, which according to Chief Garcia, should take us "at least another year." (MBA #8, pp. 5-7). Even if we identified and allocated the \$3.4 million in this fiscal year (the amount required to bring the Substation to a "partially" operational status and manage it), it would not result in deployment of sworn officers from the Substation until 2020. That is, SJPD must first identify an alternative academy training site, negotiate a lease or purchase, implement tenant improvements both to the new Academy site and the existing Substation, and add more than 100 new officers. Rather than spending \$3.4 million to achieve a less-than-desired result, the better course lies in identifying the funding necessary to clear obstacles in the critical path in the coming year, beginning with identifying and securing the training center site. Over this coming fiscal year, we expect SJPD to restore staffing to the 1,150 authorized position target. During this time, the City Manager is directed complete an analysis to determine whether a new training facility should be purchased or leased and bring forward the results by fall 2018. In addition, the City Manager is directed to allocate \$1.5 million from the Essential Services Reserve for commencing the transition to a fully operational South Substation. The use of these funds will be determined taking into consideration the results of the analysis. Once the approach is known, future budget actions will be considered to operate the Substation.
- i. Midnight Basketball at Alum Rock Youth Center:** Midnight basketball provides at-risk teens and young adults with a safe, character-building, and healthy alternative to the streets. The City Manager is directed to allocate \$20,000 in one-time Essential Services Reserve funding to the Parks, Recreation and Neighborhood Services Department to keep our city's indoor basketball courts open and staffed late at night. (BD #36 Carrasco))

- j. Welch Park Community Action:** The neighborhood surrounding the Welch Park and Community Center has suffered from crime and blight, comprising the second-most active Mayor's Gang Prevention Task Force (MGPTF) "hotspot" in the city, according to 2016 SJPD data. We have an important opportunity to build on positive momentum, however. The Fiscal Year 2018-2019 Capital Budget includes \$1.2 million for long-awaited improvements to the Welch Community Center. The KONA and Tully Ocala Capital King Neighborhood Association (TOCKNA) have become more active, running a monthly food distribution program, and working with DOT to install traffic calming measures. With the investment of "Project Hope" resources for crime prevention, neighborhood empowerment, and youth engagement, Welch Park is well-positioned for successful neighborhood revitalization. The City Manager is directed to allocate \$250,000 in one-time Essential Services Reserve funding for a "Project Hope" 1.0 FTE Coordinator, a 1.0 FTE Senior Recreation Leader, and 0.5 FTE Recreation Leader for a limit dated through June 2019. (BD #70 Arenas)
- k. Police Activities League:** For many years, the Police Activities League has provided an invaluable opportunity for thousands of San José youth to participate on sports teams, helping to develop healthy bodies, camaraderie, and leadership skills. The Department has traditionally allocated two Full Time Employment (FTE) officer positions to manage the program. As we continue to make difficult trade-offs with the most thinly staffed police department of any major U.S. city, the best use of those officers' time remains within the core operations of SJPD. I expect that an ongoing audit of the program will raise serious concerns, moreover, about the managerial and fiscal effectiveness of the current model.

The City Manager is directed to redeploy those 2 FTE's to the Domestic Violence or Sexual Assault Investigations Units, based on the Chief's assessment of Department need. We should continue to support the valuable tradition of engaging current and retired SJPD officers in volunteering as board members and coaches, however. Meanwhile, we should allocate \$270,000 from the Essential Services Reserve to enable PRNS to transition the program to Parks staff, or to a culturally and managerially competent non-profit organization. The City Manager is directed to develop a maintenance and service plan. I further direct the City Manager to return to the Education and Neighborhood Services Committee with the maintenance plan, an assessment of the capital needs for repair and replacement of fields and surrounding infrastructure of the PAL sports complex, as part of the Parks Greenprint update, and with an assessment of a longer-term model for PAL management.

- l. Fire Station Improvements:** To provide a better work environment for our firefighters located at District 2 Fire Stations (Station 35 and Station 27), the City Manager is directed to allocate \$32,500 in one-time funding from the Fire Constuction and Conveyance Tax Fund for improvements, particularly ovens, refrigerator and recliners. (BD #62 Jimenez).

