

# 2006-2007 BUDGET IN BRIEF

The 2006-2007 Adopted Operating and Capital Budgets for the City of San José total \$3 billion, which reflects growth of approximately 13% from the 2005-2006 adopted level. The City Council approved this budget in June 2006 for the fiscal year which runs from July 1, 2006 through June 30, 2007.

With this funding, the City will continue to deliver a wide range of services to San José's residents, businesses and visitors. This budget was developed with a focus on City Council priorities, directing resources toward essential services, meeting basic infrastructure requirements, taking advantage of economic development opportunities, and maintaining the Council's strong commitment to neighborhoods.

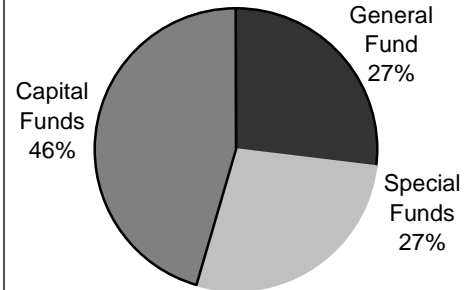
## City Priorities

- Building Stronger Neighborhoods***
- Remaining the Safest Big City in America***
- Helping All Children Achieve***
- Building Better Transportation***
- Driving a Strong Economy***
- Making Government Work Better***

This budget is based on the underlying assumption that the region's economic environment will neither return to the extremely high growth levels experienced in the late 1990s nor drop back into the recession conditions that so devastated City finances in the first four years of the new decade.

While the City's overall financial position remains relatively stable, the City faced a fifth year of General Fund shortfalls. The 2006-2007 Adopted Budget closed a General Fund gap of \$34.9 million through the use of additional revenues and limited expenditure reductions. For the first time in several years, there was also a strategic addition of resources to address critical service and infrastructure needs. While this is relatively good news for a City that has endured substantial reductions in recent years, it is tempered by projections that show costs continuing to rise faster than revenues for the next few years.

## 2006-2007 Adopted Budget



**General Fund:** used for regular operating expenditures, such as police, fire, parks, and libraries.

**Special Purpose Funds:** used for operations that receive direct funding, which can only be used for a specific purpose, such as the Airport.

**Capital Funds:** used for infrastructure improvements, including transportation, sewer, public safety, airport, parks, and library projects.

## About San José

- Safest big city in America for five consecutive years
- 79% of San José residents rate the quality of life as good or excellent
- Ranked 5<sup>th</sup> Best Place to Live by Money Magazine
- Received an A+ from the Bay Area Council for its efforts in meeting affordable housing needs
- Implemented a Strong Neighborhoods Initiative with over 100 neighborhood projects completed to date
- Largest concentration of technology expertise in the world

# Balancing the General Fund Budget

The General Fund is used to provide many of the basic services provided by the City, including police, fire, emergency medical services, libraries, parks and community centers, and traffic maintenance services. The 2006-2007 Adopted Budget closed a General Fund budget shortfall of \$34.9 million.

## General Fund Budget Balancing Plan

	(In \$000s)
<b>Budget Shortfall</b>	<b>34,890</b>
<b>Source of Funds:</b>	
Use of 2006-2007 Future Deficit Reserve	18,426
Extend Emergency Communication System Support Fee	10,357
Recognize Cardroom Revenue as an Ongoing Source	9,500
2005-2006 Excess Revenue/Expenditure Savings	6,000
Use of e-Government, Fee & Other Reserves	4,793
Transfers from Other Funds & Other Adjustments	7,598
<b>Total Change to Source of Funds</b>	<b>56,674</b>
<b>Use of Funds</b>	
Staffing & Non-Personal/Equipment Reductions	(5,404)
Shift Eligible Expenditures to Other Funds	(2,096)
Technology & Capital Infrastructure Funding	9,800
Creation of Neighborhood Improvement Fund	5,000
Creation of Economic Uncertainty Reserve	3,278
Public Safety Additions	2,569
Other Additions	8,637
<b>Total Change to Use of Funds</b>	<b>21,784</b>
<b>Total Change in the General Fund</b>	<b>34,890</b>

### *How was the General Fund Budget Deficit Calculated?*

Each year, a Five-Year General Fund Forecast is prepared that compares the estimated revenues and expenditures over the next five years. This determines if there is a projected surplus or deficit.

