

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

Financial Plan

The 2008-2009 Adopted Operating and Capital Budgets for the City of San José total \$3.3 billion and represent the financial plan for the fiscal year that runs from July 1, 2008 to June 30, 2009. With this funding, the City will continue to deliver a wide range of services to San José residents, businesses, and visitors.

The City of San José continues to face significant and enduring fiscal challenges. For the seventh consecutive year, the City was faced with a General Fund shortfall as the growth in revenues has not kept pace with the growth in expenditures. The 2008-2009 Adopted Budget addresses a General Fund gap of \$29.6 million through a combination of service reductions, funding shifts, use of reserves, and fee increases. There is also a modest level of additions to address some of our critical service and infrastructure needs as well as key initiatives. This budget aligns limited resources to meet the needs of the community, with a continued focus on City Council and community priorities, delivering essential services, basic infrastructure needs, economic development, and maintaining the City's strong commitment to neighborhoods.

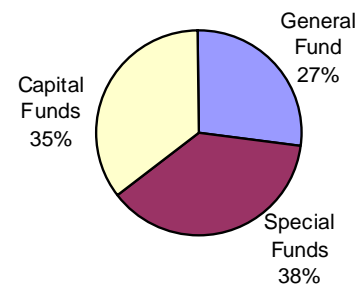
Significant investment in the City's infrastructure also continues with the expansion of the Mineta San José International Airport and major improvements to the City's libraries, community centers, public safety facilities, and the utility infrastructure.

Community-Based Budgeting Process

Community involvement through the *Budget Prioritization Survey* and a *Neighborhood Budget Priority Session* helped in the initial development and subsequent reaffirmation of the following three-year City priorities:

- Regain our status as the Safest Big City in America
- Eliminate the structural deficit
- Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure
- Increase economic vitality
- Provide full funding for parks, pools, community centers and libraries, including maintenance, operation and development

2008-2009 Adopted Budget



General Fund: used for regular operating expenditures, such as public safety, 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, public safety, airport, parks, and library projects.

San José Highlights

- 989,500 Population
- 178.2 Square Miles
- 174 Park Sites; 3,678 Acres
- 51 Community, Neighborhood/Satellite, Senior & Youth Centers
- 1 Main, 21 Branch Libraries; 14.4 Million Annual Circulation
- 34 Fire Stations
- 1,395 Police Officers
- 419,000 - 911 Calls Per Year
- 263,000 - 311 Calls Per Year
- 10.4 Million Annual Airport Passengers; 248 Daily Landings
- 2,310 Miles of Streets
- 2,200 Miles of Sewer Mains
- 343 Miles of Water Mains

Balancing the Budget

The General Fund is used to provide many of the basic services provided by the City, including police, fire, libraries, parks, and traffic maintenance.

2008-2009 GENERAL FUND BALANCING PLAN		
(\$ in 000s)		
	2008-2009	Ongoing
General Fund Shortfall	(\$ 23,360)	(\$ 23,360)
Development Fee Program Shortfall	(6,277)	(6,277)
Total General Fund Shortfall	(\$ 29,637)	(\$ 29,637)
Source of Funds:		
Use of 2008-2009 Future Deficit Reserve	\$ 7,271	\$ 0
Use of Earmarked Reserves	10,920	1,112
Development-Related Reserves/Fee Revenue	5,355	4,517
Transfers from Other Funds	3,961	1,970
Miscellaneous Revenue Adjustments	6,697	11,094
Total Change to Source of Funds	\$ 34,204	\$ 18,693
Use of Funds:		
Staffing & Non-Personal/Equipment Reductions	(\$ 14,648)	(\$ 15,488)
Funding Shifts and Use of Reserves	(7,139)	(4,896)
Technology & Infrastructure Maintenance	7,625	1,088
Neighborhood Services	7,313	5,253
Public Safety and Economic Development	6,095	4,688
Miscellaneous Additions	5,322	2,488
Total Change to Use of Funds	\$ 4,567	(\$ 6,867)
Total Change in the General Fund	\$ 29,637	\$ 25,560
Remaining Shortfall	\$ 0	(\$ 4,077)

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 to determine if there is a projected surplus or deficit.

