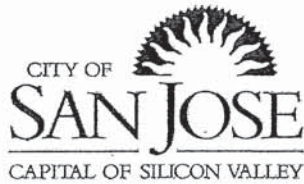


**2016-2017**

---

**OPERATING BUDGET**

**MAYOR'S MARCH  
BUDGET MESSAGE**



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Sam Liccardo

**SUBJECT: MARCH BUDGET MESSAGE  
FOR FISCAL YEAR 2016-2017**

**DATE:** March 18, 2016

Approved:

Date:

3-19-16

## RECOMMENDATION

Direct the City Manager to submit a proposed budget for Fiscal Year 2016-2017 that is balanced and guided by the policy direction and framework of priorities outlined in this March Budget Message.

\* \* \*

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2016-2017 March Budget Message for consideration by the City Council and residents of San José. With Council approval, this initial framework provides the City Manager direction to prepare proposals for the Council's budget deliberations in May, and to formulate the Fiscal Year 2016-2017 Proposed Budget.

## SAVE, INVEST, AND INNOVATE

I propose a simple budgetary direction for this year: tap the brakes. Economic uncertainty abounds, and fiscal projections suggest looming deficits.

A prudent approach requires a focus on saving. We must commit our small surplus to future deficits. We must rebuild depleted reserves. We must secure voter approval to protect the \$3 billion in pension reform savings we negotiated months ago.

Given the economic and fiscal landscape, now is not the time for new programs requiring large, ongoing spending commitments. Any new initiatives—such as my own Smart City Vision—will require either external sources of funding, the delivery of savings through the initiative, or the reduction of other expenditures.

If our voters want to boost spending on City services, they will provide that mandate through the ballot box in June. Otherwise, we should continue to tighten our belts, and to fasten our belts, for an uncertain future.

This budget message does contain some targeted, one-time investments, focused primarily in public safety and issues such as homelessness, blight eradication, and gang prevention. Each of these limited investments shares two common characteristics. First, they involve only the use of “one-time” money for “one-time” expenditures, rather than the creation of new programs that will require ongoing spending. Second, they employ the power of “leverage”—leveraging other resources from the private or philanthropic sectors, or exploiting force-multiplying technology—to enable our scarce public dollars to have greater impact. For example, I propose modest, strategic improvements in technology that can substantially reduce emergency response times, boost gang enforcement and investigations, and enable more cost-effective delivery of basic services.

Through this Budget Message, I seek my colleagues’ support for a strategy of prudent saving, targeted investment, and bold innovation.

### **A Decade of Retrenchment**

The City of San José has weathered a difficult decade characterized by a deep recession and budget shortfalls totaling \$670 million. To confront these chronic deficits, the City reached out to the community for ideas, and conducted extensive fiscal analysis of various options, creating first a General Fund Structural Budget Deficit Elimination Plan in 2008, and then a Fiscal Reform Plan in 2011. The 2011 Plan (“The Plan”) has formed the basis for the City’s strategy of belt-tightening and revenue-building since, targeting the restoration of basic City services back to a level last seen in January of 2011.

The Plan reflected first, a series of difficult actions that the City needed to take to reduce costs. Employees voluntarily agreed to take pay cuts, we negotiated an end to costly sick leave payouts, and, working with our employees, reduced workers’ compensation and health care insurance costs. Difficult negotiations over pension reform ensued, and ultimately stalemated, so we obtained voter approval for a pension reform measure. That measure has remained mired in litigation ever since. What could not be cost-reduced was cut: we eliminated 1,600 positions, laid off hundreds of employees, and enacted a multi-year hiring freeze.

These necessary but painful decisions left us with stark impacts upon our capacity to deliver services—having lost approximately one-third of our workforce through attrition, layoffs, hiring freezes, and retirement. According to our City Auditor, San José currently has 5.7 City employees for every 1,000 residents, the lowest ratio—by a wide margin—among any large City in California, and likely in the nation.

### **Boosting Revenues**

For that reason, the 2011 Plan contemplated the need to stabilize or increase various revenue sources, and provided the impetus going to the voters for a telephone and utility tax, a marijuana business tax, a library parcel tax and (through the VTA) a vehicle registration tax to fund road repair.

Both before and since the 2011 Plan, the City repeatedly poll-tested options for a quarter-cent general sales tax, and an increase in the business license tax. Through over a half-decade of



polling, no variation of any specific tax (with one exception—several years ago) appeared viable through polling. Conversely, a general sales tax increase proved consistently well-supported by voters. The 2011 Fiscal Reform Plan explicitly called for both sales tax and business tax increases, and Mayor Chuck Reed and his fiscal-reform-minded majority strongly supported the Plan.

### Turning the Page: Reaching a \$3 Billion Settlement

Last year brought a new Council, and new union leadership in several positions. We collaboratively negotiated with our employees an end to pension reform battles, saving City taxpayers \$2.97 billion over the next three decades.

These negotiations will produce actual savings greater in scope than those realized by the litigation-constrained Measure B, in large part because the parties have included retiree healthcare in the settlement. That is, by closing the defined benefit retiree healthcare plan to new employees, the settlement saved an additional half billion dollars, as displayed below:

**Table 1 – Alternative Pension Settlement Saving**

	Police & Fire	Federated
Tier 2 Savings	\$1,152 million	\$941 million
Retiree Healthcare	\$244 million	\$249.9 million
Eliminate “Bonus Checks”	\$270 million	\$120 million
<b>TOTALS</b>	<b>\$1.66 billion</b>	<b>\$1.31 billion</b>

Source: City Actuarial Reports, 2015

In November, our voters will consider a ballot measure that will secure these savings against potentially short-sighted decisions by future councils. Based on the language already approved by our public safety unions, that measure will prohibit any retroactive increase in benefits, require voter approval for increases of benefits, and mandate actuarial soundness in plan reporting and management. Voters will also be asked specifically to approve the basic elements of the new, lower-tier pension benefits—including accrual rates, COLAs, and retirement ages—in the event that any changes in state law mandate voter approval of such terms.

### The Path to Restoring Services

Having secured a more stable fiscal position, we can now plot a path to rebuilding our basic services.

Last year, the City took important steps toward restoring services, adding firefighter staffing, restoring library hours to six days a week, and improving retention of police officers and other critical employees by boosting pay. We also enhanced several critical programs, such as the Homeless Rapid Rehousing Program, Homeless Encampment Response Team, San José BEST Program and Safe Summer Initiative, and the Illegal Dumping Team. These actions have demonstrated our commitment to our residents to improve services despite ongoing budgetary constraints.



