

May 2, 2016

Honorable Mayor and City Council:

With this transmittal, I am proud to present a balanced budget that continues our efforts to address the highest priority community and organizational needs while maintaining budget stability. This budget follows the direction provided by the Mayor and City Council with the adoption of the Mayor's March Budget Message for Fiscal Year 2016-2017 on March 29, 2016, incorporating the priorities and investments identified in that message. It also considers other City Council priorities, recent community outreach and surveys, other departmental and organizational priorities, and forecasts for future revenues and expenditures.

As a starting point in the development of the 2016-2017 budget, the General Fund Five-Year Forecast was issued in February 2016. For the General Fund, revenues and expenditures are projected to remain in very close alignment over this five-year period, with variances of less than 1% annually. This includes a small surplus in the first year followed by shortfalls in the remaining four years. This is an extremely tight tolerance that constrains our ability to restore service levels as quickly as we would like, and it limits our ability to make long-term investments for maintenance and replacement of essential infrastructure.

Given the constrained outlook, this budget takes a multi-year approach with funding set aside in 2016-2017 to address the projected shortfall in 2017-2018. It also holds the line with a limited number of new proposals in strategically important areas. It maintains existing service levels, enhances service delivery in limited areas, invests in our infrastructure, avoids service cuts, and continues to provide incremental increases in employee compensation in order to remain competitive as an employer in this challenging labor marketplace.

Although our budget outlook is relatively stable, it is not robust; the City continues to face a long-term "service level deficit." Unless we can secure a significant new source of revenue, we do not expect our resources to grow in a manner that will allow the City to fully restore services to pre-recession levels. We can expect ongoing significant budgetary challenges and uncertainties, and we likely will continue to fall short of community and employee expectations.



Community Budget Meetings

May 2 – May 26

Budget Decision Milestones

May 11-16

City Council Study Sessions on 2016-2017 Proposed Budgets

May 17/June 13

Public Hearings on the 2016-2017 Proposed Budgets and Fees and Charges

June 3

2016-2017 Mayor's June Budget Message Released

June 14

City Council Review and Approval of the 2016-2017 Mayor's June Budget Message

June 21

Adoption of the 2016-2017 Capital and Operating Budgets, 2017-2021 Capital Improvement Program, and the 2016-2017 Fees and Charges

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

The City Council has placed a Sales Tax measure on the June 2016 ballot for voter consideration. If approved by a 50 percent plus one majority of voters, this one-quarter cent sales tax measure would provide an estimated \$40 million annually to address the significant funding needs, with \$30 million generated in the first year given the implementation date of the measure. The City will also continue, of course, to seek out innovative ways to efficiently deliver services with the available resources, and to pursue creative opportunities to work with other public and private organizations to leverage our limited resources and achieve service delivery goals.

General Fund Budget

Over the next five years, a small surplus is projected in 2016-2017, followed by small shortfalls in the remaining four years as shown in Table 1 below. These variances represent less than 1% of the projected General Fund budget (revenues and expenditures). As with any forecast, these variances could easily change in either direction in response to the economy, changes in projected expenditures, particularly in salary levels and retirement costs, or other factors beyond the City’s control. The Administration will continue to evaluate financial trends and other changes that could affect the City’s financial situation.

2017-2021 General Fund Forecast Incremental Surplus/(Shortfall) (\$ in millions)¹ (Table 1)					
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Incremental Surplus/(Shortfall)	\$6.9 M ²	(\$11.1 M)	(\$15.8 M)	(\$4.2 M)	(\$4.8 M)
% of Annual Budget (Revenues and Expenditures)	0.3%	(0.5%)	(0.7%)	(0.2%)	(0.2%)

¹ Does not incorporate impacts associated with any new revenue measures; the implementation of the alternative pension reform settlement framework agreements approved in August 2015 and December 2015 with the City’s bargaining units; costs associated with services funded on a one-time basis in 2015-2016; costs associated with restoration of key services (police, fire, community centers, and street maintenance) to January 1, 2011, levels; costs associated with the Police Staffing Restoration Strategy (to increase the number of budgeted sworn officers from 1,109 to 1,250 positions); costs associated with unmet/deferred infrastructure and maintenance needs; or one-time revenues/expenses.

² This figure excludes the Development Fee Programs and was revised from the \$5.7 million surplus presented in the February 2016 Forecast as a result of the continued analysis and updating of projected revenues and expenditures. With no surplus or shortfall in the Development Fee Programs, the General Fund surplus addressed in the 2016-2017 Proposed Budget remains at \$6.9 million.

Focused Approach to Address Priority Community and Organizational Needs

The Proposed Budget balances many competing community and organizational needs and maintains the City’s strong commitment to budget stability. Consistent with the Mayor’s March Budget Message for Fiscal Year 2016-2017, as approved by the City Council, as well as other City Council priorities, recent community outreach and surveys, and other departmental and organizational priorities, major actions recommended in the Proposed Operating Budget, across all funds, will focus on the following priority themes:

- ✓ **Save** (setting aside resources to ensure fiscal stability)
- ✓ **Invest and Innovate: Safety** (investments that address public safety needs)

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ✓ **Invest and Innovate: Economic Opportunity** (investments that expand opportunities for our residents and businesses)
- ✓ **Invest and Innovate: Our Future** (investments that better position the City moving forward)
- ✓ **Invest and Innovate: Our Community** (investments that support a vibrant community)
- ✓ **Invest in Making San José America’s Most Innovative City:** (investments that support innovation and strategic partnerships as well as increase transparency and community input)

Key City Service Area Priorities

Although most of this budget message describes changes and new proposals that address incremental improvements, it is important to keep in mind that most of the City’s budget is allocated to delivering basic services, year after year. In the context of a one-billion-dollar General Fund budget and a two-billion-dollar operating budget, only a small percentage is allocated to new proposals. The overwhelming majority of the City’s limited resources are dedicated to the daily effort to serve and protect our community and the people of San José.

The City has structured its operations in “City Service Areas” (CSAs) that encourage interdepartmental coordination of efforts, resources, and goals. Although more detail about CSA priorities and goals are included in the overall budget document, key operational priorities, issues, and trends in these CSAs are briefly described here:

- ***Community and Economic Development.*** The goal of this CSA is to develop and strengthen the community’s economy; nurture a safe, attractive, and vital community; and encourage a broad range of housing options. The key priorities in this CSA include:
 - Engage, assist, recruit, and nurture businesses that can create jobs and expand the City’s tax base to support essential public services.
 - Support cultural vibrancy and economic vitality through community arts organizations, cultural facilities, and special events working with community partners to leverage City resources.
 - Continue to implement the City’s “Envision San José 2040 General Plan” and other plans through the creation of urban villages, active community partnerships, and ongoing relationships with neighborhoods and the development community.
 - Further enhance the experience of customers interacting with the full range of Development Services by ensuring that staffing, systems, and standards are responsive and timely.



2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- Collaborate with *Destination: Home* and other community and government partners to advance toward the goal of ending chronic homelessness in San José and Santa Clara County through a regional strategic planning process, services, and investments.
- Implement a Rapid Rehousing Program that will provide supportive housing services in order to relocate people to safer, healthier, and sustainable conditions.
- ***Environmental and Utility Services.*** The San José Green Vision encompasses a range of services and projects related to waste and recycling management; water supply management including administering clean, drinking water, recycled water, watershed protection, and wastewater treatment; and energy initiatives to protect the environment and quality of life in the community. The key priorities in this CSA include:
 - Oversee programs to collect, recycle, and dispose of solid waste to maximize diversion from landfills, minimize inefficient use of limited natural resources, and protect public health, safety, and the environment.
 - Support critical utility systems, sustainable infrastructure, innovative energy initiatives, and conservation behaviors across the San Jose community through public education, public-private partnerships, and leadership through the City’s Green Vision.
 - Promote the health of the San Francisco South Bay watershed, the waters of the Bay, and its tributaries through the collection, treatment, and management of wastewater and stormwater runoff through advanced wastewater treatment, litter and pollution prevention programs, and public education.
- ***Neighborhood Services.*** Libraries, parks and recreation, animal care and services, and code enforcement comprise this CSA, with the common goal of fostering healthy, vibrant, engaged, and secure neighborhoods. The key priorities in this CSA include:
 - Operate a resourceful and efficient model of public library services to ensure public access to a wide range of materials, information, and technology through its system of branch libraries and the main Dr. Martin Luther King, Jr. (MLK) Library. The priority in the coming year will be continuing the success of the new model of libraries operating at six days a week, with the increased use of volunteers, staff, and technologies including a new mobile technology vehicle, one of the first of its kind. In 2016-2017, the Library will also expand educationally-focused services throughout the library system and implement a new business and career center at the MLK Library.



2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- Animal Care and Services will focus on health and safety services, such as calls related to aggressive and injured animals, and shelter services that continue to provide low-cost and free spay and neuter services and animal adoption service.
- Neighborhood clean-ups will continue to be available throughout the city to ensure convenient methods of reducing trash and illegal dumping.



- Parks, Recreation and Neighborhood Services (PRNS) will continue to use a multi-service delivery community center “hub” model that ensures that core services and recreation options remain available for residents of all ages throughout the community, along with services provided by community partners at 39 re-use sites. PRNS will also continue to support opportunities for outdoor leisure activities through the operation of several regional parks.