The expenditure figures, which reflect the cost of existing programs, are updated to reflect estimated salary and benefit costs and any changes in contractual obligations. In addition, expenditures to which the City is considered to be committed by prior City Council action are included, such as costs related to operating new facilities.

In 2008-2009, the expenditures are projected to exceed the revenues by \$29.6 million. In the February 2008 Forecast, budget deficits were also projected in four of the five years.

The Adopted Budget closes 86% of the \$29.6 million gap on an ongoing basis. This is an important step in closing the City's larger General Fund structural deficit. In addressing the City's fiscal health, a broader definition of structural deficit was developed that includes: \$75 million shortfall over four years in the Five-Year Forecast; \$40.2 million in unmet/deferred maintenance; and \$21.6 million for the unfunded cost of General Fund retirement benefits. This Adopted Budget reduces the General Fund structural deficit by \$21 million, from \$137 million to \$116 million.

BUDGET ACTIONS TO ADDRESS THE CITY COUNCIL'S THREE-YEAR GOALS

Regain Our Status as the Safest Big City in America

Add 25 new sworn Police personnel; protect all core patrol and emergency response functions; Police Substation and new fire facilities under construction; add gang prevention resources (\$418,000)

Eliminate the Structural Budget Deficit

Add \$1.9 million to begin addressing liability for post-employment benefits; \$350,000 for service delivery optimization; add a Business Tax Administration Fee and a Business Field Enforcement Pilot Program

Increase Economic Vitality

Add staff for San José industrial development, retail strategy, and Downtown coordination; add Green Vision resources (\$7.1 million—all funds)

Reduce Deferred Maintenance/Infrastructure Backlog and Develop a Strategy to Improve the Infrastructure

Add \$5 million in one-time funding for deferred infrastructure maintenance; add \$312,000 for new transportation assets; pavement maintenance funding from the State of California (Proposition 1B and 42)

Provide Full Funding for Parks, Pools, Community Centers and Libraries

Add \$1.8 million for new park and community facilities; add \$798,000 for three renovated branch libraries; add ongoing funding for Northside Community Center; continue library and community center staffing and operations during peak usage demand

Budget Facts

2008-2009 Adopted Budget

GENERAL FUND

Police	\$ 281,146,892
Fire	158,203,354
City-Wide Expenses	122,659,251
Parks, Recreation & Neighborhood Services	59,008,629
Planning, Building & Code Enforcement	36,779,509
Transportation	32,894,600
Library	29,574,613
General Services	24,926,510
City Management (Manager and City Council)	22,433,175
Finance and Human Resources	20,415,722
Information Technology	17,274,309
City Attorney	13,384,186
Public Works	9,860,408
Transfers to Other Funds	32,812,459
Capital Improvements	33,662,749
Other	15,496,039
Reserves	139,245,625

Total General Fund \$ 1,049,778,030

ENTERPRISE/SPECIAL PURPOSE FUNDS

Airport	\$ 521,963,263
Housing	303,318,557
Waste Water Treatment Plant & Sanitary Sewer	237,689,965
Waste Mgmt (Garbage Collection/Recycling)	130,476,195
Municipal Water	30,200,734
Storm Sewer Operations	27,433,280
Convention and Cultural Facilities	26,654,989
Parking	24,369,199
Community Development Block Grant	20,209,821
Anti-Tobacco Settlement (Healthy Neighborhoods)	19,004,446
Workforce Investment Act	12,629,836
Other	299,048,213

Total Special Purpose Funds \$ 1,652,998,498

CAPITAL IMPROVEMENT FUNDS

Airport	\$ 476,722,745
Parks and Community Facilities	234,372,104
Water Pollution Control	109,895,920
Traffic	92,825,027
Sanitary Sewers	77,189,836
Library	72,662,649
Public Safety	53,769,442
Water Utility System	9,799,526
Other	66,434,751