Nonetheless, City service levels remain far below what residents reasonably expect or deserve. Without very substantial intervention, significant improvement in spending on services appears unlikely in future years, due to long-term fiscal strains, including under-maintained infrastructure, legacy retirement unfunded liabilities, and declining revenue streams. Even in the shorter term, our Budget Office projects almost a half-decade of deficits, albeit modest:

**Table 2 - 2017-2021 General Fund Forecast  
Incremental General Fund Surplus / (Shortfall) \$ in Millions**

2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
\$5.7 M	(\$11.1 M)	(\$15.8 M)	(\$4.2 M)	(\$4.8 M)

Source: 2017-2021 Five-Year Forecast and Revenue Projections for the GF and Capital Improvement Program.

To sharpen concerns, these projected deficits do not account for several fiscal challenges that loom ahead, such as \$1.08 billion in deferred infrastructure and maintenance needs. Moreover, while the Budget Office forecast anticipates an economic slowdown, a more significant—and seemingly inevitable—recession would reduce revenues far more sharply. A substantial recession would forge a much larger hole in the General Fund Forecast. The City’s revenues appear highly sensitive to larger economic forces, and the horizon reveals economic threats that have rattled equity markets, cooled venture capital investment in local tech companies, exposed weakness in China, and mired key global markets—from Europe to Brazil to Japan—in protracted slumps.

### **Saving, Investing, and Innovating**

In light of these uncertainties, the best strategy for the coming fiscal year focuses on saving, investing and innovating. As described below, we need to save. That requires that we dedicate our modest FY 2016-2017 surplus and one-time revenues to offset future shortfalls, and bolster budgetary reserves. Spending those dollars today will only result in sharper reductions in the years ahead, perpetuating the feast-or-famine spending patterns that disrupt services to our residents, and undermine public confidence.

Second, we need to invest. After years of belt-tightening and cost-cutting, restoring services requires revenue growth. On March 8, 2016, the City Council voted 9-2 to place a 1/4 sales tax on the June 7, 2016 ballot. If passed, this measure would generate \$40 million annually to provide a boost to public safety, such as restoring “browned out” fire stations to improve emergency response, and new pavement for miles of crumbling roads.

Finally, we must innovate. The City’s fiscal outlook, combined with the growing demands from our residents for service improvements, requires a new approach. By leveraging technology—particularly through a robust digital strategy—the City can better target scarce dollars for better service delivery, and expand new services on digital and mobile platforms, at far less cost.

Last year, we laid the groundwork for a civic innovation agenda, making long-neglected investments in basic software and IT infrastructure that will enable greater efficiency and transparency across many core functions within City Hall, including customer response, budgeting, business permitting, and finance. The City Manager launched a small (but mighty)



data analytics team that has already demonstrated great value on a host of projects, such as by helping the Transportation Department and SJPD target high-injury-accident corridors for speed enforcement.

I created an Office of Strategic Partnerships and Innovation to secure philanthropic dollars and expertise from local universities, national foundations, and the private sector. We're grateful for the help of many of these partners, including Microsoft, Cisco, Google, Silver Spring Networks, the White House, Carnegie Mellon, San José State University, and Bloomberg Philanthropies. We created a Mayoral Innovation Fellowship Program, leveraging the ideas of bright mid-career and graduate students to work with the City Manager's Office analytics team on a host of projects, such as by identifying efficiencies to improve our parks maintenance program, and to target enforcement against illegal dumping.

This week, I released the City's first Smart City Vision, with the ambition of making San José the most innovative city in the country by 2020. The five strategic goals for this Smart City vision are:

1. **Safe City:** *Leverage technology to make San José the safest big city in America.*
2. **Inclusive City:** *Ensure all residents, businesses, and organizations can participate in and benefit from the prosperity and culture of innovation in Silicon Valley.*
3. **User-Friendly City:** *Create digital platforms to improve transparency, empower residents to actively engage in the governance of their city, and make City Hall more responsive to the complex and growing demands of our community.*
4. **Demonstration City:** *Reimagine the City as a laboratory and platform for the most impactful, transformative technologies that will shape how we live and work in the future.*
5. **Sustainable City:** *Utilize technology to address energy, water, and climate challenges to enable sustainable growth.*

To deliver on this vision, we can no longer view IT as merely a "support function" to our City, but integral to a digital strategy that becomes a core part of how we do business. It requires investment in technology infrastructure, to enable the use of data and benchmarking to spur continuous improvement, and an investment in people, to empower and train our workforce to do more.

### **Discerning Our Community's Spending Priorities**

We do have some limited, "one-time" sources of revenue to address our community's highest priorities, and to make strategic investments in technology that can improve service delivery over the long run. By "one-time," I mean that we cannot depend upon these sources—such as supplemental ERAF funds and "Triple Flip" revenues from the state—in successive years, so we should not rely upon them to launch programs requiring ongoing spending.

In a world of scarce resources, we must prioritize, and our priorities should be strongly informed by the community we serve. We have long relied on surveys as a tool for discerning our community's budgetary priorities, and polling for our recent sales tax measure reveals that public safety remains our residents' highest priority (Table 3), although concerns about homelessness and street maintenance have risen in the public's consciousness.