- PRNS will continue to support and operate the Mayor’s Gang Prevention Task Force Youth Intervention programs, services, and partnerships to improve neighborhood safety.
- Code Enforcement field inspection staff will continue to respond to Emergency and Priority complaints within 24 and 72 hours, respectively.



- **Public Safety.** Although Police and Fire services constitute the bulk of the City’s investment in public safety, other departments and programs also contribute to the safety of the community. The key priorities in this CSA include:

- Provide effective and timely police and fire response to high-priority calls for service from the community in order to protect the safety, health, and property of San José residents and businesses.
- Enhance the use of data and analytics to increase the efficiency and effectiveness of police and fire staff, equipment, and systems to serve the community.



- Focus on community preparation through crime prevention, emergency preparation, and fire prevention to reduce the risk to life, health, and property in partnership with neighborhoods and businesses.
- Focus on the recruitment and retention of qualified police officers and firefighters to meet authorized staffing levels.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- **Transportation and Aviation Services.** This CSA supports the planning, development, and operation of efficient transportation services that serve the people and economy of San José and Silicon Valley. The key priorities in this CSA include:

- Operate Mineta San José International Airport in order to cost-effectively meet the needs and expectations of the residents and businesses of Silicon Valley, develop additional air service to connect our community with priority destinations, and ensure that the Airport continues to meet all appropriate safety and security requirements.

- Focus limited resources available for street and infrastructure maintenance on the highest priorities and facilities that have the greatest use and economic significance, and continue to seek additional resources through grants and partnerships.



- Continue efforts to protect lives and property of San José residents through safety engineering and education.
- Continue planning for future infrastructure needs to determine resource requirements, funding alternatives, and work in partnership with neighborhoods and the business community to achieve an appropriate balance of effort.

- **Strategic Support.** The overall ability of the City to provide quality and effective services depends on strategic support services, such as information technology, human resources, public works, and financial services, to ensure consistency and efficiency throughout all City departments. The key priorities in this CSA include:

- Attract and retain well-qualified City employees, who can consistently provide efficient services through skill, innovation and creativity, and effective and competitive recruitment and selection processes.
- Ensure that the City's finance and technology systems are protected, upgraded, and aligned with the changing needs of government processes, community expectations, and City resources.



- Oversee the City's capital projects to ensure on-time and on-budget delivery of facilities that meet the needs of both the community and City staff. Continue to maintain the City's buildings and other infrastructure to ensure a safe environment for the community and employees.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

Total Proposed Budget

In the 2016-2017 Proposed Budget, the total net funding is \$2.9 billion for all City funds (General, Special, and Capital). This is \$275.0 million (8.6%) below the 2015-2016 Adopted Budget (Table 2 below). The Proposed Budget, however, does not yet include funds that will be rebudgeted and added to the final Adopted Budget to complete multi-year projects. Once these rebudgets are included, it is anticipated that the 2016-2017 Adopted Budget will exceed the 2015-2016 Adopted Budget.

2016-2017 Proposed Budget — All Funds (Table 2)			
	2015–2016 Adopted	2016–2017 Proposed	% Change
General Fund	\$ 1,215,409,515	\$ 1,090,183,333	(10.3%)
Special Funds	1,603,506,240	1,707,008,964	6.5%
<Less: Operating Transfers>	(614,133,445)	(599,750,381)	(2.3%)
Net Operating Funds	2,204,782,310	2,197,441,916	(0.3%)
Capital Funds	996,722,294	728,901,862	(26.9%)
<Less: Capital Transfers>	(11,317,000)	(11,123,000)	(1.7%)
Net Capital Funds	985,405,294	717,778,862	(27.2%)
Total	\$ 3,190,187,604	\$ 2,915,220,778	(8.6%)

Position Impacts

This Proposed Budget includes increases to staffing levels to support a variety of activities, such as the development fee programs, the Water Pollution Control Plant capital program, continuation of one-time activities funded in 2015-2016, and limited enhancements to other critical services. Overall, the level of staffing will increase by a net 154 positions (a total of 20 positions are one-time funded), from 5,945 full-time equivalent positions in the 2015-2016 Adopted Budget to 6,099 positions in the 2016-2017 Proposed Budget, as shown in Table 3 below. This 2.6% increase still leaves City staffing well below its peak of almost 7,500 positions in 2001-2002.

Changes in Position Count (All Funds) from 2015-2016 Adopted to 2016-2017 Proposed Budget (Table 3)	
2015-2016 Adopted Budget	5,945 positions
2016-2017 Base Budget Changes	-13 positions
2016-2017 Proposed Budget Changes – General Fund	23 positions
2016-2017 Proposed Budget Changes – General Fund (offset by revenues, reimbursements, or net-zero shifts)	97 positions
2016-2017 Proposed Budget Changes – Other Funds	47 positions
Total Net Position Changes	154 positions
2016-2017 Proposed Budget	6,099 positions

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

Employee Compensation

As a service organization, City employees are critical in the delivery of quality services to our community. In order to maintain service level stability, it is very important that we retain and attract quality employees. In recognition of this important goal, the 2016-2017 Proposed Budget includes funding of \$25.3 million in the General Fund (\$33.5 million in all funds) for salary increases, as shown in Table 4 below.

2016-2017 Proposed Budget Funding for Salary Increases (Table 4)		
	General Fund	All Funds
General Wage Increases	\$ 21.0 M	\$ 27.2 M
Automatic Step Increases	2.0 M	2.5 M
Management Pay for Performance	1.5 M	3.0 M
Employee Market Competitiveness Reserve*	0.8 M	0.8 M
2016-2017 Salary Increases	\$ 25.3 M	\$ 33.5 M

* Funding set aside for Employee Market Competitiveness is subject to meet and confer with the City's bargaining units.

Balancing the Budget

As displayed in Table 5 on the following page, the 2016-2017 Proposed General Fund Budget Balancing Plan includes recommendations that allocate a \$6.9 million surplus. This table shows the matrix of balancing strategies and the dollars associated with each action. A complete discussion of the balancing strategies can be found in Attachment A and throughout the Proposed Budget. Attachment B also responds to the directives contained in the Mayor's March Budget Message for Fiscal Year 2016-2017 that was approved by the City Council on March 29, 2016. Proposed Budget actions that respond to City Auditor referrals requiring additional funding are described in Attachment C.

As discussed earlier, in preparing the 2016-2017 Proposed Operating Budget, the Administration followed the direction provided in the Mayor's March Budget Message for Fiscal Year 2016-2017 as approved by the City Council, incorporating the priorities and investments identified in that message. It also considers other City Council priorities, recent community outreach and surveys, other departmental and organizational priorities, and forecasts for future revenues and expenditures. In addition, the Administration followed the Budget Balancing Strategy Guidelines contained in the City Manager's Budget Request for Fiscal Year 2016-2017 that were adopted by the City Council as part of the approval of the Mayor's March Budget Message for Fiscal Year 2016-2017. Also, the Proposed Budget was informed by the City Council-approved Guiding Principles for Restoring City Service Levels and the City-Council approved City of San José Budget Principles. These guidelines and principles are included in Exhibit 1 to this message.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

2016-2017 Proposed Operating Budget General Fund Budget Balancing Plan (in 000's) (Table 5)		
	2016-2017	Ongoing
2016-2017 General Fund Surplus	\$ 6,935	\$ 6,935
Balancing Strategy		
Source of Funds		
Beginning Fund Balance:		
Sales Tax – State Triple Flip Wind Down	\$ 12,100	\$ 0
2016-2017 Police Department Overtime Reserve	5,000	0
Police Department Vacancy Savings	5,000	0
Property Tax – Educational Revenue Augmentation Fund Excess	4,600	0
Development Fee Program Reserves	3,892	2,635
Cultural Facilities Capital Maintenance Reserve	3,708	0
Police Department Staffing/Operations Reserve	1,596	0
Employee Market Competitiveness Reserve	1,250	0
Staffing for Adequate Fire and Emerg. Resp. (SAFER) Grant Reserve	676	0
Other Revenue/Expenditure Savings/Reserve Liquidations	910	0
Grants/Reimbursements/Fees		
PRNS Fees (e.g., Comm. Ctr. Rentals and Progs. HHPZ, Leininger)	1,918	2,015
Medical Marijuana Regulatory Program	533	792
Library Fines and Fees	(135)	0
Other Fee Programs/Reimbursements/Grants	1,065	494
Overhead Reimbursements/Transfers from Other Funds	1,138	698
Subtotal Source of Funds	\$ 43,251	\$ 6,634
Use of Funds		
Service Level Enhancements	\$ 13,785	\$ 2,258
Unmet/Deferred Technology, Infrastructure, and Maintenance	10,948	195
2015-2016 One-Time Funded Services	9,104	88
Earmarked Reserves (e.g., Budget, Essential Services, SVRCS)	8,426	200
2017-2018 Future Deficit Reserve	4,131	6,935
Development Fee Programs	3,331	2,201
Other Fee Programs/Grants/Reimbursements	2,405	2,261
New Infrastructure/Equipment Operations and Maintenance	1,787	2,160
Use of Reserves (e.g., Cultural Fac., Committed Add., Def. Maint.)	(2,664)	(2,154)
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(1,067)	(575)
Subtotal Use of Funds	\$ 50,186	\$ 13,569
Total Balancing Strategy	\$ (6,935)	\$ (6,935)
Remaining Balance	\$ 0	\$ 0

Detailed information regarding budget proposals and associated performance results is included in the sections for specific City Service Areas, City Departments, Council Appointees, and City-Wide.