The expenditure figures include the projected cost of existing programs and the cost of those programs committed by prior City Council action, such as costs related to operating and maintaining new facilities.

In 2006-2007, the forecasted expenditures exceeded revenues by \$34.9 million. This deficit figure included approximately \$4 million for new facilities opening in 2006-2007.

This budget closed a \$34.9 million funding gap in the City's General Fund by identifying additional funding sources of \$56.7 million, partially offset by net additions of \$21.8 million. The budget balancing strategy relied heavily on the continuation of fees and taxes that were already being assessed in San José, including the Emergency Communication System Support Fee and Cardroom Taxes. It also relied on the use of reserves and additional fund balance expected at the end of 2005-2006. These strategies were developed in an effort to avoid more severe cuts in the programs and services delivered to the public.

Over the past four years, the City has already closed General Fund budget deficits totaling over \$260 million. With the 2006-2007 General Fund shortfall, this figure is now approaching \$300 million. It should be noted that these reductions have not come without a cost. Critical infrastructure needs have been postponed, maintenance of the City's parks, roads, and City facilities has been significantly reduced; services have been scaled back; and the total workforce has been reduced by almost 10%. In recognition of the severity of the reductions already implemented, additional service reductions have been minimized in this budget as much as possible. This is also the first time in several years in which resources were added in targeted areas, primarily to improve public safety services and to operate new parks, library and public safety facilities. In addition, one-time funding was targeted to the significant backlog of infrastructure needs, neighborhood improvements, and future potential deficits.

# Budget Facts

## 2006-2007 Adopted Budget

### GENERAL FUND

Police	\$256,128,940
Fire	128,854,031
City-wide Expenses	113,235,009
Parks, Recreation & Neighborhood Services	61,497,871
Planning, Building & Code Enforcement	37,116,424
Transportation	33,364,908
City Management (Manager and City Council)	18,018,279
Libraries	28,094,246
General Services	20,395,398
Finance and Human Resources	17,506,373
Information Technology	15,947,488
City Attorney	12,741,927
Public Works	9,717,193
Capital Improvements	23,073,635
Transfers to Other Funds	28,925,668
Other	13,710,481
Reserves	138,501,288
<b>Total General Fund</b>	<b>\$ 956,829,159</b>

### ENTERPRISE/SPECIAL PURPOSE FUNDS

Airport	\$ 477,138,850
Waste Water Treatment Plant & Sanitary Sewer	220,444,657
Housing	124,630,193
Waste Mgmt (Garbage Collection/Recycling)	95,377,232
Municipal Water	28,695,882
Workforce Investment Act	22,903,140
Parking	22,559,691
Storm Sewer Operations	19,667,794
Community Development Block Grant	21,498,898
Convention and Cultural Facilities	16,269,762
Gas Tax	17,000,000
Other	261,867,578
<b>Total Special Purpose Funds</b>	<b>\$ 1,328,053,677</b>