**Table 3 – Resident Spending Priorities**

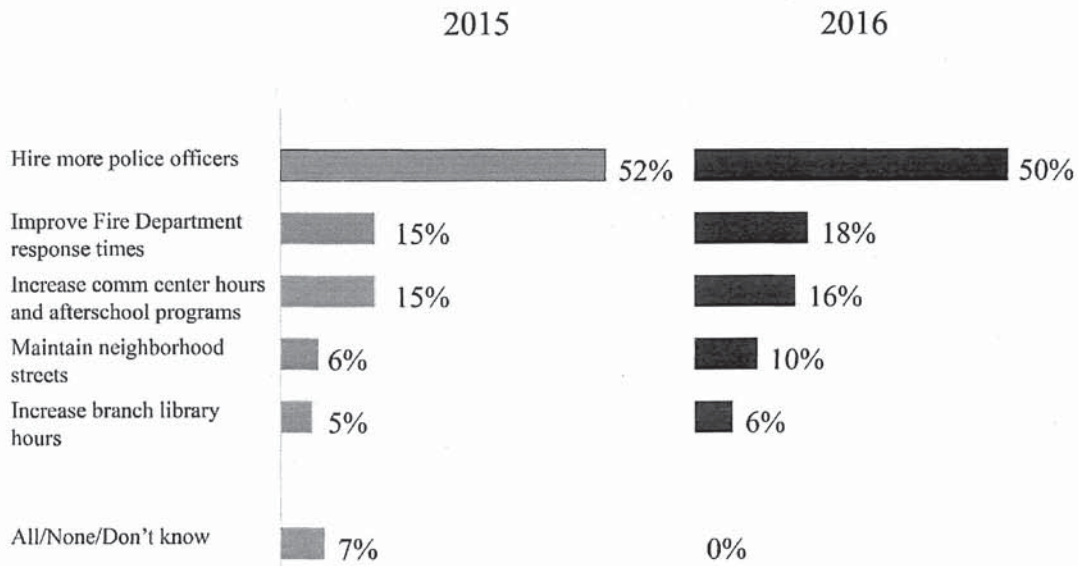
	Priority	Support
1	Improving police response to violent crimes and property crimes, such as burglary	80%
2	Improving emergency medical response	73%
3	Improving response times to fires	72%
4	Improving 9-1-1 response times	72%
	Equipping police with modern technology to help fight crime	67%
	Reducing homelessness	67%
5	Maintaining the long-term financial stability of the City	67%
6	Maintaining and repairing major streets	66%
7	Improve the City emergency preparedness	63%
8	Creating more jobs through economic development	62%
9	Expanding programs to reduce problems associated with homelessness	60%
10	Improving services to seniors	60%

Source: City of San José Finance Measure Survey, November 2015.

In the last year, I have sought to have City Hall engage with our community in new ways. In the FY 2015-2016 Adopted Budget, Council allocated \$100,000 to San José’s first participatory budgeting pilot program, “D3Decides.” Participatory budgeting enables the community to directly identify and spend public dollars for high-priority local projects. Thanks to Councilmember Raul Peralez and his team for rising to this challenge, and working with my Budget Office to design, plan and implement this promising pilot. Currently in the final stages, D3Decides has over 300 residents across District 3 participating and over 1,300 ideas submitted for consideration. Councilmember Peralez and my team will present a summary of the pilot program and its funded projects to the Council during our FY 2016-2017 budget study sessions.

On February 20, 2016, I also hosted the City’s Community Budget Priority Setting Session. Unlike years past, we opened this event to all San José residents. Residents participated in a “live results” exercise prioritizing the City’s core services, which produced results remarkably consistent with past City telephone surveys (Figure 1).

**Figure 1 - City's Highest Priority Comparison**



Source: 2016 Community Budget Survey Results

Conteneo’s team of trained facilitation experts and volunteers also worked with residents in the City’s first “zero-based” budgeting exercise. Teams were given a list of services totaling \$63 million in the FY 2015-2016 budget, which focused exclusively on the objectives of eradicating blight and improving neighborhood aesthetics.

This exercise differed from conventional “prioritization” exercises in one very important way: we instructed participants to build the budget from zero, assuming no program was entitled to the previous year’s base spending. This required residents to make difficult trade-offs, and to appreciate the impact of those decisions. We also gave residents the option of introducing other programs or services to address blight-related issues.

Those results remarkably showed that the approximate rank-order of resident-proposed spending tracked City spending remarkably well:



**Table 4 – Neighborhood Services Zero-Based Budgeting Results**

City Program/Service	FY15/16	Average of Resident Proposed FY 16/17
Parks Maintenance	\$19,200,000	\$18,758,381
City Buildings Maintenance	\$16,300,000	\$12,061,143
Cultural Facilities Maintenance	\$9,600,000	\$8,129,381
Streetscape Maintenance	\$3,000,000	\$2,154,762
Anti-Graffiti	\$1,600,000	\$1,757,762
Code Enforcement: Abatement Officers	\$1,150,000	\$1,670,476
Streetlight Replacement	\$2,100,000	\$1,646,667
Encampment Cleanups	\$1,500,000	\$1,471,667
Free Item Pick-Up	\$1,250,000	\$1,404,667
LED Streetlight Conversions	\$1,300,000	\$1,279,286
City-Led Neighborhood Clean Ups	\$1,325,000	\$1,111,429
Tree Trimming	\$1,050,000	\$1,091,905
Illegal Dumping	\$625,000	\$998,714
Anti-Litter	\$275,000	\$525,619
Sidewalk Repairs	\$375,000	\$504,762
Park Activation	\$700,000	\$438,810
Code Enforcement: Civil Action	\$550,000	\$416,714
Our City Forest	\$375,000	\$365,619
Weed Abatement	\$375,000	\$310,714
Neighborhood Watch Program	\$275,000	\$304,190
Park Volunteer Program	\$350,000	\$290,952
San José Creates and Connects	\$200,000	\$259,200
San José Gateways	\$0	\$251,190
Business District Beautification	\$50,000	\$148,873
Neighborhood-Led Clean Ups	\$50,000	\$135,733
Plaza Activation and Maintenance	\$25,000	\$127,300
Adopt-A-Median	\$0	\$111,905
Police Video Registry	\$0	\$102,381
Adopt-A-Street	\$0	\$15,952
Streetlight Installation/Additions	\$0	\$4,762

Source: 2016-2017 Community Budget Priority Setting Session, February 20, 2016

I have taken note of those areas where residents proposed spending in excess of current budgetary levels, such as Illegal Dumping, Anti-Litter programs, Business District Beautification, Neighborhood-Led Clean Ups, Neighborhood Watch, and the “San Jose Gateways” blight eradication effort. This feedback has provided the basis for several of the recommendations for investment later in this document.

During this exercise, residents also proposed fourteen additional programs for spending, reflected in Appendix B. A strong focus on homelessness emerged from those additional proposals, along with parks (including park acquisition and community gardens) and safety.