3. Inclusive and Equitable City

- a. Senior Food Assistance:** According to The Health Trust study, "Food for Everyone," approximately 30,000 seniors in San José live below the federal poverty line, and many also have disabilities or other ambulatory challenges. The City partners with The Health Trust to

increase access for older adults to healthy food. In Fiscal Year 2018, the City matched \$150,000 that the Health Trust proposed for older adult food access in Districts 4 and 9 to expand Meals on Wheels, Congregate Meals, and brown bags. The City separately invests an additional \$125,000 - \$150,000 from CDBG funds for Meals on Wheels, yet many needs remain unmet. The piecemeal approach to funding and service delivery undermines our mutual goals of supporting seniors, and a more comprehensive approach is needed. The City Manager is directed to allocate \$225,000 (\$75,000 each for Districts 4, 7 and 9) in one-time Essential Services Reserve funding. I further direct the City Manager to co-convene, in partnership with The Health Trust, a stakeholder group to develop a longer-term plan to improve food access for older adults. The stakeholder group should address San José's geographic "food deserts," the need for meals at the Vietnamese American Community Center, alternatives to food distribution at Tully Community Ballfields and St. James Park, innovative service enhancements, expanding commercial kitchen capacity, and increasing efficiency and coordination among funding partners. (BD #4 Diep, BD #24 Nguyen, BD #43 Rocha)

- b. Women's Bill of Rights:** Last December, the City Council passed the Women's Bill of Rights and tasked the Human Services Commission with analyzing and developing a plan for assessing whether the City complies with the principles of the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). Overseen by the City's Human Services Commission, selected City departments, programs and policies will undergo a gender equity analysis that includes data collection and evaluation of City operations, budget allocation, service delivery, and employment practices. I recommend that the City Manager begin this work and return during the mid-year budget with a progress update, and an assessment regarding any additional resources required to complete the work. (BD #32 Carrasco).
- c. Census 2020:** The accuracy of the census count determines whether our community receives its fair share of critical federal resources. In 2010, a census undercount left more than 70,000 individuals in San José uncounted, resulting in our community's loss of more than \$20 million in annual federal funds for housing, education, and other needs. The City Manager is directed to allocate \$250,000 from the Essential Services Reserve to hire date limited staff for this work. The City Manager is also directed to work with the Mayor's Office of Strategic Partnerships to help fundraise additional dollars to support contracted services for the Complete County Committees. (BD #56 Peralez and BD #65 Jimenez).
- d. Workplace Equity:** Last year, Councilmember Peralez commendably requested women's restrooms in City Hall be provided with tampons and sanitary napkins. We should expand this approach to all City facilities. The City Manager is directed to fund this one-time expense of \$17,000 for the installation of storage shelves and collection bins across all 80 facilities from the Essential Services Reserve, and absorb the ongoing cost of \$3,000 to supply these necessities within the Public Works non-personal/equipment budget. (BD #50 Peralez)
- e. Via Services:** Via Services provides a 13-acre residential camp providing residential care and learning experiences in an outdoor environment for community members with severe

impairments from autism spectrum disorder, cerebral palsy, down syndrome, traumatic brain injury, or epilepsy that requires a seasoned counselor by their side. They focus on building independent living skills to improve self-sufficiency and expanding employment options. The City Manager is directed to allocate \$20,000 in one-time Essential Services Reserve funding to Via Services, a contribution that the County will match for a total of \$40,000 in scholarships, enabling 100 children and adults to attend Via Service's camp during the upcoming year.