### CAPITAL IMPROVEMENT FUNDS

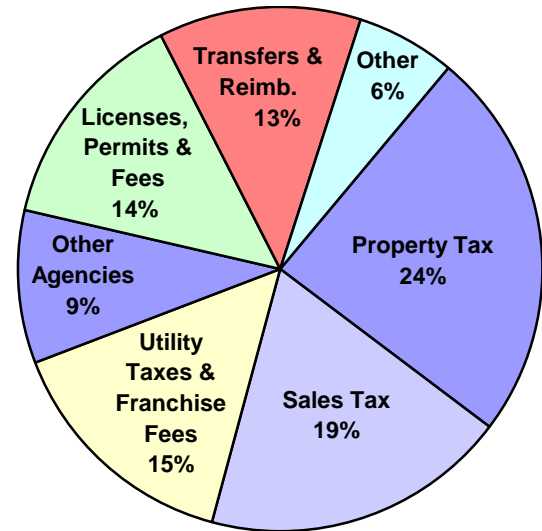
Airport	\$ 551,256,315
Parks and Community Facilities	303,016,737
Public Safety	130,209,766
Library	123,580,352
Traffic	77,238,967
Sanitary Sewers	55,120,526
Water Pollution Control	71,820,705
Service Yards	13,424,786
Other	57,670,392
<b>Total Capital Funds</b>	<b>\$ 1,383,338,546</b>

**TOTAL ALL FUNDS** \$ 3,668,221,382

*Less Transfers, Loans & Contributions* (656,386,184)

**NET CITY USE OF FUNDS** \$ 3,011,835,198

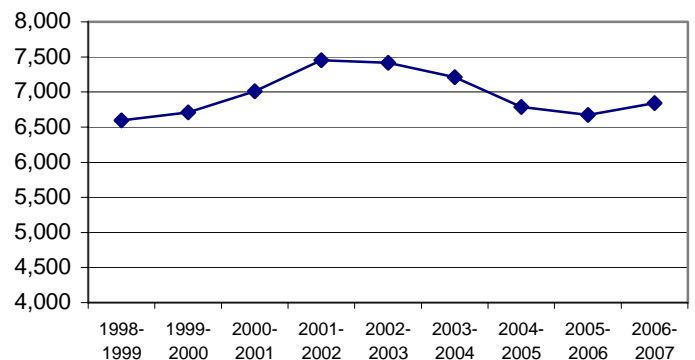
## 2006-2007 Major Sources of General Fund Revenues\*



\* Excludes Fund Balance

## Total City Positions

### Position History



The 2006-2007 Adopted Budget includes the net addition of 171 positions. This marks the first time in five years that positions are being added in the annual budget. Staff are being added primarily to operate new parks, library, and public safety facilities that are coming on-line. These additions are partially offset by staffing reductions necessary to address the budget deficit.

The approved 2006-2007 staffing level of 6,843 is still, however, only slightly above 1999-2000 levels.

# Service Delivery Highlights

The City of San José organizes its operations into six City Service Areas (CSAs). Following is a brief description of the expected service delivery in 2006-2007 and the impacts of the Adopted Budget actions.

## Key Public Safety Services

Police Patrol  
Police Investigations  
Crime Prevention  
Fire Suppression  
Emergency Medical Services  
Fire Prevention  
Emergency Preparedness  
Public Education



## Public Safety

### Expected Service Delivery

- ❑ Provide essential emergency services (patrol, fire suppression, and emergency medical services) in a timely and effective manner.
- ❑ Maintain school liaison functions and programs, such as Safe Schools Initiative, crime prevention programs, and public education efforts.
- ❑ Continue to coordinate and implement federally-mandated regional terrorism response planning and San José Prepared!
- ❑ Effectively investigate crimes and prosecute suspects.

### Service Delivery Impacts

- ❑ Extend the Emergency Communication System Support Fee to June 2009 and add 6 Police Public Safety Dispatchers to address wireless 9-1-1 calls.
- ❑ Add funding for two new fire companies (Fire Station 33 – Communication Hill and Fire Station 35-Cottle/Poughkeepsie) that are scheduled to be operational in 2007-2008, including the addition of 28 sworn positions.
- ❑ Add permanent funding to maintain a dedicated Hazardous Incident Team.
- ❑ Add 10 new Police Officers for downtown safety and school safety.
- ❑ Add 6 Police Data Specialists for two years to address the records management backlog.
- ❑ Reduce 7 vacant Police administrative positions.