As we plan for the next fiscal year, I have considered all of this input, along with feedback from my colleagues, staff, and the community to fashion the budgetary allocations recommended in this Budget. More generally, we can categorize these recommendations as:

1. Save
2. Invest & Innovate: Safety
3. Invest & Innovate: Economic Opportunity
4. Invest & Innovate: Our Future
5. Invest & Innovate: Our Community
6. Invest in Making San José America's Most Innovative City

### **INVESTMENT PRIORITIES**

#### **1. Save**

- a. Future Deficit Reserve:** The City Manager's General Fund Five-Year Forecast identifies a modest \$5.7 million surplus for FY 2016-2017, while the remaining four years show deficits totaling \$36 million in the aggregate. Fiscal responsibility requires that we refrain from spending any of this surplus, and preserve it to reduce projected future deficits. To protect residents from the severe service cuts that have characterized the last two economic cycles, the City Manager is directed to establish a 2017-2018 Future Deficit Reserve, and to allocate the FY 2016-2017 ongoing surplus to that reserve, and allocate that one-time funding to eliminate the \$11.1 million deficit forecast for FY 2017-2018.
- b. Budget Stabilization Reserve:** Our Budget Office forecast reveals General Fund shortfalls for each of the four years beyond next year, including \$11.1 million for FY2017-2018. Over the next half-decade, we should also expect a jolt to City finances from a recession, and our residents will once again have to brace themselves for sharp service reductions. Budgetary reserves typically provide a buffer against severe cuts during tough times, protecting both our residents and our employees. Unfortunately, San José has suffered from inadequate budgetary reserves for decades; last year, the City Auditor issued a report entitled "Fund Balance and Reserves: San José Should Aim to Have Higher Safety Net Reserves Within the General Fund," finding that the City has reserves far below other that of other cities. These reserves (Budget Stabilization Reserve, Contingency Reserve, and the Workers' Compensation/General Liability Catastrophic Reserve) currently equate to approximately 5.5 percent of the General Fund. This falls well below the minimum level recommended by the Government Finance Officers Association (GFOA). In response to this audit, the City Council approved a modification to the City Council Policy 1-18 (Operating Budget and Capital Improvement Program Policy) that established a "safety net" reserve funding goal of ten percent of General Fund operating expenditures. Modest one-time revenues from state "Triple Flip" gas tax and ERAF sources will be available to the City's coffers in FY 2016-2017, but will not continue in future years. After addressing the priorities identified in this budget message, the City Manager is directed to allocate



a portion this one-time funding to the Budget Stabilization Reserve, to move San José toward a 10 percent reserve funding goal.

- c. **Securing \$3 Billion in Future Savings in Pension and Retiree Healthcare Costs:** The imperative to save requires, at the very least, that we stop spending our children's money for them. Recent decades have left the City with a package of promised retirement benefits that burden our children and their progeny with billions of dollars of unfunded liabilities. Those burgeoning debts also caused annual City contribution rates to quadruple over a decade, forcing hundreds of layoffs, hiring freezes, and sharp reductions in City services. Thanks to our hardworking employees and their union representatives, we negotiated a package of pension and retirement benefit reform that will save taxpayers \$2.97 billion over the next generation, and ensuring the financial solvency of those funds. To secure these savings, we must pass a November ballot measure that prohibits future councils from increasing defined retirement benefits without voter approval, and prohibits retroactive increases in those benefits. The ballot language approved by two of our eleven unions thus far—police and fire—implements those safeguards. It also ensures voter approval of the specific elements of new benefit formulas in case a statewide mandate emerges that requires voter sanction. The City Manager is directed to set aside funding for polling, and for the placement of this negotiated measure on the November ballot.

## 2. Invest & Innovate: Safety

- a. **Sales Tax Revenues:** On March 8, 2016, the City Council voted 9-2 to place a 1/4 sales tax measure on the June 7, 2016 ballot. If passed, this measure would generate \$40 million annually (\$30 million in fiscal year 2016-17, because collections would commence October 1, 2016). Given the uncertainty of any measure's passage, however, we must not assume any of these dollars will become available for next year's budget. The Council has already given direction to the City Manager to develop draft spending priorities to guide decision-making for the \$40 million in future years. Even if enacted by the voters, only \$30 million would become available in FY 2016-2017. In the interest of transparency and planning, the City Manager is directed to prepare a provisional budget that would allocate the anticipated \$30 million in revenue in the event that the measure passes. These incremental additions should prioritize public safety services such as police, fire, and gang prevention, and include funding for other critical services, such as pothole repair, pavement maintenance, and rapid rehousing of the homeless.
- b. **Supporting Police Recruitment:** Improving the retention and hiring of police officers remains critical. Last year the Council approved one-time funding for recruitment and backgrounding of future San José Police Officers. The approval of a new wage agreement between the City and San José Police Officers Association (POA), combined with a pending alternative pension settlement, will position San José much better in the marketplace to retain and attract officers. The City Manager is directed to continue aggressive recruitment efforts, utilizing carryover and one-time funds necessary to ensure that—upon announcement of an approved settlement between the City and the POA—we can bring as many high-quality officers in the door as quickly



possible. Per prior Council direction (as discussed in the Council-approved memorandum from December 1, 2015 from Vice Mayor Herrera and Councilmembers Jones, Peralez, M. Nguyen, and myself, regarding the “Police Department Hiring Audit”), the City Manager is also directed to return to Council as soon as possible with a comprehensive recruitment plan. The plan, to be compiled in partnership with the POA, should focus on lateral officers, new recruits, and qualified veterans.

- c. **San José Works:** Last year the City launched “San José Works,” a summer program that helped 700 teenagers living in gang-impacted neighborhoods land their first job. Participating members of Mayor’s Gang Prevention Task Force witnessed moments both poignant and powerful: one teen used his first paycheck to buy groceries for his family; another young woman began her work upon release from Juvenile Hall, and months later, demonstrated sufficient competence to secure a full-time position with the same employer. The City Manager is directed to allocate one-time funding of no more than \$1.5 million to continue the San José Works Initiative and help 1,000 kids build a resume rather than a rap sheet. The Mayor’s Office of Strategic Partnerships (OSP) has already secured commitments from Home Depot, Target, Jabil, Pipe Trades Training Center, Trades Orientation Program, Walmart and Microsoft. Additional private sector jobs and funding secured by OSP in the months ahead will reduce the amount of funding needed, and create a more sustainable model for future years.
- d. **Using Technology to Improve Emergency Response:** Cost-effective use of technology, such as an upgraded crew alerting system, can help improve emergency response times. The current system, implemented over a decade ago, uses outdated analog technology. Several agencies have moved to Internet Protocol (IP)-based alerting with text-to-speech broadcasts that have significantly reduced response times to emergencies—one similarly-sized fire department, saved an average of more than 30 seconds per call over its first year of implementation. The City Manager is directed to identify resources in the Public Safety Capital Budget to support the implementation of this improvement.
- e. **Civilian Leadership in the San José Police Department’s Bureau of Technical Services:** San José has been blessed with the nation’s finest officers, but our fiscal challenges have left the Department’s technological tools well behind state of the art. The Bureau of Technical Services (BTS) has the responsibility for such tasks as technology assessment, testing, procurement, maintenance, upgrading, and deployment. Those responsibilities often involve both complex and impactful technologies, ranging from body-worn cameras to data analytics to mobile data computers. Police departments throughout the U.S. have added non-sworn administrators to lead these efforts, bringing continuity, career experience, and expertise that becomes difficult to develop in a deputy chief who periodically rotates into and out of the role. It also allows the Department to focus its scarce sworn officers and command staff on what they do best: policing. The City Manager is directed to allocate ongoing funding from the Police Department to fund an executive position in the Bureau of Technical Services to manage that division.