- f. African American Community Services Agency:** Over the past four decades, the African American Community Services Agency (AACSA) has made a positive impact by providing programs and services to youth, seniors, and the homeless. As the Agency prepares to expand its programs by becoming a First 5 Center, Public Works staff developed a proposed scope of work, in consultation with AACSA, that includes an assessment of capital improvement upgrades necessary to make sure the building is up to code. The scope of work identified \$50,000 in additional funding required beyond the \$250,000 outlined in the March Budget Message, to complete these capital improvements. The City Manager is directed to allocate up to an additional \$50,000 in one-time funding from the Essential Services Reserve. The City Manager should work with AACSA to ensure that it leverages the City's capital investments with private capital funds from philanthropic sources.
- g. Family Camp for Low-Income Families:** For too many San José families, vacations remain financially out of reach, with every dollar consumed by housing and other basic needs. In 2015, District 5 successfully facilitated a City-subsidized trip to Family Camp at Yosemite National Park for 300 individuals, providing a model for others. This year, Escuela Popular in East San José has fundraised to take dozens of East San José residents to Family Camp, and have sought City assistance. The City Manager is directed to allocate \$5,000 in one-time Essential Services Reserve funding to the Parks, Recreation and Neighborhood Services Department for this program. (BD #68 Carrasco)
- h. Participatory Budgeting:** I commend Councilmember Jones, Councilmember Peralez, and their staff for continuing this innovative approach to civic engagement. More than 3,500 community members engaged with their efforts, contributing more than 210 project proposals between the two districts. Refinement of this process allows for engagement of our diverse community in our public budgeting process, giving everyone an impactful voice. The City Manager is directed to allocate \$200,000 in one-time Essential Services Reserve funding to "D1 Decides," and \$200,000 in one-time Essential Services Reserve funding to "D3 Decides." (BD #27 Jones, BD #54 Peralez)
- i. Permit Appeal Fee:** In Fiscal Year 2017-2018, the fee for a member of the public to appeal a land use decision by the Planning Director or the Planning Commission was increased from \$100 to \$500. For the average resident, this increase may not be affordable. In Fiscal Year 2016 and Fiscal Year 2017 there were eight appeals. We expect revenue impact of approximately \$1,000 if the City Manager reduces the permit appeal fee to \$250. I recommend the cost to be absorbed within the existing budget of Planning, Building and Code Enforcement. (BD #39 Rocha)

- j. Mayfair Pool Scholarships:** Located in East San José, this facility provides an opportunity for children who would otherwise lack safe access to a pool, where they can exercise, learn to swim, and have fun. Funding would provide non-personnel equipment and 400 scholarships for swimming lessons at a 50% reduction for participants. The City Manager is directed to allocate \$16,000 in one-time Essential Services Reserve funding to the Parks, Recreation and Neighborhood Services Department. (BD #30 Carrasco)
- k. Equal Justice Works Fellow:** Equal Justice Works is a fellowship program that funds the first two years of a recent law school graduate's public interest career so that he or she may help close the "justice gap" by working on legal issues facing low income communities. The City Manager is directed to work with Councilmember Diep and Hewlett Packard Enterprise to sponsor an Equal Justice Fellow to protect immigrants against the threat of deportation by allocating \$65,000 in one-time Essential Services Reserve funding for this work. (BD# 3 Diep)

4. Beautiful and Clean City

- a. Our City Forest (OCF):** Our City Forest and its 40-member AmeriCorps urban forestry program appears threatened by a failure to fundraise required matching funds. Our City Forest provides cost-effective urban forestry services that advance important city aesthetic, environmental, and health goals. Nonetheless, Our City Forest must diversify its funding base to become more financially sustainable. City support for Our City Forest exceeded \$630,000 in each of the past two years, and any additional expenditure must provide a pathway for a more sustainable financial path than dependence on City budgetary allocations. The City Manager is directed to allocate \$120,000 of one-time dollars from the Essential Services Reserve exclusively for the retention of fundraising staff (in-house or contracted), to dramatically improve the organization's support from private and philanthropic sources. I further direct that the City Manager require provision of audited financials annually to the City. (BD #12 Khamis, BD #57 Rocha)
- b. Downtown Streets Monterey Road Pilot Program:** Downtown Streets Team provides homeless clients with an inspiring "work-first" approach to self-sufficiency, engaging clients as volunteers in City cleanups that beautify our community while building resumes for future success. The City Manager is directed to provide \$90,000 in one-time funding from the Essential Services Reserve to expand the Downtown Streets Team program along Monterey Road, (from Branham Lane to Ford Road) removing debris, reporting code violations, covering/preventing graffiti, and providing general blight removal services. (BD #59 Jimenez)
- c. Responsible Landlord Engagement Initiative (RLEI):** In many of our renter-heavy neighborhoods, the neglect of absentee landlords has produced blight, unsafe living conditions, and diminished quality of life of neighbors. Years of budget deficits and declining police and code enforcement staffing has further exacerbated the problem. The RLEI program improves blighted neighborhoods by incentivizing absentee property owners and investors to manage their properties more responsibly. The City Manager is directed to allocate \$155,000 in one-time funding to support this program. (BD #74 Arenas).