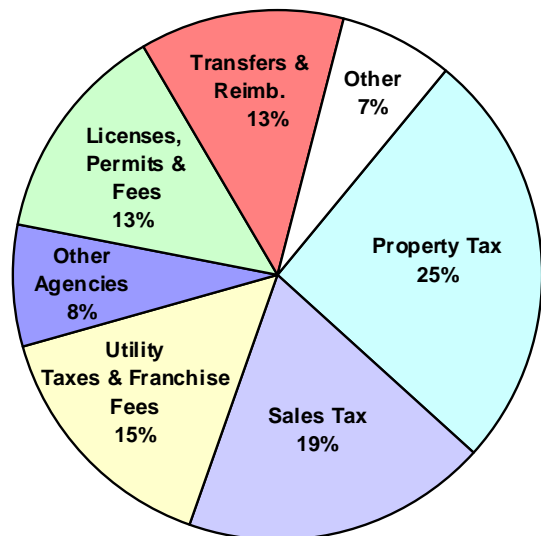
Total Capital Funds \$ 1,193,672,000

TOTAL ALL FUNDS \$ 3,896,448,528

Less Transfers, Loans & Contributions (618,551,959)

NET CITY USE OF FUNDS \$ 3,277,896,569

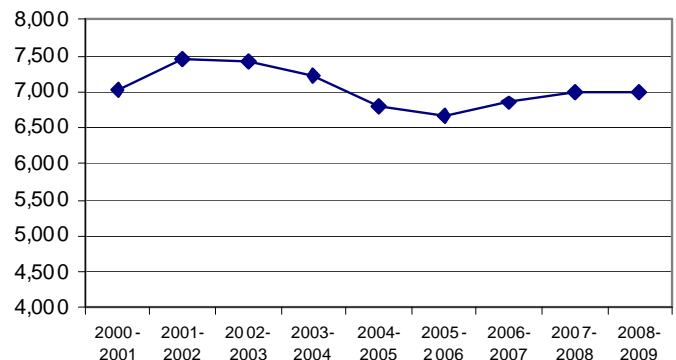
2008-2009 Major Sources of General Fund Revenues*



* Excludes Fund Balance

Total City Positions

Position History



In the 2008-2009 Adopted Budget, a net reduction of 7 positions from the 2007-2008 Adopted Budget level was approved. This includes the addition of 144 positions spread throughout the organization, offset by reductions of 151 positions necessary to bring the budget into balance. The 2008-2009 staffing level of 6,985 would still only be roughly equivalent to 2000-2001 levels. Personnel in the Police and Fire Departments account for almost 40% of the total positions in 2008-2009.

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 2008-2009 and the impacts of budget actions.

Key Public Safety Services

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



Public Safety

Expected Service Delivery

- ❑ Provide essential emergency services (patrol, fire suppression, and emergency medical services) in a timely and effective manner.
- ❑ Implement regional terrorism response planning and San José Prepared!
- ❑ Effectively investigate crimes and prosecute suspects.

Impacts of Budget Actions

- ❑ Add 25 new police officers to address identified service needs including beat patrol, traffic calming, property crimes, and community policing.
- ❑ Eliminate Hose Wagon 6 (Willow Glen) and 3 Fire Engineers upon attrition due to low service need; eliminate 2 relief Fire Captain positions to align with minimum staffing needs; reduce discretionary Fire overtime.
- ❑ Restore a Fire Equipment Technician; extend temporary analytical staff to implement Fire's Records Management System, conduct preliminary revenue analysis, and address non-development fee program record keeping issues.
- ❑ Eliminate 5 vacant Police administrative and records positions and 2 Fire administrative management and support staff positions.
- ❑ Eliminate the Challenges and Choices Program (4 positions) in July 2009 to allow time to explore in-classroom service consolidation.
- ❑ Explore alternative service delivery models, funding, and/or transitioning crossing guard services with the Schools/City Collaborative.

Key Community & Economic Development Services

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



Community & Economic Development

Expected Service Delivery

- ❑ Aggressively implement the City's Economic Development Strategy.
- ❑ Expand market-rate and affordable housing opportunities.
- ❑ Provide quality and small business support and workforce development services in partnership with work2future.
- ❑ Provide excellent customer service in the development review process.
- ❑ Advance Green Vision goals of catalyzing clean technology innovation and creating green collar jobs.

Impacts of Budget Actions

- ❑ Add resources to implement the retail strategy, to support industrial development, and to coordinate downtown issues.
- ❑ Add non-profit oversight staffing to manage the City's non-profit projects.
- ❑ Increase development fees by an average of 4% to 10% to recover costs and add staff in the Planning and Fire fee programs to improve services.
- ❑ Enhance efforts to eliminate homelessness and provide emergency services following fires or natural disasters.