Strategic Investments

Following is a discussion of some of the most significant budget actions in the Proposed Operating Budget. These recommended actions, across all funds, are organized by the priority themes as shown below. Those items that respond to direction in the Mayor's March Budget Message for Fiscal Year 2016-2017, as approved by the City Council, are designated *Mayor's March Budget Message* at the end of the description.

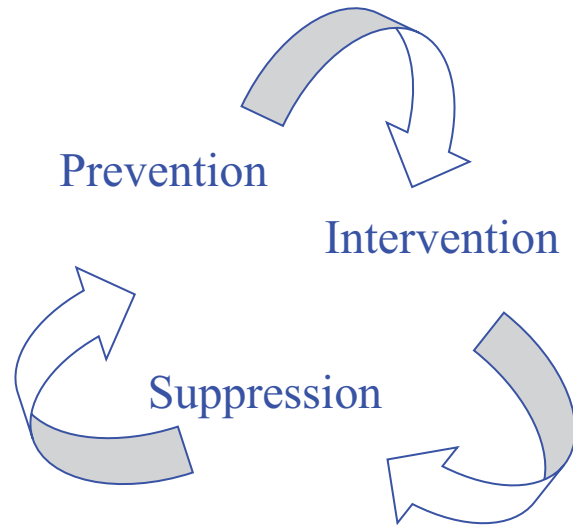
SAVE

(setting aside resources to ensure fiscal stability)

- ***2017-2018 Future Deficit Reserve*** – Sets aside funding in a 2017-2018 Future Deficit reserve to fully solve the projected 2017-2018 General Fund shortfall projected in the 2017-2021 General Fund Five-Year Forecast. This reserve consists of a combination of one-time (\$4.1 million) and ongoing (\$6.9 million) funding. (Mayor's March Budget Message)
- ***Budget Stabilization Reserve*** – Adds \$2.5 million to the Budget Stabilization Reserve (to bring the total reserve to \$12.5 million once the funding of \$10.0 million is rebudgeted from 2015-2016 and included in the Adopted Budget) to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. (Mayor's March Budget Message)
- ***Contingency Reserve*** – Adds \$1.0 million to the Contingency Reserve (to bring the total reserve to \$35.5 million) to ensure compliance with the 3% funding requirement for the 2016-2017 General Fund Budget.
- ***Securing Future Savings in Pension and Retiree Healthcare Costs*** – Adds one-time funding of \$55,000 for polling costs related to a November 2016 Ballot measure to implement the Alternative Pension Reform Settlement Framework Agreements recently negotiated with all bargaining units. (Mayor's March Budget Message)

INVEST AND INNOVATE: Safety
(investments that address public safety needs)

- **Police Overtime** – Increases the Police Department overtime budget by \$5.0 million, from a Base Budget level of \$12.5 million to \$17.5 million, offset by the use of a \$5.0 million Police Overtime Earmarked Reserve that was proactively established with the approval of the 2015-2016 Mid-Year Budget Review. Although the Department is conducting police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2016-2017 with approximately 190 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed to continue backfilling for vacant patrol positions, maintain targeted enforcement of high crime activity through suppression cars, conduct high profile investigations, and backfill for civilian vacancies as needed.



- **Downtown Police Foot Patrol Program** – Increases the Police Department overtime budget by \$580,000 to continue the Downtown Foot Patrol program for an additional year. This program was implemented in 2013-2014 to enhance safety and security, support ongoing surveillance and apprehension projects, and allow specialized units such as the Downtown Services Unit to focus on high crime activity. This program will continue to deploy four Police Officers and one Police Sergeant on a 5 hours per day, 5 days per week schedule to address concerns that were raised from businesses and the public regarding safety levels downtown.



- **Police Recruitment Services** – Continues one-time funding of \$325,000 for recruiting for sworn and civilian vacancies, bringing total funding to \$425,000. This funding will be used to attend job fairs and recruiting events; conduct targeted radio, print, and social media marketing; and outreach in publications, community colleges, and military agencies. (Mayor’s March Budget Message)

- **Police Body Worn Camera Program** – Adds 3.0 ongoing positions (1.0 Senior Crime and Intelligence Analyst, 1.0 Analyst II, and 1.0 Training Specialist), 2.0 temporary positions (1.0 Office Specialist II and 1.0 Training Specialist) through June 30, 2017, and \$814,000 in non-personal/equipment funding to implement a Body Worn Camera Program. The Police Department plans phasing in the issuance of body cameras as part of their regular required uniforms for sworn positions. Funding for this program was

2016-2017 PROPOSED OPERATING BUDGET MESSAGE


included in the 2017-2021 General Fund Forecast and set aside in an Earmarked Reserve.

- ***Medical Marijuana Control Division Staffing and CEQA Review*** – Adds 2.0 positions (1.0 Division Manager and 1.0 Senior Office Specialist) to the Police Department and establishes the Division of Medical Marijuana Control to coordinate regulatory efforts across multiple departments and agencies. These positions, along with existing positions in the Attorney’s Office, and Police, Finance, and the PBCE Departments will regulate the 16 registered collectives. Funding of \$250,000 is also added to support the California Environmental Quality Act (CEQA) review of medical marijuana growing facilities.
- ***Police Department AIR2 Helicopter Engine Replacement*** – Provides one-time funding of \$535,000 in the State Drug Forfeiture Fund to overhaul the helicopter engine to allow continued use of the helicopter during the overhaul process. The engine replacement should extend the life of the existing helicopter by up to three years until funding is identified to purchase a new helicopter. (State Drug Forfeiture Fund)
- ***Civilian Leadership in the Police Department Bureau of Technical Services*** – Adds 1.0 Deputy Director position to the Police Department’s Bureau of Technical Services to assist in implementing data analytics tools to advance predictive policing strategies that will help reduce high-frequency and geographically focused crimes, such as burglary and drug-dealing. To provide workload capacity for the Assistant Police Chief, the existing Deputy Police Chief position assigned to the Bureau of Technical Services will be relocated to the Office of the Chief to oversee various units such as vice, gaming, and internal affairs. (Mayor’s March Budget Message)
- ***Police Business Permit and Licensing System*** – Provides one-time funding of \$500,000 to replace the Police Department’s antiquated Business Permit and Licensing software to increase efficiency and accuracy for the Permit Unit’s operation.
- ***Master Address Database*** – Adds 1.0 Information Systems Analyst, limit-dated through June 2018, and contractual services funding to implement a Master Address Database to be used city-wide. A Master Address Database can improve fire and police response times, enable better use of data analytics to assess and improve service delivery, streamline staff work time, and improve the City's ability to become more innovative, as address information is a major backbone for these efforts. (Mayor’s March Budget Message)
- ***Police Intelligence Technology Enhancements*** – Provides ongoing funding of \$25,000 for the Police Department’s Special Investigations Unit to invest in technology that will increase efficiency in location-based social media intelligence gathering in order to deter criminal activity. New technologies can allow the Department to understand what is happening at a given location in real time. (Mayor’s March Budget Message)
- ***Gang Investigations Technology Enhancements*** – Adds one-time funding of \$21,000 for a bridge software program, creating efficiencies within the Police Department’s Gang Investigations Unit by significantly reducing the current manual review process. This bridge software will electronically connect between the Police Department’s records management system and the statewide shared gang database to help identify possible gang-related entries. (Mayor’s March Budget Message)
- ***Anti-Human Trafficking Program*** – Adds ongoing funding of \$50,000 to continue support for the South Bay Coalition to End Human Trafficking coordinator contract.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***Crime Prevention Meeting Space*** – Adds one-time non-personal/equipment funding of \$10,000 to offset rental costs for City and non-City facilities in order to support neighborhoods that do not have or cannot afford a location to host Neighborhood Watch meetings. This action will expand the Neighborhood Watch program in lower income neighborhoods. (Mayor’s March Budget Message)
- ***Domestic Violence Prevention Program*** – Adds \$15,000 to fund events that bring awareness and support to domestic violence prevention and support programs in the City. This funding will augment services provided by the Police Department Family Violence Unit and includes support for the Domestic Violence Conference and other prevention and awareness events and activities.
- ***Silicon Valley Regional Communications System Reserve*** – Increases the Silicon Valley Regional Communications System (SVRCS) Reserve by \$1.4 million, which fully funds the City’s portion of the infrastructure buildout for SVRCS of \$7.5 million. The City’s total one-time need for SVRCS is \$24.6 million (\$7.5 million for the infrastructure buildout, \$14.6 million for new radios, and \$2.5 million for new dispatch consoles), with a total unfunded need of approximately \$4.3 million (\$2.0 million for radios and \$2.3 million for dispatch consoles).
- ***Police Department Staffing/Operations Reserve*** – Allocates \$1.6 million of the existing Police Department Staffing/Operations Reserve (\$2.5 million) to fund additions that support Police Department staffing and operations, including the Downtown Foot Patrol (\$580,000), Police Business Permit and Licensing System (\$500,000), expanded Police Recruiting program (\$325,000), Municipal Garage Lighting (\$85,000), Anti-Human Trafficking Program (\$50,000), Gang Investigations and Intelligence Technology Enhancements (\$46,000), and Crime Prevention Program Meeting Space (\$10,000).
- ***San José Works*** – Adds one-time funding of \$1.5 million to continue the San José Works youth initiative effort, which focuses on strengthening the City’s partnerships, such as those through the Mayor’s Gang Prevention Task Force, to identify, recruit, train, and place at-risk youth in jobs. This initiative targets youth in gang and crime hot spots and offers economic opportunity for the City’s young residents. The initiative started in 2015-2016, as directed in the Mayor’s March Budget Message for that year, as approved by City Council. The program is implemented by the work2future program in partnership with the Parks, Recreation and Neighborhood Services Department. Under the 2015-2016 program, 234 youth were placed in a five-week subsidized work program, 188 youth were placed in community centers, libraries, and community-based organizations, and 46 older youth were placed with private employers, including Jabil, TiVo, and PG&E. The retention rate of youth in the program was 94%, exceeding typical retention rates of approximately 75% for similar programs. Encouraged by the success of the 2015-2016 program, the 2016-2017 program is being expanded to serve up to 1,000 youth and young adults ages 14-29. The subsidized employment component of the program will help a total of 500 youth (ages 14-17) through three six-week sessions (summer, fall, and winter/spring), while the unsubsidized component will place approximately 500 young adults (ages 18-29) into employment opportunities with private companies. (Mayor’s March Budget Message)