## Community & Economic Development

### Expected Service Delivery

- ❑ Aggressively implement the City's Economic Development Strategy.
- ❑ Align events and activities with the City's economic development goals.
- ❑ Maintain local and small business technical services and the Workforce Investment Network Program services.
- ❑ Provide assistance to arts organizations and support the Public Art program.
- ❑ Provide excellent customer service in the development review process.

### Service Delivery Impacts

- ❑ Add a new One Stop location in Morgan Hill to provide career guidance, job referrals, training, and business services.
- ❑ Add positions in Building (3), Fire (3), and Public Works (2) to improve development services response times and add a development webmaster.
- ❑ Increase development fees by an average of 4.5% to 7% to recover costs.
- ❑ Add resources for a comprehensive update of the General Plan and to support the Coyote Valley Specific Plan and Evergreen Smart Growth Strategy.
- ❑ Improve special events coordination for Downtown events.

## Key Community & Economic Development Services

Building Permits  
Development Services  
Economic Development  
Land Use and Planning  
Local & Small Business  
Technical Services  
Public Art  
Workforce Investment Network



# Service Delivery Highlights

## Neighborhood Services

### Expected Service Delivery

- ❑ New and more flexible libraries and community centers are being constructed as promised to voters.
- ❑ Continue to provide homework support, sports activities and other enrichment to local youth as well as maintain current library hours.
- ❑ Maintain conflict resolution and intervention at schools.
- ❑ Continue to provide blight abatement and other code enforcement services.
- ❑ Continue operation of the City's Animal Care Facility.
- ❑ Continue towards a new goal of providing 1,200 affordable housing units a year and continue efforts to address homelessness.
- ❑ Maintain funding levels for Community-Based Organizations

### Service Delivery Impacts

- ❑ Add 33 positions and \$1.9 million to support new library facilities.
- ❑ Add 23 positions and \$1.3 million to support new parks and recreation facilities.
- ❑ Community facilities that would have been impacted by the facility re-use strategy approved in 2005-2006 will be funded through 2006-2007 while it is determined whether the plan for Community Based Organizations to operate these facilities can be successful.
- ❑ Eliminate the Future Teacher Loan Program due to low participation.
- ❑ Minor park and sport facility use fee increases to recover costs. Increase cat and dog adoption fees.

## Environmental & Utility Services

### Expected Service Delivery

- ❑ Continue to exceed the State's AB 939 waste diversion mandate of 50%.
- ❑ Replace and rehabilitate the City's aging infrastructure and plan for growth.
- ❑ Continue to meet storm water permit requirements.

### Service Delivery Impacts

- ❑ Implement the Consolidated Utility Billing System.
- ❑ Expand parking prohibition and enforcement on sweep days by installing 40 new curb miles of signage for parking prohibitions.
- ❑ Implement modest Storm Sewer, Sewer Service and Use Charge, Recycle Plus, and Municipal Water System rate increases in order to maintain reliable utility infrastructure, while keeping rates below County averages.
- ❑ Increase the Commercial Solid Waste Franchise Fee by 5% to support downtown cleaning activities and a study of downtown garbage/recycling.
- ❑ Add technical support in the pretreatment and pollution prevention programs, install devices to prevent trash from entering the storm sewer system, and implement a Fats, Oil & Grease Inspection Program.

#### Key Neighborhood Services

Adult & Youth Sports  
After School Programs  
Animal Care Services  
Anti-Graffiti and Anti-Litter  
At-Risk Youth Services  
Code Enforcement  
Community Centers  
Libraries  
Housing Services  
Park Facilities  
Senior Services



#### Key Environmental & Utility Services

Energy Conservation Efforts  
Garbage Collection & Recycling  
"Green" Building Program  
Municipal Water System  
Neighborhood Cleanups  
Sanitary Sewer Maintenance  
Storm Sewer Maintenance  
Water Pollution Control Plant  
Water Recycling