Service Delivery Highlights

Neighborhood Services

Expected Service Delivery

- ❑ New facilities scheduled to open include the Joyce Ellington, Pearl Avenue, and Willow Glen libraries and the Mayfair and Roosevelt community centers.
- ❑ Continue to provide homework support, sports activities and other enrichment to youth as well as provide library hours.
- ❑ Maintain conflict resolution and intervention at schools.
- ❑ Continue to provide blight abatement and other code enforcement services.
- ❑ Continue the goal of 4,000 Smart Start San José childcare spaces by 2010.
- ❑ Continue operation of the City's Animal Care Facility.

Impacts of Budget Actions

- ❑ Add 37 positions for new/renovated parks, recreation facilities and libraries.
- ❑ Eliminate Sunday hours at six of the seven branch libraries (Dr. Martin Luther King Jr. Main Library to maintain current hours and Tully Community Branch Library to maintain Sunday hours through 2009-2010).
- ❑ Add \$1 million for the Bringing Everyone's Strength Together (BEST) Program and one-time funding for BEST to enhance Truancy Abatement Programs, administer a Summer Safety Initiative, and implement community justice models.
- ❑ Increase Solid Waste fees by 12.6% and Multiple Housing fees by 2% to maintain cost recovery.
- ❑ Eliminate City funding in 2009-2010 for approximately 72 drop-in homework centers (Level 1) that receive dual City and State funding.
- ❑ Eliminate vacant positions in Parks, Recreation and Neighborhood Services (9), Library (1), and the Code Enforcement Program (1).

Environmental & Utility Services

Expected Service Delivery

- ❑ Continue to implement the solid waste diversion program and recycled water expansion, as well as develop and implement energy efficiency and green building programs to meet Green Vision goals.
- ❑ Replace and rehabilitate the City's aging infrastructure.
- ❑ Continue to meet storm water permit requirements.

Impacts of Budget Actions

- ❑ Add 10 positions at the Water Pollution Control Plant for capital project support, Plant training and safety, Fat, Oil and Grease Program expansion support, and the Plant pretreatment program.
- ❑ Implement rate increases of 30% for the Storm Sewer, 15% for Sewer Service and Use Charge, 4.5% for Single Family Dwellings Recycle Plus! garbage, 8% for Multi-Family Dwelling Recycle Plus! garbage, and 8.8% for the Municipal Water System in order to maintain a reliable utility infrastructure.
- ❑ Add 4 positions to support the Construction and Demolition Recycling and "Zero Waste" Organic Materials Recovery Programs.
- ❑ Increase Multi-Family Dwelling waste diversion from 35% to 70% through a change in the sorting of refuse from these homes.

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
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
Landscape & Tree Maintenance
Parking Services
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
Retirement Services



Transportation & Aviation Services

Expected Service Delivery

- ❑ Finalize construction of the North Concourse (fall 2008 est. completion) and the development of the Terminal Area Improvement Program at the Airport.
- ❑ Provide enhanced safety and security 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 street sealing preventative maintenance and resurfacing.

Impacts of Budget Actions

- ❑ Add funding to support the Airport's Shared Use System, which assists the Airport in managing and allocating airline gates, holdrooms, and counters.
- ❑ Add 3 Parking and Traffic Control Officers to improve pedestrian safety at Terminal C; add 2 positions for OSHA compliance training at the Airport.
- ❑ Support Green Vision initiatives such as smart streetlights, planting street trees, Airport recycling, and sustainable methods for providing services.
- ❑ Shift responsibility for all street tree maintenance and emergency services to property owners, except in cases where there is an economic hardship.
- ❑ Eliminate 7 positions and reduce street landscape maintenance by one-third, including median island, frontage, and roadway landscapes.
- ❑ Add 2 Parking and Traffic Control Officers to expand the School Area Safety and Parking Compliance Program to improve safety around schools.

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 the short and long-term needs of the community.