- d. **Election to Authorize Expenditures for Communications Hill Residents:** Community Facilities District No. 8 serves Communications Hill residents who would like to add landscaping and enhanced security services to their neighborhood, subject to approval of a majority of their neighbors. The City Manager is directed to allocate \$30,000 in one-time Essential Services Reserve funding to the Department of Public Works to conduct the election, subject to reimbursement by the District with a successful election. (BD #25 Nguyen)
- e. **Monkton Parkland Maintenance and Improvements:** This 0.875-acre park currently receives only \$875 annually for maintenance, and has become a too-frequent site for illegal dumping. Residents have voiced the need to clean and beautify the park. I direct a one-time allocation of \$25,000 from the District 8 Parks C&C Ending Fund Balance to the Parks, Recreation and Neighborhood Services Department for their Small Capital Projects team to work with the Volunteer Management Unit and the Thompson Creek Neighborhood Association on this project. (BD #71 Arenas)
- f. **D1 Permit Parking:** West San José neighborhoods have raised concerns about the impacts of rapid development on neighborhood street parking. In Fiscal Years 2016 and 2017, we funded a pilot residential permit parking program in District 1 that has alleviated, in collaboration with outreach from that Council Office, some of the problems in development-impacted neighborhoods. Although the initial pilot has sunset, some work remains to complete the project. The City Manager is directed to allocate \$83,000 in one-time Essential Services Reserve funding to fund 1.0 FTE Associate Transportation Specialist for a six-month extension of the pilot program through December 2018. (BD #28 Jones)
- g. **Signage for Identification of Wildlife Crossing:** Monterey Highway is a documented hotspot for wildlife road crossing and unfortunately roadkill. Bobcats, deer, and other wildlife use the Coyote Creek area to travel between the Santa Cruz and Diablo Mountain ranges, and both animals and drivers would benefit from having wildlife crossing signage to ensure traffic safety. The City Manager is directed to allocate \$915.00 in one-time funding from District 2 Council Office Funds to the Department of Transportation for the installation of four signs. (BD#64 Jimenez)

5. City of Learning and Opportunity

- a. **Family College Success Center:** This Center has enabled thousands of low-income students to improve SAT scores, boost financial literacy, develop math skills, and complete dual enrollment courses that have helped increase high school graduating rates and improved college readiness. The City Manager is directed to allocate \$50,000 in one-time funding from the Essential Services Reserve to the Hispanic Foundation of Silicon Valley for their services. This grant will be matched by the County of Santa Clara and the Santa Clara County Office of Education. (BD #33 Carrasco)
- b. **Conservation Corps Funding Stabilization:** The San Jose Conservation Corps provides youth invaluable education and workforce development, while boosting San José's aesthetics

and environment. The increase in the minimum wage, however, has affected their billing rates. The City Manager is directed to allocate \$45,000 in one-time Essential Services Reserve funding to the Parks, Recreation and Neighborhood Services Department to increase compensation levels in its current contract to establish stable service levels with the Conservation Corps. (BD #38 Rocha).

- c. **SJ Data and Performance Project (SJ DPP):** As part of the City's Education and Digital Literacy Strategy, the City has partnered with the Santa Clara County Office of Education (SCCOE) to better assess the impact of City programs toward children's educational outcomes. This pilot project will leverage two SCCOE programs, DataZone and the Silicon Valley Regional Data Trust, to securely store educational data, and to enable analysis that will provide insights on program performance. With the benefit of this data, the Council and other funding partners can better allocate scarce dollars to the highest-performing programs within SJ Learns, SJ Works, and BEST. Through this effort, we seek to foster a culture of data-driven learning and continuous quality improvement that will improve results for our kids, while better attracting funding dollars from philanthropy and other external sources. The City Manager is directed to allocate \$150,000 in one-time funding from the Essential Services Reserve for the SJ DPP pilot project.
- d. **3D Printing in Libraries:** Our youth can benefit enormously from access to new technologies like 3D printing, to enable them to sharpen their creative, technical, and engineering skills. The City Manager is directed to allocate \$6,000 in one-time Library Parcel Tax funding to purchase two 3D printers for Hillview Library and Alum Rock Library for our youth to learn new skills and explore new interests. (BD #35 Carrasco)
- e. **Eliminating Late Fines for Youth:** In February, the Library and Early Education Commission identified elimination of late fines on youth materials as their top priority for Fiscal Year 2018-2019. For 9,500 of our youth prevented from using or benefiting from our Library resources, such as checking out materials, or gaining access to eLearning resources online—late fines have become a real barrier to learning. Library fines on youth materials disproportionately affect youth in lower-income communities, as data shows that the highest fine amounts accrue in the 95111 and 95122, in East and Central San José.