- f. San José Police Department Intelligence Technology Enhancements:** Major city police departments have increasingly utilized social media as a source of intelligence, for example, to anticipate retribution by gang members after a peer has suffered attack, or to anticipate terrorist threats at major sporting or civic events. Analytic software has become increasingly developed to allow the Police Department to more effectively integrate social media into their intelligence-gathering. Months ago, SJPD initiated a 1-year pilot to test this software, and has immediately recognized its value. The City Manager is directed to allocate no more than \$25,000 for this intelligence technology enhancement.
- g. Improving Emergency Response with a Master Address Database:** Multiple staff from numerous departments dedicate hundreds of hours of effort to reach residents at identifiable addresses to provide emergency services, noticing, billing, or other tasks. They update address information in separate databases as they learn of changes or inaccurate addressing, consuming several FTE's in wasteful and duplicative work. Each City department's continued reliance on broken, inaccurate, and contradictory address databases undermines our ability to serve our residents. For example, creating an accurate and uniform Master Address Database tied to our Computer Aided Dispatch (CAD) system could improve police and fire response times. Moreover, fractured and conflicting address lists across departments hinder any analysis that draws on address data to provide insights that can improve services. Creating a Master Address Database, then, can (a) improve fire and police response times, (b) enable better use of data analytics to assess and improve service delivery, and (c) save money by substantially reducing wasteful city staff work. The City Manager is directed to allocate a modest amount of one-time funding for the oversight, planning, and implementation of a Master Address Database.
- h. Gang Investigations Technology Enhancements:** The San José Police Department Gang Investigations Unit (GIU) investigates gang-related crimes committed by members of criminal street gangs. Extraordinary time and cost savings could be provided with "bridge" software that connects SJPD's record management system with a statewide gang database. By flagging potential gang affiliations in every record of contact or arrest by SJPD, and by running that data against potential matches in the statewide database, the software expedites the identification of gang membership, automates information-sharing, and increases efficiencies within the unit. To improve GIU's capacity to investigate and prevent gang-related crimes, the City Manager is directed to allocate up to \$25,000 in one-time funding to GIU for this technology enhancement.
- i. Crime Prevention Support:** At the 2016-2017 Community Budget Priority Setting Session, residents ranked crime prevention as one of its highest priorities. Neighborhood Watch has become a critical component of the San José Police Department's Crime Prevention program. Many of our less affluent neighborhoods, however lack locations at which they can host Neighborhood Watch meetings, and residents cannot afford to rent a facility at a school or community center. To expand Neighborhood Watch programs in such neighborhoods, the City Manager is directed to allocate \$10,000 in one-time funding, to offset facility rental costs.



- j. Saving for Fire Station 37:** Fire Station 37 remains the final station scheduled for construction as part of the Public Safety Bond Program (Measure O, 2002). Unexpectedly high construction costs during much of the Measure O program left the Fire Station 37 project, at a minimum, \$4.5 million short of funds for construction. In addition, the annual, additional ongoing cost of maintenance and operation of this additional station is estimated to cost another \$3.0 million. However, due to prior budget cuts, our priority for improving fire and emergency medical response focuses on roughly \$9-\$10 million in expenditures for restoring overtime to eliminate the “browning out” of stations and fire companies that were previously eliminated. We could identify the funding to expand service to Station 37 if both of the following occur: (1) in consultation with the County, we can devise and implement a more efficient and cost-recovery emergency medical response model, and (2) the voters approve a one-quarter cent general sales tax (Measure B, 2016) in June. Absent those two conditions, there appears little point in constructing Station 37 until the City can identify the revenues to sustainably operate the station after the other priority Fire services have been restored. Therefore, if Measure B prevails in June, and as an alternative EMS delivery model emerges that has improved cost-recovery, the City Manager is directed to return to Council with a multi-year funding strategy to fund the construction of Fire Station 37 by 2019.
- k. Community Service Officers:** The 2015-2016 Adopted Budget roughly doubled the size of the City’s Community Service Officer (CSO) program by adding 26 positions. CSOs have proven valuable in responding to resident concerns and performing a wide variety of non-sworn and administrative support services. In particular, their patrol-related support allows our sworn police officers to focus their scarce time on the City’s most urgent public safety needs. With an expanded program, it is important the Police Department assess best practices nationally. For the last year, Stanford University has studied CSO programs across the U.S., and it will soon issue its report to the City. The City Manager is directed to analyze this report and come forward in fall 2016 to the Public Safety, Finance and Strategic Support Committee with analysis and options for maximizing the current CSO program, including an assessment of how the CSO program can further assist making San José safer, and what possible changes and additional training will be needed, as we begin to fill and add police officer positions. The City Manager is further directed to engage the San José Police Officers’ Association (POA) and Municipal Employees’ Federation (MEF) during the development of this report.
- l. Neighborhood Clean-Ups:** Neighborhood clean-ups enable San José residents to dispose of unwanted items, but also have a broader impact. Through a “broken windows” approach to safety, these clean-ups can also provide 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. City-led neighborhood clean-ups typically occur every three years; however, dedicated community-minded residents have led their own self-managed clean-ups, with the financial assistance of Council Offices and the Mayor’s Office. As we have repeatedly heard—such as at the most recent Community Budget Priority Setting session—residents consistently express strong support for additional neighborhood clean-ups.



The City Manager is directed to allocate one-time funding to help expand clean-ups. The City Manager is further directed to make future funding for expanding clean-up programs a priority during upcoming negotiations with the City's garbage haulers, as residents have repeatedly expressed a willingness to pay for this important service.