Impacts of Budget Actions

- ❑ Add \$5 million to address the significant backlog of deferred infrastructure needs.
- ❑ Add 2 positions to establish an Employee Wellness Program and 1 position to develop a succession planning strategy at the Water Pollution Control Plant.
- ❑ Add 2 positions to establish a Business Field Enforcement pilot program.
- ❑ Establish a Business Tax Administration Fee of \$22 annually.
- ❑ Consolidate vehicle maintenance and operations at the Central Service Yard.
- ❑ Add a city-wide Geographic Information System (GIS) Manager.
- ❑ Add \$1.9 million to address a portion of the unfunded liability for post-employment health benefits and add \$150,000 for retiree health care studies.
- ❑ Add \$350,000 for optimization and service delivery model reviews.

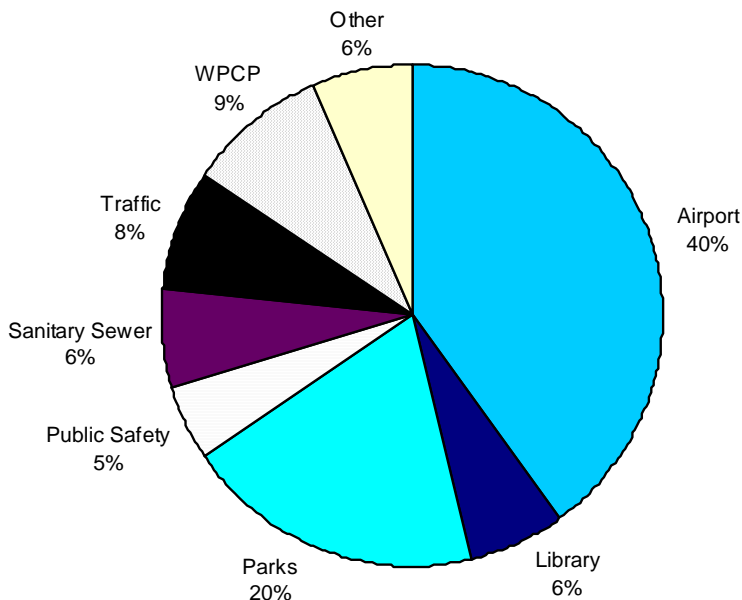
Investing in the City's Infrastructure

The capital investments planned over the next five years are substantial with a 2008-2009 Adopted Capital Budget of \$1.2 billion and a 2009-2013 Adopted Capital Improvement Program (CIP) of \$2.4 billion. This marks the eighth consecutive year that the annual budget exceeds \$1 billion and that the five-year plan is in the multi-billion dollar range.

The City is now in the second half of the *Decade of Investment*, which 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 for these purposes. 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 the capacity to address future growth.

With a number of new facilities coming online in the 2009-2013 CIP, General Fund operating costs will total \$3.9 million in 2009-2010 and climb to \$10.7 million by 2012-2013. In addition, the backlog of unmet infrastructure needs and deferred maintenance continues to be a major challenge as strategies are developed to eliminate the General Fund structural deficit.

2008-2009 Adopted Capital Budget



Major Projects to be Completed Over the Next Five Years

2008-2009 Projects

Airport North Concourse Building
 Airport People Mover Conceptual Design
 Alum Rock Sanitary Sewer Rehab
 Julian-Sunol Supplement Sewer Rehab
 Mayfair Community Center
 Roosevelt Community Center
 Santa Teresa Branch Library

2009-2010 Projects

Bascom Community Center / Library
 East SJ Carnegie Branch Library
 Edenvale Sanitary Supplement, Ph V
 Educational Park Branch Library
 Fire Station 2 Rebuild
 Fire Station 19 Relocation (Piedmont)
 Fire Station 36 (Silver Creek/Yerba Buena)
 Happy Hollow Park and Zoo Renovations
 Naglee Avenue Sewer Replacement
 North First Street Water Main Replacement
 Seven Trees Community Center / Library
 SJSU to Japantown Pedestrian Corridor
 South San José Police Substation
 University Avenue Sewer Replacement

2010-2011 Projects

Airport Consolidated Rental Car Facility
 Almaden Road Sewer Rehabilitation
 Blossom Hill Road Sanitary Supplement
 Calabazas Branch Library
 Driver Safety Training Center
 Jackson Street: Light Rail Station to Japantown Pedestrian Corridor
 Water Pollution Control Plant Master Plan