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***Using Technology to Improve Emergency Response*** – The 2016-2017 Proposed Capital Budget includes \$1.3 million for an Internet Protocol (IP)-based alert system for the Fire Department. IP-based alerting with text-to-speech broadcasts are expected to reduce emergency response times. The IP system allows the broadcast event to happen immediately upon the unit assignment with a less than one second delay. This system has been effective in reducing response times by an average of 30 seconds per call during the first year of implementation with other organizations of similar size and call volume to those of the City of San José. (Mayor’s March Budget Message)
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- A photograph showing a San Jose Fire Department ladder truck at a fire scene at night. The truck is white with red lettering that reads "SAN JOSE FIRE DEPT.". A firefighter is visible on the ladder, and the scene is illuminated by the bright orange and yellow flames of the fire.
- ***Fire Information Technology Staffing*** – Adds two positions (1.0 Information Systems Analyst and 1.0 Senior Analyst) and eliminates two vacant positions (1.0 Senior Office Specialist and 1.0 Training Specialist) to better align resources with administrative needs. The Information Systems Analyst will work on developing and implementing various technology initiatives, including the Fire Department’s Information Technology Master Plan, the IP-based alert system, and the Electronic Patient Care Reporting (ePCR) system. The Senior Analyst will manage activities related to the Department’s professional standards, workers’ compensation, disciplinary, and probationary processes and coordinate with the Office of Employee Relations.
 - ***Office of Emergency Services*** – Adds 1.0 Senior Analyst ongoing and 1.0 limit-dated Analyst through June 30, 2017 to support the Office of Emergency Services (OES) by providing financial and grant management. In addition, a one-time increase of \$411,000 in non-personal/equipment funding will provide resources to support the OES and the Emergency Operations Center (EOC), including contractual services for a planning specialist to develop and coordinate the Emergency Operations Plan (EOP), multi-jurisdictional hazard mitigation plans, and the supporting Standard Operating Procedures and Field Operating Guides; replacement of primary equipment at the EOC; and contractual services for emergency planning and support for emergency training exercises.
 - ***Fire Engine 30 and 34/Squad Unit Realignment*** – Adds 6.0 Fire Captain positions and eliminates 6.0 Fire Engineer positions, which redistributes resources from four squad units to provide the permanent staffing complement required to restore two fire engine companies and improve response time performance. The restoration of Fire Engine 30 and 34 will provide needed suppression and water supply capabilities, which are not available with the squad units.
 - ***Fire Department Strategic Diversity Recruitment*** – Provides one-time funding of \$20,000 for temporary staffing to assist the Fire Department with increasing diversity in their recruitment efforts.
 - ***Fireworks: Enforcement and Safer Alternatives*** – Adds one-time funding from the Transient Occupancy Tax (TOT) Cultural Facilities Reserve to continue the Independence Day Celebration Grant program. In addition, the Administrative Citation Schedule of Fines for Certain Violations of the San José Municipal Code, Section 17.12 was amended on April 12, 2015 by the City Council for fire violations, including use of illegal fireworks. This amendment lowers the fine from \$500

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

to \$350 for the first violation, increases the fine from \$700 to \$750 for the second violation, and maintains the \$1,000 fine for subsequent violations within a 12-month period. These amounts are consistent with civil fines for fireworks violations in the County of Santa Clara. (Mayor's Budget Message)

INVEST AND INNOVATE: Economic Opportunity *(investments that expand opportunities for our residents and businesses)*

- ***Opportunity Court*** – The Housing Trust Fund includes \$250,000 of one-time funding to continue to provide homeless services, including case management through the Opportunity Court program. (Mayor's March Budget Message)
- ***Affordable Housing Impact Fees*** – Adds 1.0 Development Officer position in the Low and Moderate Income Housing Asset Fund to support the Multi-Family Affordable Housing Impact Fee Program. The Proposed Budget also includes the shift of funding for 1.0 Development Officer position from the Low and Moderate Income Housing Asset Fund to the Multi-Source Housing Fund to support the Affordable Housing Impact Fee Program. On November 18, 2014, the City Council adopted a resolution that established an Affordable Housing Impact Fee on new market-rate rental housing development of three or more units, which was recently upheld by the Supreme Court. This program is expected to grow to approximately \$20 million annually by 2020. (Mayor's March Budget Message)
- ***Business Improvement District Creation*** – Adds one-time funding of \$100,000 to provide grants or offset costs to support Business Improvement District (BID) formation. A BID provides a vehicle for small property and business owners to make collective contributions to the maintenance, development, and promotion of their commercial areas. Recently, various business associations and commercial areas, such as along Alum Rock Avenue, have expressed interest in creating a BID, yet are concerned regarding the expense of the administrative process. This funding will provide assistance to entities interested in creating a BID in their areas. (Mayor's Budget Message)
- ***Manufacturing Jobs Initiative*** – Adds one-time funding of \$200,000 to continue the Manufacturing Jobs Initiative to incentivize the retrofit of older, vacant industrial buildings by covering the cost of permit approvals. This will provide funds to offset the City's permitting costs and taxes associated with manufacturing production facilities on a first-come, first-served basis for tenant improvement projects of 25,000 square feet or more. This initiative began in 2015-2016, and the funding was able to support four businesses (Space Systems Loral, Hansen Medical, Bentek, and Four In One Co.). It is anticipated that the continued funding will be able to support two to five projects in 2016-2017. The initiative seeks to expand middle-income job opportunities for residents lacking a college or other advanced degree. (Mayor's March Budget Message)
- ***Airport Attraction Program Reserve*** – Adds one-time funding of \$850,000 to establish an Earmarked Reserve to support a city-wide initiative to promote San José as a travel destination in foreign markets. This program is supported by existing funds in the 2015-2016 Cultural Facilities Capital Maintenance Reserve, per City Council direction. A Manager's Budget Addendum will be released later in the budget process that will outline a plan for the use of these funds by the Office of Economic Development and Team San José. (Mayor's March Budget Message)

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***San Jose Sports Authority*** – Adds one-time funding of \$350,000 to the annual funding for the San Jose Sports Authority (SJSA), increasing funding from \$348,200 to \$698,200. To drive additional economic opportunities, the majority of the funding (\$250,000) will go toward attracting an increased number of major sporting events, such as the Major League Soccer All-Star Game, College Football Championship, Figure Skating Championship, WWE/WrestleMania Bid, Amgen Tour of California Bid, and Rugby World Cup. The remaining funds (\$100,000) provide the third and final payment for the Women’s Gymnastics Olympic Trials that SJSA committed to the U.S. Olympic Gymnastics Federation to bring the 2016 Women’s Gymnastics Olympic Trials to San José (to be held July 8-10, 2016). (Mayor’s Budget Message)
- ***Diridon Station Area Planning*** – Adds one-time funding of \$351,500 to continue the coordination and development of the Diridon Station Area Plan (DSAP), as approved by the City Council on June 17, 2014. Of this amount, \$140,000 is from the General Purpose Parking Fund and \$211,500 is from a California High Speed Rail Authority (CHSRA) grant from the \$600,000 total grant award from the CHSRA in 2015-2016. (Mayor’s March Budget Message)
- ***Economic Strategy Activation*** – Adds one-time funding of \$200,000 to perform economic development functions that were previously performed by the San Jose Redevelopment Agency. This funding will be used to support the City’s business attraction, retention, and expansion efforts through marketing communications, business outreach, retail market analysis, and small business support.
- ***Economic Development Pre-Development Activities*** – Adds one-time funding of \$200,000 for Economic Development Pre-Development Activities. Pre-development funds are used to cover a variety of consultant services, studies, and analyses, including appraisals and pro-forma analyses, paying for the necessary development services partners work, economic and fiscal analysis, and property management related costs. The funding is anticipated be allocated to the following projects: Zanker/237 Property (\$75,000); Parkside Hall Development (\$25,000); Singleton Development (\$25,000). A remaining balance of \$75,000 will be available for unanticipated projects that may arise during the year.
- ***Policy and Ordinance Assistance*** – Adds one-time funding of \$250,000 for contractual assistance to help research and draft proposed changes to land use regulations in the San José Municipal Code and land use policy documents in order to facilitate the implementation of action items identified in the Envision San José 2040 General Plan and economic development. The funds will help in drafting proposed code and policy changes, such as those identified in the work program of the General Plan’s Housing Element, phases of the Council-adopted Sign Code Update strategy and various Council-directed priorities, including electronic billboards, super graphics signs, downtown sign district, and an urban agriculture ordinance.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