Eliminating fines on youth materials has become a best practice among big city libraries, such as New York, Denver, Los Angeles County, San Francisco, Oakland, Portland, and many others. Ensuring that the City aligns all available resources towards helping children learn and achieve during critical developmental stages appears worth the loss in revenue, but we should test that assumption with data. The City Manager is directed to pilot a one-year program eliminating late fines for youth materials, but not for fines for missing items. I recommend that the City Manager report back to the Neighborhood Services and Education Committee next spring with preliminary results, assessing changes in the rates of youth usage of library services, youth possession of library cards, and percentage of materials returned. The approximately \$234,000 in lost revenue should be funded by the Essential Services Reserve. (BD #41 Rocha, BD #69 Jones)

6. Vibrant City

- a. **Street Activation:** As the Downtown area grows, its streets should allow for the increased foot traffic, businesses, and lively nature of a dynamic urban city center. Council identified “placemaking/easy urbanism” as a priority, because promoting a culture of walkable public spaces supports both economic growth and community-building. We’ve seen many transformational successes with pop-up retail along San Pedro Street, the longstanding Downtown Association’s Farmer’s Market and Starlight Cinemas, and the annual Summer Jazz Fest. The City Manager is directed to allocate \$50,000 in one-time Parking Fund dollars for a pilot program to activate natural convening sites, such as San Pedro Street or Post Street, for outdoor events and markets. (BD #52 Peralez)
- b. **Storefront Activation:** Filling empty storefronts with new small businesses improves foot traffic for surrounding businesses, supports job creation, and improves the safety and aesthetic appeal of our neighborhood business districts. Last fiscal year, Council allocated \$200,000 for Citywide Storefronts Activation Grant Program, but we received over \$300,000 in qualified requests for this popular program. The City Manager is directed to allocate \$200,000 in one-time funding from the Parking Fund to continue this program, and to include a pilot expansion of the program in targeted commercial corridors outside of traditional neighborhood business districts. (BD #51 Peralez and BD#75 Arenas)
- c. **2019 College Football Playoff National Championship:** Direct the City Manager to continue to collaborate and support the Bay Area Host Committee’s plans to create a “Championship Campus” experience that proposes to transform Downtown San José for four-days of festivities between January 4 – 9, 2019; and to find opportunities for expediting and facilitating the permit process for event promotion, destination marketing and the special event zone.
- d. **Italian-American History Museum Funding Match:** In an ongoing effort to revive the River Street Historic District, now known as “Little Italy,” the Italian-American community has raised and invested hundreds of thousands of dollars in recent years to restore historic structures, renovate a courtyard plaza, erect a gateway arch, and otherwise beautify this previously-neglected corner of Downtown. Their efforts—largely without City assistance—have begun to bear fruit, with new trendy businesses like Enoteca La Storia, stable favorites like Bel Bacio and Paesano’s, and new outdoor events. They have rallied community support for an Italian-American History Museum, which offers another amenity for visitors enjoying a night in Little Italy. They now seek public support to amplify their efforts: John Sobrato has committed a \$100,000 grant, and \$300,000 of in-kind labor from various contractors in the community, contingent upon a one-time City match of \$250,000 to help fund restoration of two historic structures into a museum for artifacts and displays celebrating Italian-American History in our city. The City Manager is directed to allocate \$250,000 in one-time funding from the Cultural Facilities Capital Maintenance Reserve.
- e. **Vietnamese-American Community Center:** Open seven days a week, this center provides ample resources and opportunities for community members to participate in health classes, afterschool study programs, senior programs, and large celebrations for thousands of people,

such as the TET New Year Celebration and Mid-Autumn Festival. I recommend the City Manager establish a Vietnamese American Community Center Renovation Project. The City Manager is also directed to repurpose \$500,000 from the District 7 C&C Tax Funds for the Vietnamese American Community Center Design Project, and that \$28,000 be repurposed from the Council District 7 C&C Tax Funds for the Project Feasibility Funds, and use \$59,000 in fund balance for a total of \$587,000 to be made available to the Parks, Recreation and Neighborhood Services Department for funding capital improvements to the Center. (BD #13 Nguyen).