- m. Fireworks: Enforcement, and Safer Alternatives:** Every July, we hear from neighborhoods throughout San José that fireworks displays have become more menacing and disruptive, particularly as their use has become more ubiquitous, and the explosive force of the devices have increased. I have advocated two proposed solutions. First, the City needs to more nimbly and effectively increase enforcement using administrative citations rather than criminal citations. This change enables non-sworn personnel, such as park rangers, code enforcement, and community service officers, to issue citations based on statements of witnesses, rather than requiring our police or fire sworn personnel to directly observe the violation. The Council directed staff to move forward with this initiative in 2015, and the City Manager is directed to ensure its implementation prior to the July 4<sup>th</sup> holiday this year. Second, we have seen anecdotal evidence that sanctioned community fireworks exhibitions encourage some individuals to abandon their own illegal displays. Last year, the City hosted two of its largest public Independence Day celebrations: the Rotary International Fourth of July Fireworks, and Independence Day Celebration at Almaden Lake. The City Manager is directed to use one-time funding from the TOT Cultural Facilities Reserve to continue the Independence Day Celebration Grant program. The City Manager is further directed to inform producers of both 4<sup>th</sup> of July events that they must conform to the Office of Cultural Affairs' grant application process if they expect to receive any future City support.

### 3. Invest & Innovate: Economic Opportunity

- a. Opportunity Court:** According to the Destination Home study "*Home Not Found*," the cost of County services for the homeless averages \$520 million a year. Just 10 percent of the homeless population—those most requiring attention from our criminal justice, emergency response, or health systems—accounts for 61 percent of those costs. Police response comprises a large portion of those costs, of particular concern at a time of sparse police staffing. In 2013, I worked with the Santa Clara County Superior Court, District Attorney's Office, Office of Probation, Public Defender, and our Housing Department to create the "Opportunity Court." Modeled after successful programs in San Diego, Santa Cruz, and Palo Alto, Opportunity Court streamlines court appearances and provides case management and intensive supervision for those homeless individuals in the Downtown who pose the most persistent need for police and emergency response. Opportunity Court began in 2014, focusing on 25 homeless individuals with the most citations and interaction with law enforcement from the greater Downtown San José area. These 25 individuals represented a case load of over 700 scheduled court appearances. Individuals were provided case managers, and developed an action plan with the presiding judge that included treatment and housing. To date, *only one of the 25 individuals has re-offended*, saving substantial public cost, and providing a path to stable housing for nearly every person. The City Manager is directed to allocate \$250,000 in one-time housing funding for an additional year of the



program, contingent on funding and/or staffing commitments from partners at the County and Superior Court. With the County's anticipated commitment of renewed funding, we can aim to reach another 25 chronically homeless individuals who consume a disproportionate share of public services. Additionally, the City Manager is directed to work with the offices of the Mayor and Councilmember Peralez to convene stakeholders to scale the program with other public and private sources.

- b. Inclusionary and Impact Fees:** Since I introduced an inclusionary housing proposal in 2007, we have fought legislative and judicial battles to make San José the largest U.S. city with a citywide inclusionary housing policy. With the recent denial of certiorari by the United States Supreme Court, the City Council can now move forward with the implementation of two fees, an Affordable Housing Impact Fee and an Inclusionary Fee, to provide annual support to construct affordable development on a scale of roughly \$20 million annually by 2020. Nonetheless, there appears concern about whether the Housing Department has the bandwidth to immediately implement the requirement, and any delay will result in foregone housing revenues. The City Manager is directed to allocate ongoing funding from the Multi-Source Fund to support immediate implementation and oversight of this new program.
- c. Teacher Housing on School District Land:** Several conversations with superintendents of local school districts have demonstrated interest in partnerships that would enable the creation of affordable workforce housing for teachers and staff on school district land. Partnerships with districts can enable us to leverage their land assets with City (and other public) dollars to expand affordable housing to a critical subpopulation essential to our community's future. These partnerships could also allow for exploration of modular and other innovative housing models. The City Manager is directed to prepare an estimate of inclusionary and impact fee revenue for the next two to three years, to enable Council and staff to assess whether this source might suffice to support a pilot project or two with participating districts.
- d. Business Improvement District Creation & Support:** A business improvement district (BID) provides a vehicle for small property and business owners to make collective contributions to the maintenance, development, and promotion of their commercial area. These partnerships can play a vital role in transforming areas wracked by crime and blight into dynamic neighborhoods. The City currently has five BIDs which invest \$3 million annually into our local economy, providing services such as street and sidewalk maintenance, graffiti removal, capital improvements, public art, landscaping, business development and marketing. Recently, various business associations and commercial areas have expressed interest in this program, such as along Alum Rock Avenue, yet the administrative process remains expensive and daunting. The City Manager is directed to set aside a modest amount of one-time funding to either provide grants, or waive administrative and engineering study fees, to support BID formation.
- e. Manufacturing Jobs Initiative:** To expand middle-income job opportunities for many residents lacking a college or advanced degree, the City Council allocated \$200,000 to launch a Manufacturing Initiative. The initiative incentivizes the re-use of vacant



industrial buildings by covering permit fees, accelerating tenant improvement permit approvals, reducing energy costs (in partnership with PG&E and Bloom Energy), and assisting with workforce training. The initiative helped spur the creation of over 500 jobs and the lease of an additional 300,000 square feet of manufacturing space. For example:

- BenteK, an industry leader in power distribution solutions expanded its manufacturing sites in San José with an additional 100,000 square feet of manufacturing space and has grown to 240 employees, with job growth expected to continue.
- Space Systems Loral, an advanced manufacturing company that produces commercial satellites, relocated from Palo Alto to the Monterey Corridor in South San José.
- Hansen Medical, a global leader in intravascular robots for medical procedures, will move to San José in the coming months.

To build on this momentum, the City Manager is directed to extend and fund the program for another year, and allow any industrial building being retrofitted for manufacturing purposes, regardless of age, to be eligible to receive this incentive.

- f. Airport Attraction Program:** Within a single year, we will have been able to announce the arrival of four—and perhaps even five—new international flights, making SJC the envy of every other U.S. airport. Supporting these flights and attracting new ones will expand the availability of jobs for many of our residents who do not have college or technical degrees, with such employers as our hotels, restaurants, and taxis. We have a very narrow window of opportunity to prove San José's viability as an international destination. Since our growth in air service has aided in the City's strong growth in hotel tax revenues, the TOT fund provides a logical source for marketing funding. The City Manager is directed to return to Council with a plan for marketing and sales, in consultation with Team San José, and to set aside one-time funding from the TOT Cultural Facilities Reserve. Upon Council review and approval of that plan, the City Manager may release the funds.
- g. Self-Certification for Inspection and Permits:** Cities such as Chicago, Phoenix and Sacramento have launched programs reducing permit and inspection time for small projects through self-certification. A self-certification program allows professionals who are registered by the City to take responsibility for and certify a project's compliance with building code standards and ordinances. Registered professionals must meet minimum qualifications and attend a Self-Certification training class. The City Manager is directed to assist the San José/Silicon Valley Chamber of Commerce and establish a task force to study self-certification programs, develop recommendations for implementing a similar program, and report to the Community and Economic Development Committee in fall 2016. The task force will be chaired by San José/Silicon Valley Chamber of Commerce CEO, Matt Mahood, and will be supported by the Mayor's Office.