■ *Development Fee Programs:*

- ***Building Development Fee Program*** – The following resources are added to the Permit Center to improve target cycle times and customer service levels: 2.0 Building Inspector Combination Certified I, 2.0 Senior Permit Specialists, and 1.0 Senior Engineer positions. Funding is also allocated to implement the new Integrated Permit System.
- ***Planning Development Fee Program*** – Adds one-time resources to address continuing high levels of development activity, including 2.0 Planner IV positions, 2.0 Planner II positions and funding for technology improvements.
- ***Public Works Development Fee Program*** – Adds 1.0 Senior Construction Inspector position to address increased activity and workload anticipated for 2016-2017.
- ***Fire Development Fee Program*** – Adds 1.0 Associate Engineer, 1.0 Senior Permit Specialist, and 1.0 Senior Engineer positions to improve performance for plan review, provide assistance to monitor works-in-progress, and to monitor revenues and expenditures.



INVEST AND INNOVATE: Our Future *(investments that better position the City moving forward)*

- ***Children's Health Fluoridation*** – Provides one-time funding of \$250,000 to the Health Trust to assist with securing an additional \$4 million from the State of California for fluoridation efforts in East San José. The Health Trust has spearheaded a public-private fundraising effort, securing \$6 million in funding from Santa Clara County, FIRST 5 Santa Clara County, and its own funds to advance fluoridation in East San José in cooperation with the water retailer. While the United States Center for Disease Control ranks fluoridation as one of the ten most impactful public health achievements in the last century, San José remains the largest U.S. city not completely served with fluoridated water, impacting the dental health of children. (Mayor's Budget Message)
- ***Community Choice Aggregation Study*** – Adds funding of \$300,000 for a technical study to determine the feasibility of launching a Community Choice Aggregation (CCA) in San José, in an effort to achieve the City's renewable energy goals under the Green Vision. (A Community Choice Aggregation is a State-adopted policy that allows local governments to aggregate electricity in order to offer alternative energy supplies.) This study will include information regarding economic viability, an analysis of energy load data and customer base, whether the CCA could provide electricity rates that are competitive with the incumbent utility, governance models, renewable energy scenarios, and employment impact analysis, among other areas of analysis. (Mayor's March Budget Message)
- ***Family College Success Center*** – Adds one-time funding of \$75,000 in the form of a matching grant to the Hispanic Foundation of Silicon Valley to implement the Family College Success Center. This program is designed to boost high school graduation rates and improve college readiness among low-income students. (Mayor's Budget Message)

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***Single Family Dwelling Waste Materials Processing (Phase III)*** – Provides ongoing funding of \$4.0 million for the sorting and processing of waste materials collected from single-family residences, commonly referred to as “back-end processing”, prior to landfill conveyance, with the goals of significantly increasing the amount of materials recycled and diverting waste sent to the landfills. The third phase of this effort will implement this service in an additional 30% of the city, increasing the residences served from 40% to 70%, and will cover single-family residences in the east and north portions of San José. The overall city-wide waste diversion from single-family residences (not including yard trimmings) would increase from 29%, as it was prior to implementing any back-end processing phases, to 60% by the end of 2016-2017. The cost will be partially offset by an anticipated \$1.4 million reduction in disposal costs.

INVEST AND INNOVATE: Our Community *(investments that support a vibrant community)*

- ***Illegal Dumping Rapid Response Program*** – Realigns existing funding (\$150,000 in city-wide funding from PBCE to ESD) and personnel (2.0 Maintenance Worker II positions from DOT to ESD) and adds funding (\$300,000 one-time and \$100,000 ongoing) and personnel (1.0 Supervising Environmental Services Specialist position) to form an enhanced and more concerted response to illegal dumping. The Supervising Environmental Services Specialist will work across the City organization on strategies to focus and coordinate illegal dumping-related activities. The Maintenance Workers will respond to illegal dumping complaints from the public, provide illegal dumping coordination services for waste that cannot be removed by hauler trucks or waste that cannot go to the landfill, address the cleanup of larger dump sites, and oversee labor from the County’s judicial community service programs. The additional one-time (\$300,000) and ongoing (\$100,000) will expand the initial illegal dumping hot spot focus areas to cover the rest of the City for at least three years, increasing from approximately 13 square miles that were covered in the pilot program; continue complaint-driven responses as needed; and consolidate other illegal dumping activities, such as contractor street sweeping and neighborhood clean-up coordination. These activities are part of a larger city-wide effort to help reduce illegal dumping.
- ***Neighborhood-Led Beautification Days*** – adds one-time funding of \$180,000 to expand neighborhood clean-ups by providing for up to six neighborhood-led beautification days for each of the City’s ten Council Districts in 2016-2017. The events would be staffed by Council District staff and neighborhood groups, rather than City departmental staff. Such beautification days enable San José residents to dispose of unwanted items, but also have a broader impact in providing an important tool to deter illegal dumping, reduce criminal activity associated with signs of disorder, and otherwise enhance the quality of life for many struggling neighborhoods. This enhancement will bolster the current city-wide Neighborhood Clean-Up program that rotates through all neighborhoods once every three years. (Mayor’s Budget Message)
- ***Neighborhood Blight Eradication*** – Adds one-time funding to develop a pilot program to provide work experience opportunities for homeless individuals by addressing litter and illegal dumping in highly affected neighborhoods. This proposal stems from a notable City and Downtown Streets Team partnership success of positively engaging the homeless community while combatting blight in both the Downtown and Monterey Highway areas. The funding will support a team of 15 workers, two supervisors, vouchers, supplies and administrative costs and will provide clean-up five days per week. This pilot will fully fund the placed-based

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

neighborhoods, continue the work on Monterey Highway, and expand the program into the Canoas Garden/Evans Lane area, and potentially other priority areas. (Mayor's Budget Message)

- ***Clean Creeks/Healthy Communities*** – Adds funding of \$200,000 annually for a minimum of five years to establish support for non-profit organizations in the community to reduce trash in the City's waterways, support regulatory compliance, and foster community engagement towards clean creeks and healthy community. More specifically, this program will include expanded regular volunteer creek cleanup activities; public engagement, education and outreach; and research that promotes improved understanding of local area conditions, such as sources of pollutants/trash, to guide more effective solutions in the community. This support of non-profit organizations will also support the City's current Trash Plan and help achieve compliance with the trash provisions of the Stormwater Municipal Regional Permit, as well as mitigate past environmental harms.
- ***Cultural Facilities Capital Maintenance*** – Transient Occupancy Tax receipts continue to experience strong growth. As directed in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the growth in General Fund Transient Occupancy Tax receipts over the 2013-2014 actual collection level are set to be set aside in a Cultural and Arts Facilities Capital Replacement and Maintenance Reserve to support capital rehabilitation at City-owned cultural and arts facilities. In this budget, a total of \$845,000 from this reserve is recommended to address the following capital needs: History San José (\$350,000) - replace a ramp and an elevator lift at the Fallon house and replace the fire and intrusion alarm at the Pacific Hotel; Tech Museum of Innovation (\$250,000) – replace an old control module that is linked to the HVAC system; Hammer Theatre Center (\$200,000) – upgrade the HVAC system, electrical, and lighting systems; Mexican Heritage Plaza (\$25,000) – Building Roof Repairs; and Children's Discovery Museum (\$20,000) – replace the skylight (roof window) due to leaks that developed as a result of age. In addition to/or apart from this reserve, several capital improvement projects funded by other dedicated sources for cultural facilities are included in the 2017-2021 Proposed Capital Improvement Program, including: San José Civic Auditorium HVAC Rehabilitation (\$4.4 million); Convention Center Concourse Furniture Replacement (\$500,000); Convention Center Ballroom A Carpet Replacement (\$450,000); Rehab/Repairs – Structures (\$450,000); Rehab/Repairs – Electrical (\$260,000); Rehab/Repairs – Mechanical (\$250,000); Rehab/Repairs – Miscellaneous (\$195,000); and Rehab/Repairs – Unanticipated (\$100,000).
- ***San José Stage Company Publicly-Owned Theater Site*** – Adds \$1.0 million to help secure a permanent, publicly-owned site for the San José Stage Company. The site, formerly owned by the Redevelopment Agency faces the threat of sale, under the requirements of the Successor Agency to the Redevelopment Agency (SARA) and the California Department of Finance. San José Stage Company plans to potentially partner with the City to finance the acquisition and redevelopment of the parcel in order to keep this arts facility in the community. This project is supported by existing funds in the 2015-2016 Cultural Facilities Capital Maintenance Reserve, per City Council direction. (Mayor's March Budget Message)
- ***Vietnamese-American Community Center*** – Adds funding of \$300,000 for planning efforts and to specifically help launch private fundraising for the development of a Vietnamese-American Community Center. Once completed, the Vietnamese-American Community Center will serve as a public gathering space for events, civic dialogue, and for provision of services and information in the Vietnamese language. This project is supported by existing funds in the 2015-2016 Cultural Facilities Capital Maintenance Reserve, per City Council direction. (Mayor's March Budget Message)