- f. **Vietnamese Heritage Gardens:** Department of Parks, Recreation and Neighborhood Services staff and a local Boy Scout troop have nearly completed the community garden. To promote its use by the community, this funding will install a portable trailer supporting the maintenance and continued public use of the garden. The City Manager is directed to establish a Vietnamese Heritage Gardens Trailer Project in the amount of \$923,000. I recommend \$350,000 be repurposed from the Council District 7 C&C Tax Funds Vietnamese Cultural Heritage Garden Project, and repurpose \$300,000 from the Infrastructure Backlog Reserve, and use \$273,000 in ending fund balance for this project. I commend Councilmember Nguyen for his longstanding commitment to support the garden’s success. (BD #14 Nguyen)

- g. **San Jose Sports Authority:** SJSA continues to bring high-profile events to San José that provide entertainment for our residents, generate economic activity, and raise the national and international profile of our City. The City Manager is directed to allocate \$150,000 in one-time funding from the Parking Fund to the Office of Economic Development for the SJSA for use in bidding, planning and implementing major sporting events in 2018-19. The City Manager is directed to return to City Council with a list of the sporting events for which these funds will be used. (BD #47 Rocha)

7. General Provisions

- a. **Mayor and Council Office Rebudgets:** For Mayor and City Council Offices, I recommend the following rebudgets subject to final verification of accounts by the City Clerk’s Office:

	Office Rebudget	Constituent Outreach Rebudget	Total Net Rebudget
Mayor’s Office	\$409,000	\$38,000	\$447,000
Mayor’s Office (7-12)	\$409,000	\$38,000	\$447,000
Council General	\$1,000	N/A	\$1,000
District 1	\$265,000	\$0	\$265,000
District 2	\$48,000	\$0	\$48,000
District 3	\$154,000	\$0	\$154,000
District 4	\$718,000	\$11,000	\$729,000
District 5	\$138,500	\$0	\$138,500
District 5 (7-12)	\$138,500	\$0	\$138,500

District 6	\$223,000	\$0	\$223,000
District 7	\$13,700	\$0	\$13,700
District 7 (7-12)	\$13,700	\$0	\$13,700
District 8	\$259,000	\$0	\$259,000
District 9	\$30,500	\$0	\$30,500
District 9 (7-12)	\$30,500	\$0	\$30,500
District 10	\$6,000	\$0	\$6,000

- b. **Essential Services:** The total available Essential Services Reserve of \$6.6 million (\$2.5 million allocated in the 2018-2019 Proposed Budget, \$320,000 from MBA #20, and \$3.8 million from MBA #29) is directed to be allocated to fund the General Fund items in this Message.

- c. **Retirement Services:** Section 810(d) of the City Charter provides that “Each retirement board shall annually adopt a budget approved by the City Council covering the entire aggregate expense of administration of the retirement plan or plans that the retirement board has been designated to administer...”. Page 2 of the May 11, 2018 Memorandum from Director Roberto Pena (Manager’s Addendum #2, “Office of Retirement Services FY18-19 Proposed Administrative Budget”) provides information to the Council solely regarding costs of personnel, professional services, and medical services, but omits any reference to the tens of millions of dollars in fees paid from Plan assets to fund managers and other investment professionals. The Charter requirements for disclosure and Council approval appears far more expansive than interpretation of the Office of Retirement Services. We know that in 2016, for example, those management and incentive fees exceeded \$59 million between the Federated (\$21.3 million) and Police & Fire (\$38.1 million) funds, and that amount has risen considerably in recent years with the shift toward asset classes with more active management, such as hedge funds, private equity, and real estate. While the Council will not meddle in the investment decisions of the Boards, the Charter provides that the Council must have some transparent view into all of the expenses anticipated by the fund administrators, such as a “ceiling” that reflects the anticipated asset allocation for the coming year, disaggregated by expense attributable to each asset class. Providing that information for Council approval will have the ancillary benefit of increasing transparency of fund investment management for plan members—both current employees and retirees—and the public. Accordingly, the Director of Retirement Services is directed to return to Council to seek approval, pursuant to Charter Section 810(d), of a projected budget reflecting all expenses, including management and incentive fees.