# Service Delivery Highlights

## Key Transportation & Aviation Services

Airport Operations  
Parking Services  
Landscape & Tree Maintenance  
Street Pavement Maintenance  
Traffic Capital Improvements  
Traffic Maintenance  
Traffic Safety Education  
Transportation Planning and Project Delivery



## Key Strategic Support Services

Facility Maintenance  
Financial Management  
Fleet Maintenance  
Human Resources  
Information Technology  
Public Works Services



## Transportation and Aviation Services

### Expected Service Delivery

- ❑ Focus efforts on increasing the number of destinations served and flight frequency.
- ❑ Continue to address security mandates at the Airport.
- ❑ Continue construction of the North Concourse facility and the development of the Terminal Area Improvement Program at the Airport.
- ❑ Provide timely infrastructure repairs to ensure basic community safety (potholes and larger pavement failures, signals, signs, markings, etc.).
- ❑ Leverage State and federal funding for regional transportation projects.
- ❑ Perform limited street sealing preventative maintenance and resurfacing.

### Service Delivery Impacts

- ❑ Reduce parking shuttle hours to Airport tenant employees by 5%, which would increase the wait times during non-peak hours from 13 to 26 minutes.
- ❑ Implement second year of traffic signal retrofit project to reduce energy costs.
- ❑ Add \$5.3 million from the General Fund to begin to address the significant backlog of infrastructure needs, such as street maintenance.
- ❑ Increase traffic citation fees for storage on street, commercial vehicle in residential area, and parked in bus stop violations. The revised fees are consistent with other local jurisdictions with similar penalties.

## Strategic Support

### Expected Service Delivery

- ❑ Oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customer and City staff needs.
- ❑ Maintain City facilities, equipment, and vehicles.
- ❑ Attract and retain qualified employees.
- ❑ Ensure that the City's finance and technology resources are protected and available to address short and long-term needs of the community.

### Service Delivery Impacts

- ❑ Begin to centralize the City's procurement process for professional services to ensure fair, consistent, and transparent processing of professional contracts.
- ❑ Establish a collection agency activities recovery fee on delinquent accounts.
- ❑ Continue start-up staffing for a Consolidated Utility Billing System.
- ❑ Provide contractual maintenance funding for the data and voice network system at City Hall for one year while staff is trained to maintain system.
- ❑ In-source fleet maintenance, day-time City Hall custodial services, and electrical maintenance at a net savings to the General Fund.
- ❑ Plan, design, and implement workforce planning efforts to ensure that the City develops its current workforce and attracts new talent.

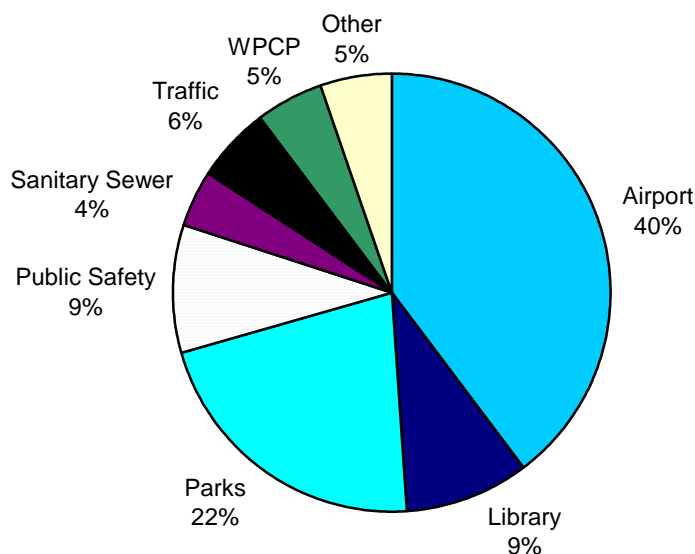
# Investing in the City's Infrastructure

The capital investments planned over the next five years are substantial with a 2006-2007 Adopted Capital Budget of \$1.4 billion and a 2007-2011 Adopted CIP of \$2.9 billion.