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- **Placemaking: Viva CalleSJ and ¡Viva Parks!** – Adds one-time funding of \$290,000 to continue activation efforts with Viva CalleSJ, ¡Viva Parks!, and Plaza de Cesar Chavez events through October 2016. Viva CalleSJ is a free recreational program that closes approximately six miles of scenic San José streets and brings people and the community together to walk, bike, skate, play, and explore the City. The 2016 route will be formally announced as part of National Bike Month



in May 2016. ¡Viva Parks! events are safe and fun for the community and approximately 24 events will be held throughout the summer at various parks in East San José. PRNS will also coordinate daily activation at Plaza de Cesar Chavez that will draw participants during early morning, lunch, and dinner times. Activation activities include, but are not limited to, yoga, games, food trucks, a beer garden, and music. This program is supported by existing funds in the 2015-2016 Cultural Facilities Capital Maintenance Reserve, per City Council direction. (Mayor’s March Budget Message)

- **Parks Rehabilitation Strike Team** – Creates a Parks Rehabilitation Strike Team (7.75 limit-dated positions), which will be funded by the Subdivision Park Trust Fund, as part of a three-year program that will address deferred maintenance and infrastructure backlog issues at parks and recreation facilities. The Parks Rehabilitation Strike Team will concentrate on rehabilitating and refurbishing parks, upgrading irrigation systems, and turf management at reservable sports fields and open spaces that are located within the nexus requirement associated with the use of fees paid by developers.

- **Regional Parks-Monday Opening** – Adds a net 2.5 positions to open regional parks on Mondays, including Almaden Lake, Alum Rock, Emma Prusch Farm, and Overfelt Gardens Parks. As a budget balancing action in 2009-2010, those parks were closed on Mondays, which was traditionally the slowest day of the week. The 2015-2016 Adopted Budget provided one-time funding to re-open Almaden Lake Park and adjacent trails on Mondays. Ongoing funding will allow residents and users of these regional parks access seven days per week.



- **Family Camp Experience for Low Income Families** – Provides ongoing funding of \$25,000 towards the Family Camp Campership Program, which provides a discount to low-moderate income families. Family Camp provides a unique, accessible, and all-inclusive Yosemite wilderness experience for families, and great summer job experiences for local San José youth and young adults. While modest, the cost remains prohibitive for many San José families. This funding enables qualifying low-income families to enjoy the Family Camp experience at no charge or at a reduced price.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE



- **PRNS Fee Activity Program** – Adds new positions and reallocates existing resources to support a variety of programs funded by the existing Fee Activity Programs, offset by fee revenue. This includes the allocation of \$500,000 for the City-wide Scholarship Program to promote affordable access to recreation programs and camps.

- **Gardner Community Center** – Adds one-time personal services and non-

personal/equipment funding through December 2016 to continue youth services at Gardner Community Center. This center is in the Community Center Reuse Program but currently does not have a youth and teen provider. Based on community needs, this addition will allow the PRNS Department more time to secure a reuse operator that will provide youth continued access to safe and supervised activities. By the end of December 2016, PRNS will report to Council with a status update.

- **Library Programs** – Adds 5.33 positions to support the new San José Public Library Works Center, increased and enhanced Early Education programming, continued Library educational partnerships, and new programming at the MLK Library Teen Center.

- **Library Fines and Fees** – Reduces personal services and non-personal/equipment funding by \$135,000 on a one-time basis to offset a projected loss of Library fines and fees revenue of \$135,000. Library fines and fees are recommended to be adjusted on a one-time basis to allow time to assess the ongoing impact, as follows: reduce the Overdue Materials Fine from \$0.50 per day/\$20 maximum per item to \$0.25 per day/\$5 maximum per item; eliminate the Held Materials Fine of \$3; and reduce the handling fee from \$20 to \$10 for Damaged Materials and Lost Materials and Equipment.



- **Animal Care and Services** – adds capital funding \$340,000 to improve separation of dogs and cats and sick and healthy animals in the public animal receiving area; remove and replace some landscaping to improve the appearance of the facility and address a rodent issue; and paint the main public adoption area as reflected in the Proposed Capital Budget. Funding of \$120,000 is also added to purchase one additional animal control vehicle and a mail inserter to support licensing efforts.

- **Downtown Parking Garage** – Adds one-time funding of \$1.0 million in the General Purpose Parking Fund to fund the evaluation, planning and development of an additional parking garage to serve the cultural facilities in the greater Downtown, with priority given to the Diridon Station Area. (Mayor's March Budget Message)

- **Office of Immigrant Affairs** – Establishes a one-time reserve of \$250,000 to set aside funding for the Office of Immigrant Affairs while the Administration, with support of the Welcoming San

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

José Steering Committee, develops a three-year immigrant integration plan that will recommend goals and objectives to create a more welcoming environment and improve the quality of life of immigrants. The Administration will recommend a Welcoming San José Plan (Plan) to the City Council in May 2016 with approval anticipated in June 2016. To ensure the Plan can be implemented, the Administration plans to allocate this reserve to support the program through a Manager's Budget Addendum. This funding will support the implementation of the Plan and the various initiatives proposed, such as language translation and interpretation services, civic engagement, communication, education, workforce development, and connected communities.

- **Essential Services Reserve** – Adds an Essential Services Reserve of \$2.5 million to fund one-time services that are of importance for the community and/or to establish a Participatory Budget Pilot Program for those City Council Districts that wish to opt-in to this program. These funds will be allocated later during the 2016-2017 budget process as part of the Mayor's June Budget Message for City Council consideration. It should be noted that the March Budget Message directed the Administration to establish this reserve at \$2.0 million. However, the Proposed Budget contains a \$500,000 increase to this reserve in order to provide additional flexibility during the City Council budget deliberation process. (Mayor's March Budget Message).

INVEST IN MAKING SAN JOSE AMERICA'S MOST INNOVATIVE CITY (*investments that support innovation and strategic partnerships as well as increase transparency and community input*)

- **Leading Smart City Initiatives** – A new Office of Innovation and Digital Strategy is proposed via the addition of 1.0 Deputy City Manager and 1.0 Senior Executive Analyst, and reassignment of the existing Budget Office Data Analytics Team. The Office will provide oversight, coordination and implementation support for City innovation projects and programs and lead the Administration's effort to support the Mayor and City Council in implementing the Smart Cities Vision. The team will serve as the primary point of contact for new ideas with corporate partners, facilitate the Administration's Civic Innovation Cabinet, and assist staff in preparing and vetting concepts to meet both operational and innovation goals. As San José aims to lead as a smart city and ensure future-ready digital infrastructure for the entire community, this action also provides one-time funding of \$250,000 to begin the process of developing an Information and Communications Technology Masterplan for the City government organization, as well as for the broader San José community. (Mayor's March Budget Message)
- **Transportation Innovation Program Manager** – Adds 1.0 Program Manager I in the Transportation Department to oversee the large demands resulting from technical innovation growth within the transportation industry, and will also serve as a key strategic partner with other departments as well as the point person from the Transportation Innovation Zone. Funding for this position would be provided by the Traffic Capital Program.
- **Silicon Valley Talent Partnership** – Adds one-time funding of \$80,000 to continue work with the Silicon Valley Talent Partnership (SVTP). SVTP is a non-profit organization that engages private sector talent and innovation to solve public sector problems. The SVTP has worked with the City since 2012-2013 on various projects that have benefited both the City and the community. Funding in 2016-2017 will continue support for SVTP and facilitate the City's continued use of private sector resources, as appropriate.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***Human Resources/Payroll/Budget Systems*** – One-time funding of \$500,000 for the Human Resources/Payroll/Budget Systems Upgrades project increases the contingency to help ensure that complex technical issues are addressed, the project meets anticipated go-live dates, and the organization is adequately trained and supported after implementation.
- ***Secondary Data Center Buildout*** – Adds one-time funding of \$250,000 for additional network, power supply and cooling equipment to complete buildout of the City’s only redundant data center, which is housed at the Central Service Yard. A redundant data center ensures the protection of critical City data in the event that the primary data center fails or becomes inaccessible as a result of a catastrophic event.
- ***Virtual Desktop Infrastructure and Windows Upgrades*** – Deletes 3.0 vacant Network Technician I/II/III positions and adds 2.0 Information Systems Analyst positions to more effectively support Virtual Desktop Infrastructure (VDI), the new organization-wide desktop management standard. This more efficient approach centralizes desktop software, security, and patch management to the cloud, and enhances software deployments throughout the organization. Instead of a single technician servicing one desktop at a time, VDI enables the Information Technology Department to standardize and service thousands of desktops from a single location. This new approach requires a greater level of technical expertise than a Network Technician. One-time funding of \$500,000 is also added to upgrade operating system software to Windows 10, bringing consistency throughout the organization, and addressing compatibility and security vulnerabilities inherent in obsolete platforms.
- ***Remote Facilities Network Upgrades*** – Adds one-time funding of \$500,000 to perform network upgrades at the City’s remote facilities, including community centers. For those remote sites that provide wired and wireless access for public and private use, upgrading their network equipment to a single standardized platform significantly reduces the likelihood of security breaches and equipment failure, and reduces Information Technology support demands.