- d. **Effective Management of Employee Travel:** Currently, the City of San José does not have a uniform means to book and manage employee travel. Employees directly book travel accommodations for City business on their own. The City Manager is directed to explore use of a central location for employees to book travel. Companies, such as SAP Concur help cities control costs by providing an online central location for employees to book their travel and realize savings due to negotiated rates through partnerships with airlines and hotels. Platforms like this can also help organizations control costs by managing travel and expense spending. The City Manager should report back to the Public Safety, Finance and Strategic

Support Committee with a recommendation on whether a platform for travel makes sense and if any resources would be needed to implemented.

COORDINATION

This memorandum has been coordinated with the City Manager and City Attorney.

For more information on this memorandum, please contact Ragan Henninger, Budget Director, at 408-535-4830.

Attachment:

Attachment A - City Source and Use of Funds

CITY SOURCE AND USE OF FUNDS

GENERAL FUND		2018-2019	Ongoing
Source of Funds			
Page 9	Fees, Rates and Charges (Permit Appeal Fee)	(1,000)	
Page 12	Fees, Rates and Charges (Eliminated Late Library Fines for Youth)	(234,000)	
	Beginning Fund Balance (Mayor and City Council Rebudgets)	2,944,400	
Total General Fund Source of Funds		2,709,400	
Use of Funds			
Page 3	Homeless Housing Innovations	500,000	
	Housing Development Catalyst Team (1.0 Executive Analyst limit-dated through June 2021)	150,000	
Page 3	General Plan Update Fee Reserve	(150,000)	
	Expedited Housing Development Through A Comprehensive Update of Zoning Code to Align with the General Plan (1.0 Planner III limited dated through June 2019)	144,000	
Page 4	Lucas Chest Compression Systems	40,000	
Page 4	Electronic Speed Monitoring Signs - Use \$65,000 from Existing Safety-Pedestrian Improvements Project	-	
Page 5	Accessible Pedestrian Signal	110,000	
	Crosswalk at Lucretia Ave - Use \$115,000 of Existing Safety and Pedestrian Improvements Project	-	
Page 5	Street Pavement Maintenance	1,450,000	
Page 5	Sexual Assault Education and Training	150,000	
Page 5	Domestic Violence Response Team	180,000	
Page 6	Police Substation	1,500,000	
Page 6	Midnight Basketball at Alum Rock Youth Center	20,000	
Page 7	Welch Park (1.0 Community Coordinator, 1.0 Senior Recreation Leader, 0.5 Recreation Leader Part-Time)	250,000	
Page 7	Police Activities League	270,000	
Page 7	Senior Food Assistance	225,000	
Page 8	Census 2020	250,000	
Page 8	Workplace Equity	17,000	
Page 9	Via Services	20,000	
Page 9	African American Community Service Agency Improvements	50,000	
Page 9	Family Camp for Low-Income Families	5,000	
Page 9	Participatory Budgeting - District 1	200,000	
Page 9	Participatory Budgeting - District 3	200,000	
Page 10	Mayfair Pool Scholarships	16,000	
Page 10	Equal Justice Works Fellow	65,000	
Page 10	Our City Forest	120,000	
Page 10	Downtown Streets Monterey Road Pilot Program	90,000	
Page 10	Responsible Landlord Engagement Initiative (RLEI)	155,000	
Page 11	Election to Authorize Expenditures for Communications Hill Residents	30,000	

CITY SOURCE AND USE OF FUNDS

Page 11	D1 Permit Parking (1.0 Associate Transportation Specialist limit dated through December 2018)	83,000
Page 11	Signage for Identification of Wildlife Crossing - Department of Transportation	915
Page 11	Signage for Identification of Wildlife Crossing - Council District 2 Office Budget	(915)
Page 11	Family College Success Center	50,000