The City is now in the second half of the *Decade of Investment* that is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million. The expansion of the Airport will deliver a facility that meets the needs of both customers and the airlines in a cost effective manner. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and to address future growth.

The large number of new and expanded facilities now beginning to come on-line brings with them a substantial price tag in terms of General Fund operating and maintenance costs. The 2006-2007 Adopted Operating Budget includes additional funding of over \$3 million to operate new parks and library facilities. Funding is also included to start training fire personnel necessary to staff the two new stations coming on-line in 2007-2008. The level of investment for new facilities is expected to increase significantly over the next five years as the remaining bond-funded parks, library, and public safety projects are completed.

## 2006-2007 Adopted Capital Budget



## Major Projects to be Completed over the Next Five Years

### 2006-2007 Projects

Cambrian Branch Library  
 City Hall Off-Site Parking Garage  
 Emma Prusch Memorial Park  
 Fire Station 34 (Berryessa)  
 Hillview Branch Library  
 Senter Road: Tully to Singleton

### 2007-2008 Projects

Airport Temporary Terminal C  
 Blossom Hill/Monterey Road Interim Pedestrian Improvements  
 Branham Lane Improvements  
 Edenvale Branch Library  
 Fire Station 33 (Communication Hill)  
 Fire Station 35 (Cottle/Poughkeepsie)  
 Joyce Ellington Branch Library  
 Pearl Avenue Branch Library  
 Rebuild Fire Station 2  
 Roosevelt Community Center  
 Water Pollution Control Plant Reliability Improvements  
 West Side Airfield Overlay  
 Willow Glen Branch Library

### 2008-2009 Projects

Airport Terminal A Improvements  
 Airport North Concourse  
 Public Safety Driving Training Center  
 East SJ Carnegie Branch Library  
 Fire Station 36 (Silver Crk/Yerba Buena)  
 Happy Hollow Park & Zoo  
 Mayfair Community Center  
 Santa Teresa Branch Library  
 Skatepark at Lake Cunningham  
 SJSU to Japantown Pedestrian Corridor

### 2009-2010 Projects

Airport Terminal B Phase I  
 Bascom Community Center & Library  
 Calabazas Branch Library  
 Educational Park Branch Library  
 Fire Station 37 (Willow Glen)  
 Seventrees Branch Library  
 Solari Community Center  
 South San José Police Substation

### 2010-2011 Projects

Airport Terminal C Demolition  
 Almaden Road Sewer Rehabilitation  
 Transportation Incident Mgmt. Center  
 Southeast Branch Library

# Roster of Elected Officials

<i>CITY COUNCIL</i>	<i>DISTRICT</i>	<i>TELEPHONE</i>
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<i>Ron Gonzales</i>	Mayor	535-4800
Linda J. LeZotte	1	535-4901
Forrest Williams	2	535-4902
Cindy Chavez	3	535-4903
Chuck Reed	4	535-4904
Nora Campos	5	535-4905
Ken Yeager	6	535-4906
Madison Nguyen	7	535-4907
David D. Cortese	8	535-4908
Judy Chirco	9	535-4909
Nancy Pyle	10	535-4910



## ***Managing Our Finances***

Despite the City's economic challenges, the City of San José is recognized for its excellent financial management. San José has maintained its strong AA+ bond rating, the highest of any major California city. The City's annual Operating and Capital Budgets have also received awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers.

The City's excellent credit ratings will save taxpayers money in financing costs for the three general obligation bonds passed for park, library, and public safety improvements.

## ***Accessing the Budget***

On-line versions of the City of San José's 2006-2007 Adopted Operating and Capital budgets are posted on the City's website at [www.sanjoseca.gov](http://www.sanjoseca.gov). These documents are also available at your public library. For more information about the City of San José Budget, please contact the City Manager's Budget Office at (408) 535-8144.

This publication can be made available upon request in alternative formats such as Braille, large print, audio-tape or computer disk. Requests can be made by calling (408) 535-8144 (Voice) or (408) 294-9337 (TTY).