Other Budget Actions

- ***City-Owned Facilities – Capital Infrastructure Improvements*** – Includes new one-time funding for the City Hall HVAC Control System Replacement project (\$5.0 million) and key safety and reliability improvements that address a small portion of the deferred maintenance and infrastructure backlog of municipal buildings, such as Arc Flash Hazard Analysis, City-Wide Building Assessments, City Hall and Employee Garage Security Upgrades, City Hall Audio Visual Upgrade, San José Municipal Stadium Improvements, and Municipal Garage LED Lighting Upgrade as reflected in the 2016-2017 Proposed Capital Budget.
- ***Human Resources Assistant Director*** – With the complex issues facing the Human Resources Department, from employment services to workers’ compensation to benefits management, the addition of 1.0 Assistant Director position is recommended in order to provide support in the planning, organization, and overall direction in the operations of the department. The Assistant Director will assist the Director with long and short-range departmental planning, provide guidance to Division Managers, and allow the Director more capacity for strategic initiatives. The Assistant Director will also participate in negotiations and direct the preparation of agreements and specifications for various types of contracts; act for the director in complex matters; provide support in the preparation, justification, and administration of the departmental and operational

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

budgets; and direct or conduct special studies and reports, providing recommendations and substantive information for policy and decision making.

- ***Workers' Compensation Claims Administration Backlog*** – Provides one-time funding of \$393,000 to increase the third party administrator contract for Workers' Compensation Claims Administration Services (\$300,000) and to continue one-time funding of \$93,000 for the equivalent of 1.0 Workers' Compensation Claims Adjuster position. As part of the Workers' Compensation Service Delivery Model Pilot Program, approximately one-half of the City's workers' compensation claims are administered by a third party and one-half are administered by in-house staff. However, as a result of insufficient in-house staffing, a backlog continues for the claims the City administers. Temporary contractual and staffing resources to alleviate the backlog will enable the Workers' Compensation Program to close outstanding cases and bring the caseload per City claims adjuster closer to industry standards.
- ***Employment Services Division Job Class Specification Updates*** – Continues one-time funding of \$100,000 in the Employment Services Division to continue the review and update of critical job class specifications to address recommendations from the Employee Hiring Audit that was issued last year. It is anticipated that approximately 70 revised job specifications will be completed in 2015-2016; however, there are still over 300 job specifications that will remain to be updated. This funding (combined with an anticipated rebudget) will enable the update of approximately 70 job specifications in 2016-2017.
- ***Employment Services Division Recruitment Staffing*** – Continues one-time funding for 1.0 Analyst II and 1.0 Senior Office Specialist positions through June 30, 2017 to increase the hiring capacity across the City. These positions will help in the filling of vacancies as there are approximately 10%-12% of authorized City positions vacant at the present time. With this action, more recruitments will be able to be conducted concurrently, which will better meet the needs of various City departments by more quickly developing job postings; reviewing resumes; scheduling, conducting, proctoring and scoring examinations; ranking candidates and setting up interviews; and other related recruitment actions.
- ***Legal Transactions Staffing*** – Continues one-time funding for 1.0 Legal Analyst II, limit-dated to June 30, 2017 (\$101,538), to provide vital assistance to the City's attorneys supporting the Planning Division of the Planning, Building and Code Enforcement Department (PBCE). Additionally, this action adds one-time funding for temporary attorney services (\$90,000) to provide training to less experienced attorneys; provide legal services to Planning based on the increased workload in the Planning area; and provide overflow assistance for general transactional assignments. The temporary attorney support will also provide legal support to address Environmental Services issues in regards to the application process for a State Revolving Fund Loan from the California Water Resources Control Board to fund improvements at the Water Pollution Control Plant and provide legal assistance for negotiations on amendments to the Master Agreement for Wastewater Treatment Between City of San José, City of Santa Clara, and Tributary Agencies. The temporary attorney support will also assist with Municipal Water System rate modeling and drought-related issues. This action is funded by the General Fund (\$165,038), the Sewer Service and Use Charge Fund (\$16,300), and the Water Utility Fund (\$10,200), based on their anticipated share of support received from both the Legal Analyst and the temporary attorney services.

2016-2017 PROPOSED OPERATING BUDGET MESSAGE

- ***Successor Agency City Subsidy (Administrative Support)*** – This action reduces funding for the administrative support provided by the Successor Agency to the Redevelopment Agency from \$1,150,000 to \$975,000 to reflect the continued phase out of work performed by existing staff. With the dissolution of Redevelopment Agencies in 2012, Successor Agencies were tasked with winding down operations and overseeing the dissolution process. An annual review of resources will continue in future years.

Fees and Charges Adjustments

The 2016-2017 Proposed Budget includes a range of adjustments to fees and charges. No utility rate increase is recommended for the Storm Sewer Service Charge, but an overall fund increase of 5.5% is recommended for the Sewer Service and Use Charge to address increased operating costs and reserve contributions to support future financing of the Water Pollution Control Plant Capital Improvement Program. For the Recycle Plus rates, a 2.5% increase is recommended for multi-family dwellings, while no change is recommended for single-family dwellings. Currently, Municipal Water System rates are programmed to increase 2.0% to cover increased operating costs. It should be noted that staff anticipates returning to City Council no later than fall 2016 with additional recommendations related to water rates, due to the need to further track ongoing water conservation and its effects on changes in water usage as well as on the sources of wholesale water.

In the four Development Fee Programs (Building, Fire, Planning, and Public Works), no general fee increases are needed to maintain cost recovery. The existing revenue streams in those programs along with the use of portions of the Development Fee Program Reserves are sufficient to support additional staffing to meet service demands and improve customer service in these areas without fee increases.

Other upward and downward adjustments to various fees are proposed to maintain the City's cost recovery as described in the 2016-2017 Proposed Fees and Charges document that is released under separate cover.

Sales Tax Ballot Measure: 2016-2017 Provisional Budget

As directed in the City Council-approved Mayor's March Budget Message for Fiscal Year 2016-2017, the Administration will bring forward a 2016 Sales Tax Ballot Measure: 2016-2017 Provisional Budget as a Manager's Budget Addendum during the budget process. This provisional budget will outline the proposed use of \$30 million in additional revenue that is estimated to be received in 2016-2017 if voters approve a one-quarter cent sales tax measure in June 2016. While the sales tax measure is projected to generate \$40 million annually, the first year figure of \$30 million reflects the October 1, 2016 sales tax effective date if it is passed by the voters. Per the Mayor's March Budget Message, the incremental additions will prioritize public safety services such as police, fire, and gang prevention, and include the funding for other critical services, such as pothole repair, pavement maintenance, and rapid rehousing of the homeless.

While the Sales Tax Ballot Measure: 2016-2017 Provisional Budget will set forth budget proposals for the use of the estimated additional sales tax of \$30 million to be received in 2016-2017, it is recommended that the annual 2017-2018 budget process be used to allocate the ongoing resources of \$40 million if the ballot measure is passed by the voters in June 2016.

Conclusion

This budget represents a continuing and concerted effort by the Mayor and City Council and the Administration to develop a balanced budget that prudently meets priority community goals, especially in light of the continuing constraints on our resources that underlies an ongoing service level deficit. I am proud that we are able to present a budget that includes some modest investments to continue and enhance programs to the community, address a limited number of urgent deferred infrastructure needs, work smarter through the implementation of technology and data analytics, and prudently set aside funding in reserves to better position the City moving forward in alignment with direction provided in the Mayor's March Budget Message for Fiscal Year 2016-2017, as approved by the City Council.

Our continuing commitment to conservative budget discipline and long-term fiscal sustainability remains essential to ensure that we stay on the right track. We all must remain mindful that our position can quickly reverse as a result of factors beyond our control, such as swings in the economy, actions by other levels of government, adverse court decisions, or increases in required contributions to the City's retirement funds. As has been the City's long-standing practice, we must continue the remarkable financial discipline and leadership exhibited by our elected officials, City management, and our outstanding employees. This also includes a commitment to innovation, partnership, and community engagement that can reduce costs and enhance quality as well as an ongoing focus on strengthening our economic foundation that can generate the revenues we need to restore and sustain vital public services over the long term.