CITY SOURCE AND USE OF FUNDS

GENERAL FUND		2018-2019	Ongoing
Page 12	Conservation Corps Funding	45,000	
Page 12	SJ Data and Performance Project	150,000	
Page 13	Italian-American History Museum	250,000	
Page 13	Cultural Facilities Capital Maintenance Reserve	(250,000)	
Page 14	Rebudget: Mayor's Office (July - December 2018)	447,000	
Page 14	Rebudget: Mayor's Office (January - June 2019)	447,000	
Page 14	Rebudget: Council General	1,000	
Page 14	Rebudget: Council District 1	265,000	
Page 14	Rebudget: Council District 2	48,000	
Page 14	Rebudget: Council District 3	154,000	
Page 14	Rebudget: Council District 4	729,000	
Page 14	Rebudget: Council District 5 (July - December 2018)	138,500	
Page 14	Rebudget: Council District 5 (January - June 2019)	138,500	
Page 14	Rebudget: Council District 6	223,000	
Page 15	Rebudget: Council District 7 (July - December 2018)	13,700	
Page 15	Rebudget: Council District 7 (January - June 2019)	13,700	
Page 15	Rebudget: Council District 8	259,000	
Page 15	Rebudget: Council District 9 (July - December 2018)	30,500	
Page 15	Rebudget: Council District 9 (January - June 2019)	30,500	
Page 15	Rebudget: Council District 10	6,000	
Page 15	Essential Services Reserve - (MBA #20)	(320,000)	(320,000)
Page 15	Essential Services Reserve (MBA #29)	(3,800,000)	
Page 15	Essential Services Reserve (2018-2019 Proposed Budget)	(2,500,000)	
Total General Fund Use of Funds		2,709,400	(320,000)

PARKS CONTRUCTION AND CONVEYANCE TAX FUND: COUNCIL DISTRICT #7		2018-2019	Ongoing
Source of Funds			
	Beginning Fund Balance (Vietnamese American Community Center Design Savings in 2017-2018)	500,000	
Page 12	Beginning Fund Balance (Vietnamese American Community Center Feasibility Study Savings in 2017-2018)	28,000	
Page 12	Total Parks C&C Tax Fund: Council District #7 Source of Funds	528,000	-
Use of Funds			
Page 13	Vietnamese American Community Center Renovations	587,000	
Page 14	Portable Assembly Building and Viet Heritage Garden	923,000	
Page 14	Vietnamese Cultural Heritage Garden	(350,000)	
Page 14	Infrastructure Backlog Reserve	(300,000)	
Page 14	Ending Fund Balance	(332,000)	
Total Parks C&C Tax Fund: Council District #7 Use of Funds		528,000	-

PARKS CONTRUCTION AND CONVEYANCE TAX FUND: COUNCIL DISTRICT #8		2018-2019	Ongoing
Source of Funds			
NONE			

CITY SOURCE AND USE OF FUNDS

Total Parks C&C Tax Fund: Council District #8 Source of Funds	0	-
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Use of Funds

Page 11	Monkton Parkland Improvements	25,000	
	Ending Fund Balance	(25,000)	
	Total Parks C&C Tax Fund: Council District #8 Use of Funds	0	-

GENERAL PURPOSE PARKING FUND	2018-2019	Ongoing
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Source of Funds

NONE		
Total General Purpose Parking Fund Source of Funds	0	-

Use of Funds

Page 13	Street Activation (0.21 Recreation Leader Part-Time)	50,000	
Page 13	Storefronts Activation Grants Program	200,000	
Page 14	San Jose Sports Authority	150,000	
	Ending Fund Balance	(400,000)	
	Total General Purpose Parking Fund Use of Funds	0	-

LIBRARY PARCEL TAX	2018-2019	Ongoing
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Source of Funds

NONE		
Total Library Parcel Tax Fund Source of Funds	0	-

Use of Funds

Page 12	3-D Printers	6,000	
	Ending Fund Balance	(6,000)	
	Total Library Parcel Tax Fund Use of Funds	0	-

FIRE CONSTRUCTION AND CONVEYANCE TAX FUND	2018-2019	Ongoing
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Source of Funds

NONE		
Total Fire C&C Tax Fund Source of Funds	0	-

Use of Funds

Page 7	Fire Station Improvements	33,000	
	Ending Fund Balance	(33,000)	
	Total Fire C&C Tax Fund Use of Funds	0	-