- h. Combating Blight Citywide:** The City has partnered with Downtown Streets Team (DTS) on important projects in Downtown, Monterey Highway, and through the “San Jose Gateways” program, at key entrances to our City. This award-winning model helps restore dignity and respect to our homeless community while combatting litter and illegal dumping. More recently, DTS partnered with the Downtown Property Based Improvement District (PBID) to offer similar services. Since that time, homeless individuals have been hired full-time by Groundwerx. The City Manager is directed to explore partnering with Downtown Streets Team to develop a pilot program focused on expanding this innovative model citywide, specifically focused on blight in our neighborhoods and is directed to allocate one-time funding for one year. The City Manager is further directed to report to the Neighborhood Services and Education Committee in spring 2017 on the initial results of the program.
- i. San José Sports Authority (SJSA):** SJSA can take credit for contributing to the strong growth of the City’s Transient Occupancy Tax (TOT). With an expanded Convention Center and Avaya Stadium, the Sports Authority has acted as the lead for a number of high-profile events within the last two years. With the upcoming USA Gymnastic Olympics Trials, Major League Soccer All-Star game, and Copa America, the Sports Authority will continue to help drive additional opportunities to our economy, particularly in hospitality industries that support jobs for residents of modest incomes. The City cut Sports Authority funding severely in the past, but as their workload, performance, and impact has increased, annual commitments have not been restored. Considering the expanded portfolio of the Sports Authority, its ability to leverage private investment, and its fiscal impact to the City, the City Manager is directed to allocate one-time funding to the Authority’s base funding for FY 2016-2017, and engage the Authority in developing future years’ base budgets. The City Manager is also directed to allocate \$100,000 as a final payment in support of the USA Gymnastics Olympic Trials, held in Downtown San José starting July 8<sup>th</sup> this summer.
- j. Diridon Station Area Planning:** In 2014 the Council approved the Diridon Station Area Plan, establishing the area land use plan, with urban design guidelines, a framework for station expansion, transportation and parking strategies, housing strategies, and an art master plan. The City has worked with California High-Speed Rail Authority (CHSRA) to fund a project manager to develop a Financing Strategy, Governance Structure, Parking Strategy, and select a Master Developer for the Diridon Station Area. Leveraging funding from HSR, the City Manager is directed to allocate \$140,000 in one-time Parking Fund funds, and to leverage additional support from CHSRA and other agencies to support these efforts.

#### 4. Invest & Innovate: Our Future

- a. Children’s Health:** Our children’s health demands our investment. The United States Center for Disease Control ranks fluoridation as one of the ten most impactful public health achievements in last century. Yet San José remains the largest U.S. city not completely served with fluoridated water, impacting the dental health of children in many vulnerable communities. Fortunately, the Health Trust has spearheaded a successful 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. To assist the Health Trust in securing an additional \$4 million from the State of California for a successful launch, the City Manager is directed to allocate \$250,000 in one-time funding to the Health Trust.

- b. San José Sustainability Plan:** In response to last year's Green Vision Annual Report, the Council refocused our sustainability efforts on energy and water—specifically on reducing greenhouse gas (GHG) emissions and non-recycled water consumption. The Council also directed staff to formulate a GHG-reduction strategy to achieve the benchmark—limiting temperatures increases to no more than 2 degrees Celsius—that negotiators did not achieve at the United Nations Climate Change Conference in Paris. We must revise an outdated Green Vision with a sustainability strategy that identifies specific initiatives and rigorous measures for achieving San José's ambitious goals. The City Manager is directed to begin the procurement process to develop a sustainability action plan that focuses on energy, water, and transportation. Existing funding from the Silicon Valley Energy Watch can be used to support this effort, and if the City succeeds in securing the \$1 million in funding from the PG&E commercial energy efficiency utility challenge, these dollars should also support this effort.
- c. Community Choice Aggregation Technical Study:** In an effort to achieve our ambitious renewable energy goals, the City will explore Community Choice Aggregation (CCA). As part of this process, a technical study must be conducted to determine the feasibility for launching a CCA in San José. This critical analysis would analyze such issues as financial viability, energy loads, our customer base, rate competitiveness, governance models, renewable energy scenarios, and employment impacts. The City Manager is directed to allocate \$300,000 in one-time funding to conduct the technical study, and to return to Council with recommendations, modifying the March 1, 2016 Council direction on this item.
- d. Family College Success Center:** A 2013 study revealed that 62 percent of the students entering high school in one of San José's three largest high school districts failed to graduate meeting the minimum requirements for admission in a California State University, such as SJSU. We're leaving an entire generation of our kids behind, and they will face a future of daily economic struggle. A few weeks ago, the Hispanic Foundation of Silicon Valley opened the Family College Success Center (FCSC) aimed at boosting high school graduation rates and improving college readiness among low-income students. This promising model leverages the good work and expertise of the schools and many non-profits utilizing innovative tools to help provide low-income students and their parents with a clear path to college and beyond. Last year the City contributed \$100,000 to help launch FCSC. The City Manager is directed to allocate \$75,000 in one-time funding to the Hispanic Foundation of Silicon Valley for the expansion and success of this important program, with direction that future funding should be sought through CDBG, MGPTF, or other grant processes.