Absent new revenues, however, our level of services will remain well below what our community deserves and expects from the City. We also anticipate that the City will not have sufficient resources for all that we would like to do, such as addressing our growing backlog of deferred maintenance for streets and facilities or making strategic capital investments that support operational efficiency. For these reasons, the City Council placed a Sales Tax revenue measure on the June 2016 ballot that has potential to help the City achieve a stronger financial and service position in the future.

Finally, I call attention to our remarkably dedicated and talented City staff who prepare this extraordinary budget document each year. We are extremely fortunate to have such talented and dedicated people, from the front lines of each department to the incredibly hard working staff in the City Manager's Budget Office. They represent the best in public service, and I continue to be inspired by their exemplary commitment to ensure that San José remains the best city it can be for our residents, businesses, visitors, and employees.

Respectfully Submitted,



Norberto Dueñas
City Manager

2016-2017 Proposed Operating Budget

2016-2017 Budget Balancing Strategy Guidelines

1. Develop a budget that balances the City's delivery of the most essential services to the community with the resources available.
2. Balance ongoing expenditure needs with ongoing revenues to ensure no negative impact on future budgets and to maintain the City's high standards of fiscal integrity and financial management. To the extent possible, establish a Future Deficit Reserve in the General Fund to cover any projected budgetary shortfall in the following year as a stopgap measure.
3. Focus on business process redesign in order to improve employee productivity and the quality, flexibility, and cost-effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
4. Explore alternative service delivery models (e.g., partnerships with the non-profit, public, or private sector for out- or in-sourcing services) to ensure no service overlap, reduce and/or share costs, and use our resources more efficiently and effectively. The City Council Policy on Service Delivery Evaluation provides a decision-making framework for evaluating a variety of alternative service delivery models.
5. Analyze non-personal/equipment/other costs, including contractual services, for cost savings opportunities. Contracts should be evaluated for their necessity to support City operations and to identify negotiation options to lower costs.
6. Explore redirecting and/or expanding existing revenue sources and/or adding new revenue sources.
7. Establish a fee structure to assure that operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services, where appropriate.
8. Identify City policy changes that would enable/facilitate service delivery changes or other budget balancing strategies.
9. If ongoing revenues are available, focus investments in the following areas: services included in the 2015-2016 budget on a one-time basis, as appropriate; additions that address significant organizational or community risks; service restorations to the baseline January 1, 2011 service levels previously identified by the City Council in the areas of fire, police, community centers, and street maintenance; and/or additions consistent with the Police Staffing Restoration Strategy.
10. In addition to considering service restorations previously identified by the City Council, take a holistic approach regarding the restoration of services. As outlined in the Guiding Principles for Restoring City Service Levels as approved by the City Council on March 20, 2012, allocate additional resources with the following goals in mind: ensure the fiscal soundness of the City; choose investments that achieve significant outcomes; and improve efficiency and effectiveness of service delivery. Using a multi-pronged approach to restoring direct services, take into consideration the following factors: adequate strategic support resources; adequate infrastructure; service delivery method to ensure efficient and effective operations; service delivery goals and current performance status; service sustainability; and staffing resources.
11. Engage employees in department budget proposal idea development.
12. Continue a community-based budget process where the City's residents and businesses are educated and engaged, as well as have the opportunity to provide feedback regarding the City's annual budget.
13. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.

2016-2017 Proposed Operating Budget

Guiding Principles for Restoring City Service Levels

Ensure the Fiscal Soundness of the City

1. Develop the General Fund budget to support the City's mission and use the City Council-approved Budget Principles to ensure the long term fiscal health of the City (*City of San José Budget Principles*)
2. Ensure services that are restored can be sustained over the long-run to avoid future service disruption (Use Five-Year General Fund Forecast as one tool)
3. If possible, defer adding new permanent positions until new retirement system is in place

Choose Investments that Achieve Significant Outcomes

4. Ensure restored services represent City Council priorities and the highest current need in the community
5. Balance investments among three categories:
 - Restoration of services (public safety and non-public safety services, including critical strategic support services)
 - Opening of new facilities
 - Maintenance of City infrastructure and assets
6. Prioritize baseline service level restorations using performance goals (*Service Restorations Previously Identified by City Council – January 1, 2011 Levels*)
7. Focus funding on areas where there is a high probability of success and/or high cost of failure
 - Focus funding on infrastructure needs where there is a significant increase in cost if maintenance is delayed (such as street maintenance)
 - Focus investments in technology that have the greater return on investment in terms of services to the public and employee productivity

Improve the Efficiency and Effectiveness of Service Delivery

8. Before restoring prior service methods, evaluate options to determine if alternative service delivery models would be more cost effective
9. Ensure strategic support and technology resources are capable of supporting direct service delivery and effective management of the organization
10. Prioritize organizational investments that maximize workforce productivity, efficiency, and effectiveness
11. Pursue opportunities and methods, including performance, to retain, attract, and recognize employees within resource constraints

2016-2017 Proposed Operating Budget

City of San José Budget Principles

The Mission of the City of San José is to provide quality services, facilities and opportunities that create, sustain and enhance a safe, livable and vibrant community for its diverse residents, businesses and visitors. The General Fund Budget shall be constructed to support the Mission.

1) STRUCTURALLY BALANCED BUDGET

The annual budget for the General Fund shall be structurally balanced throughout the budget process. A structurally balanced budget means ongoing revenues and ongoing expenditures are in balance each year of the five-year budget projection. Ongoing revenues shall equal or exceed ongoing expenditures in both the Proposed and Adopted Budgets. If a structural imbalance occurs, a plan shall be developed and implemented to bring the budget back into structural balance. The plan to restore balance may include general objectives as opposed to using specific budget proposals in the forecast out years.

2) PROPOSED BUDGET REVISIONS

The annual General Fund Proposed Budget balancing plan shall be presented and discussed in context of the five-year forecast. Any revisions to the Proposed Budget shall include an analysis of the impact on the forecast out years. If a revision(s) creates a negative impact on the forecast, a funding plan shall be developed and approved to offset the impact.

3) USE OF ONE-TIME RESOURCES

Once the General Fund budget is brought into structural balance, one-time resources (e.g., revenue spikes, budget savings, sale of property, and similar nonrecurring revenue) shall not be used for current or new ongoing operating expenses. Examples of appropriate uses of one-time resources include rebuilding the Economic Uncertainty Reserve, early retirement of debt, capital expenditures without significant operating and maintenance costs, and other nonrecurring expenditures. One time funding for ongoing operating expenses to maintain valuable existing programs may be approved by a majority vote of the Council.

4) BUDGET REQUESTS DURING THE YEAR

New program, service or staff requests during the year that are unbudgeted shall be considered in light of the City's General Fund Unfunded Initiatives/Programs List and include a spending offset at the time of the request (if costs are known) or before final approval, so that the request has a net-zero effect on the budget.

5) RESERVES

All City Funds shall maintain an adequate reserve level and/or ending fund balance as determined annually as appropriate for each fund. For the General Fund, a contingency reserve amount, which is a minimum of 3% of the operating budget, shall be maintained. Any use of the General Fund Contingency Reserve would require a two-thirds vote of approval by the City Council. On an annual basis, specific reserve funds shall be reviewed to determine if they hold greater amounts of funds than are necessary to respond to reasonable calculations of risk. Excess reserve funds may be used for one-time expenses.

2016-2017 Proposed Operating Budget**City of San José Budget Principles****6) DEBT ISSUANCE**

The City shall not issue long-term (over one year) General Fund debt to support ongoing operating costs (other than debt service) unless such debt issuance achieves net operating cost savings and such savings are verified by appropriate independent analysis. All General Fund debt issuances shall identify the method of repayment (or have a dedicated revenue source).

7) EMPLOYEE COMPENSATION

Negotiations for employee compensation shall focus on the cost of total compensation (e.g., salary, step increases, benefit cost increases) while considering the City's fiscal condition, revenue growth, and changes in the Consumer Price Index (cost of living expenses experienced by employees.)

8) CAPITAL IMPROVEMENT PROJECTS

Capital Improvement Projects shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire cost of the project, including the operations and maintenance costs, will not require a decrease in existing basic neighborhood services.

9) FEES AND CHARGES

Fee increases shall be utilized, where possible, to assure that fee program operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services where appropriate.

10) GRANTS

City staff shall seek out, apply for and effectively administer federal, State and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before any grant is pursued, staff shall provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the City. One-time operating grant revenues shall not be used to begin or support the costs of ongoing programs with the exception of pilot projects to determine their suitability for long-term funding.

11) GENERAL PLAN

The General Plan shall be used as a primary long-term fiscal planning tool. The General Plan contains goals for land use, transportation, capital investments, and service delivery based on a specific capacity for new workers and residents. Recommendations to create new development capacity beyond the existing General Plan shall be analyzed to ensure that capital improvements and operating and maintenance costs are within the financial capacity of the City.

12) PERFORMANCE MEASURES

All requests for City Service Area/departmental funding shall include performance measurement data so that funding requests can be reviewed and approved in light of service level outcomes to the community and organization.

13) FIRE STATION CLOSURE, SALE OR RELOCATION

The inclusion of the closure, sale or relocation of a fire station as part of the City Budget is prohibited without prior assessment, community outreach, and City Council approval on the matter.