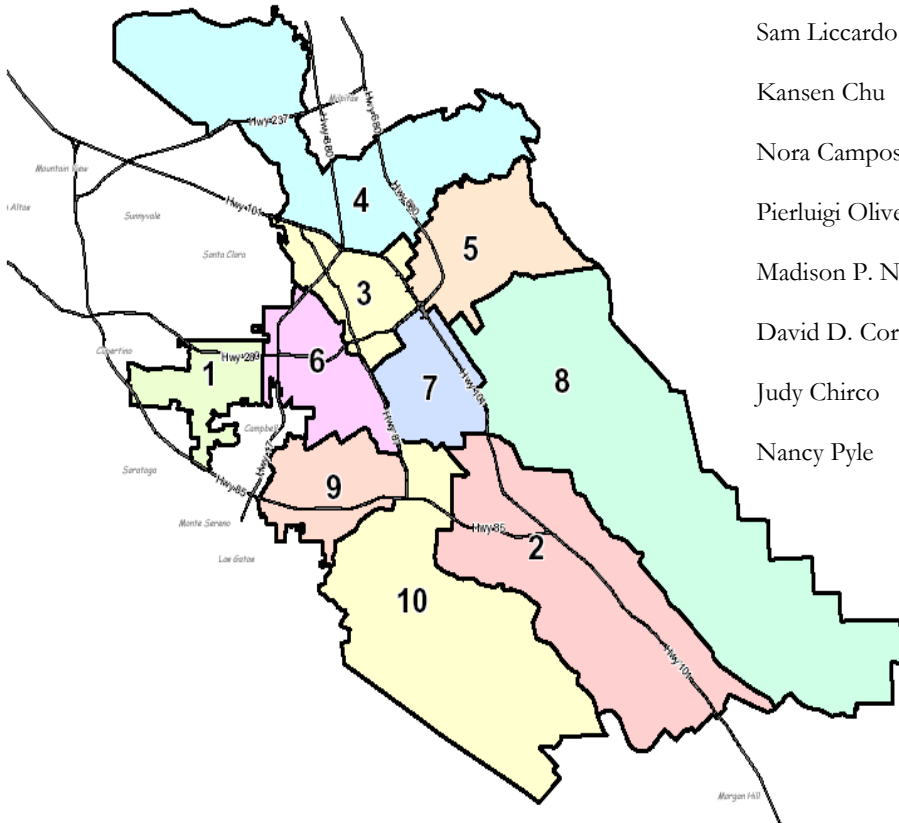
2011-2012 Projects

Airport Belly-Freight Facility
 Albany-Kiely Storm Improvements Ph V
 Coleman Road Sewer Improvements
 Cropley Avenue Sewer Improvements
 Fire Station 21 Relocation (White Rd.)
 Fire Station 37 (Willow Glen)
 Morrill Ave./Sierra Rd. Sewer Impvmts.
 Southeast Branch Library

2012-2013 Projects

Airport Taxiway W, Phase I/II
 Capitol Avenue Sewer Improvements
 Foxworthy Avenue Sewer Improvements
 Jacob Avenue Sewer Improvements
 Parkmoor-Meridian Sewer Rehabilitation

Roster of Elected Officials



CITY COUNCIL	DISTRICT	TELEPHONE/ E-MAIL
Chuck Reed	Mayor	535-4800 mayoremail@sanjoseca.gov
Pete Constant	1	535-4901 District1@sanjoseca.gov
Forrest Williams	2	535-4902 forrest.williams@sanjoseca.gov
Sam Liccardo	3	535-4903 District3@sanjoseca.gov
Kansen Chu	4	535-4904 District4@sanjoseca.gov
Nora Campos	5	535-4905 District5@sanjoseca.gov
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Judy Chirco	9	535-4909 judy.chirco@sanjoseca.gov
Nancy Pyle	10	535-4910 District10@sanjoseca.gov

Managing Our Finances

Despite the City's economic challenges, the City of San José is recognized for its excellent financial management. With the highest general credit rating of any major California city, San José maintained its AA+ rating with two of the three national credit rating agencies and the third, Standard and Poor's, raised its rating to AAA, the highest level. The annual Operating and Capital Budgets have also received awards from the Government Finance Officers Association and California Society of Municipal Finance Officers.

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

Accessing the Budget

Online versions of the City of San José's 2008-2009 Adopted Operating and Capital budgets are posted on the City's website at www.sanjoseca.gov. These documents are also available at San José public libraries. 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).