## 5. Invest & Innovate: Our Community

- a. **San José Decides (Participatory Budgeting):** Last year, I proposed the City's first participatory budgeting program. I would like to thank Councilmember Peralez for accepting this challenge, and for partnering with my Budget Office to develop and implement #D3Decides. As mentioned in this memorandum, the pilot program has proven wildly successful, with over 300 District 3 residents participating and over 1,300 proposals submitted via [www.d3decides.com](http://www.d3decides.com). My Budget Office has also begun working in partnership with the District 2 Office to expand this program to South San José. As I proposed in the 2015-2016 March Budget Message, any Councilmember wishing to lead the effort within their own district may request up to \$200,000 within the Essential Services Reserve created by this Budget Message. The Mayor's Budget Office will provide information, assistance, and facilitation in launching a community process to enable that district's residents to identify their highest-priority projects for city funding during the 2016-2017 Fiscal Year.
- b. **TOT Cultural Facilities Reserve Direction:** In 2014, the City Council approved "capping" the 4 percent of the Transient and Occupancy Tax (TOT) dedicated to the General Fund. New increment generated above that amount would flow to a new reserve needed for underfunded capital and maintenance of the City's cultural facilities. Since that time, TOT revenue has risen faster than projections. The fund appears sufficient to address the Public Works Department's five-year capital program for many of the City's cultural facilities, including sinking funds for each of the facilities. The City Manager is directed to continue fully funding the reserve to address capital needs—such as roof repair—before neglect causes them to become much more expensive burdens. The City Manager is further instructed to redirect those supplemental dollars for specific cultural priorities that TOT dollars would typically fund, but only where those dollars can be leveraged with substantial contributions from private or other public sources, as described in greater detail below: 1) securing a permanent, publicly-owned site for San José Stage Company, in light of the threatened loss of that site with a SARA-required sale; 2) seed funding for evaluation, planning, and development of an additional parking garage to serve the cultural facilities in the greater Downtown, with a priority given to the Diridon Station Area; 3) continuation of the momentum of Viva Calle and Viva Parks (as described below), and 4) a Community Center serving the Vietnamese-American community (also as described below).
- c. **Publicly-Owned Theater 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 SARA board and the California Department of Finance. San José Stage will soon launch its fundraising campaign, and we have begun serious discussions regarding a potential partnership that could help the City and San Jose Stage finance the acquisition and redevelopment the parcel. The City Manager is directed to set TOT funding aside for necessary appraisals, planning, and potential purchase.



- d. Community Center for the Vietnamese-American Community:** For over a decade, elected officials have promised our flourishing Vietnamese-American community a center to serve as a public gathering space for events, civic dialogue, and for provision of services and information in the Vietnamese language. Newly-elected Councilmembers Manh Nguyen and Tam Nguyen have led the effort with me to move forward to achieve this long-awaited goal. The City Manager is directed to allocate \$300,000 to assist with fundraising, planning, and preliminary design, and to specifically help launch private fundraising for the development of a community center. The City Manager is further directed to explore the use of an existing community center provisionally for this purpose, given the multi-year process required for construction of a permanent center.
- e. Viva Calle & Viva Parks:** Through a series of partnerships, our Parks, Recreation & Neighborhood Services Department (PRNS), has delivered a significant number of placemaking events for East San José and Downtown. This included drawing over 35,000 people to the inaugural Viva CalleSJ, holding over 26 Viva Parks events at neighborhood parks in Central and East San José, supporting efforts at Saint James Park during the summer, and activating Plaza de Cesar Chavez Park during Super Bowl week. Many of the parks that benefitted from this activation suffered from perceptions of high crime and poor safety, and activating the parks has created momentum for neighborhoods to reclaim them as community gathering spaces. PRNS has sought to expand the impact from events like this, seeking funding and sponsorships from such organizations as the Knight Foundation and the County Department of Health. . The City Manager is directed to allocate one-time funding from the TOT Cultural Facilities Reserve to continuing the Viva Parks program, contingent on the City leveraging non-City grants and philanthropy.
- f. Essential Services Reserve:** The City Manager is directed to set aside \$2 million in one-time funds that may be used for the purpose of supporting services that are of essential importance to our residents. Services deemed essential by the City Council may be funded with the use of these one-time funds, as well as the Participatory Budgeting Pilot Program.
- g. Budget Balancing Strategy Guidelines:** The City Manager is directed to use the 2015-2016 Budget Balancing Strategy Guidelines as detailed in Attachment A to develop a balanced budget for the next fiscal year.

## **6. Invest in Making San José America's Most Innovative City**

- a. Leading Smart City Initiatives:** Fiscal limitations will become more constraining as our City's needs grow. To thrive, we must innovate. Much work is underway already – the Council already authorized investments in upgrading city software platforms, dozens of City staff have begun implementing new data tools, and the City Manager's Office has formed a Data Analytics Team. The City Manager is directed to establish an Office of Innovation and Digital Strategy in the City Manager's Office, aimed at implementation of the Smart City Vision, and allocate ongoing funding for this effort. The City Clerk is directed to establish a new City Council Standing Committee focused



on digital strategy, smart city, and continuous improvement initiatives. Lastly, the City Manager is also directed to develop a two-year workplan and report to the Smart City and Service Improvement Committee in fall 2016, after the establishment of the office.

- b. I.T. Position Assessment:** A recent report by the City Auditor found that “the City lacks dedicated staffing and project management to ensure timeliness and success of technology implementation.” The large number of vacancies in the City workforce, particularly the Information Technology Department (IT), impairs our ability to execute critical Smart City initiatives that could improve services to our residents, and reduce costs. The Council has taken many important steps to help, reaching agreements for wage increases in the fall, and adjusting classifications in the IT Department. Nonetheless, our success in implementing an innovation-focused strategy will depend on moving from a model that treats IT as a support function, to one that includes IT as a key part of the operational strategy of City Hall, where digital tools help improve services, reduce costs, and increase transparency. The City Manager is directed to assess how to fill current vacancies and to ensure staffing and training in the IT Department to meet current and future business needs.

## COORDINATION

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

For more information on this memorandum, please contact Lee Wilcox, Budget Director, at 408-535-4814.

## ATTACHMENTS

Appendix A – 2016-2017 Budget Balancing Strategy Guidelines

Appendix B – Resident Proposals: Zero-Based Budgeting Exercise, 2016-2017 Community Budget Priority Setting Session



## **Appendix A**

### **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.



## Appendix B

### Resident Proposals: Zero-Based Budgeting Exercise, 2016-2017 Community Budget Priority Setting Session

Resident Proposed Programs/Services	Number of Tables Recommending	Average Proposed Expenditure*
Temporary & Alternative Housing for Homeless	4	\$416,948
Public Access for Restrooms for Homeless	1	\$194,872
Solar Lamps Posts	1	\$141,026
Homeless Prevention	1	\$135,256
Fixing Pot Holes	1	\$128,205
Community Gardens	1	\$128,205
New Residential Street Light in Alum Rock	1	\$97,436
Beautification of Vacant Land	1	\$71,795
Partnership Ecosystem Accountability (Caltrans/City)	1	\$64,103
Pay Homeless to Pick Up Litter	1	\$60,256
Street Garbage Installation & Maintenance	1	\$51,282
General Fund Reserve	1	\$36,538
Parkland Acquisition	1	\$25,641
Sustainable City Trails Completion	1	\$19,230

Source: Source: 2016-2017 Community Budget Priority Setting Session, February 20, 2016

\* Resident Spending Proposals Amounts Averaged Per Table (39)