

**2015-2016**

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**OPERATING BUDGET**

**CITY MANAGER'S  
2015-2016  
BUDGET MESSAGE**

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2015-2016 BUDGET MESSAGE**

October 28, 2015

Honorable Mayor and City Council:

The 2015-2016 Adopted Operating Budget continues our efforts to address the highest priority community and organizational needs while maintaining budget stability. This budget follows the direction provided by the Mayor and City Council and incorporates the priorities and investments identified in the Mayor's March and June Messages for Fiscal Year 2015-2016. The budget also considers other City Council priorities, recent community outreach and surveys, other departmental and organizational priorities, and forecasts for future revenues and expenditures.

The combination of past budget balancing actions, steady increases in revenues from a stronger economy, and very careful management of expenses has resulted in a degree of budget stability as experienced for the past three years. For the General Fund, revenues and expenditures continue to remain in very close alignment, and over the next five years, variances of less than 1% are projected annually. This is an extremely tight tolerance that constrains our ability to restore service levels as quickly as we would like, and it limits our ability to make long-term investments for maintenance and replacement of essential infrastructure.

This Adopted Budget, therefore, continues to hold the line with a limited number of new investments in strategically important areas. It provides for some service restorations and investments in our infrastructure, avoids service cuts, and continues to provide incremental increases in employee compensation in order to remain competitive as an employer in this challenging labor marketplace.

Although our budget outlook is relatively stable, it is not robust; the City continues to face a long-term "service level deficit." Unless we can secure a significant new source of revenue, we do not expect our resources to grow in a manner that will allow the City to fully restore services to the pre-recession levels. We can expect ongoing significant budgetary challenges and uncertainties, and we likely will continue to fall short of community and employee expectations. However, in this fiscal environment, the City will continue to creatively seek out the best ways to deliver services with the available resources, and will pursue opportunities to work with other public and private organizations to leverage our limited resources.



### **San José Highlights**

- *10<sup>th</sup> largest city in the nation*
- *1.0 million population*
- *180.2 square miles*
- *199 park sites; 3,484 acres*
- *12 City-operated community centers*
- *1 main and 22 branch libraries; 9.8 million annual circulation*
- *33 fire stations*
- *1,109 Police Officers*
- *9.6 million annual Airport passengers, 175 daily landings*
- *2,302 miles of sewer mains*
- *2,410 miles of streets*
- *345 miles of water mains*
- *82,000 tons of annual recycled materials*

# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## General Fund Budget Remains Stable

Over the next five years, very small surpluses and one shortfall are projected annually as shown in Table 1 below. These variances represent less than 1% of the projected General Fund budget (revenues and expenditures). As with any forecast, these variances could easily change in either direction in response to the economy, changes in projected expenditures, particularly in salary levels and retirement costs, or other factors beyond the City's control. The Administration will continue to evaluate financial trends and other changes that could affect the City's financial situation.

2016-2020 General Fund Forecast Incremental Surplus/(Shortfall) (\$ in millions) <sup>1</sup> (Table 1)					
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Incremental Surplus/(Shortfall)	\$9.4 M <sup>2</sup>	\$5.2 M	\$0.3 M	(\$1.4 M)	\$5.8 M
% of Annual Budget	0.5%	0.3%	0.02%	(0.1%)	0.3%

<sup>1</sup> Does not incorporate the Development Fee Programs; impacts associated with elements of the Fiscal Reform Plan that are not yet implemented; costs associated with fully funding the annual required contributions for retiree healthcare; costs associated with services funded on a one-time basis in 2014-2015; costs associated with restoration of key services (police, fire, libraries, community centers, and street maintenance) to January 1, 2011 levels; costs associated with the Police Staffing Restoration Strategy (to increase the number of budgeted sworn officers from 1,109 to 1,250 positions); costs associated with unmet/deferred infrastructure and maintenance needs; or one-time revenues/expenses.

<sup>2</sup> This figure excludes the Development Fee Programs and was revised from the \$8.6 million surplus presented in the February 2015 Forecast as a result of the continued analysis and updating of projected revenues and expenditures. With a surplus of only \$20,000 in the Development Fee Programs, the General Fund surplus addressed in the 2015-2016 Adopted Budget remains at \$9.4 million.

## Focused Approach to Address Priority Community and Organizational Needs

The Adopted Budget balances many competing community and organizational needs and maintains the City's strong commitment to budget stability. The major actions included in the Adopted Operating Budget, across all funds, focus on the following priority themes:

- ✓ **Improving Safety Through Investments in Police and Fire Operations** (investments that ensure our public safety services are safe, effective, and efficient)
- ✓ **A Safer, Smarter San José** (investments that address broader public safety needs)
- ✓ **Restoring Basic City Services** (investments that meet basic community and organizational needs)
- ✓ **Broadening Opportunity and Prosperity/Boosting Vitality** (investments that expand opportunities for our residents and enhance experiences of our residents/visitors)
- ✓ **Engaging the Community** (investments that support innovation and strategic partnerships as well as increase transparency and community input)
- ✓ **Our Future** (investments that better position the City moving forward)

## Key City Service Area Priorities

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

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

- ***Community and Economic Development.*** The goal of this CSA is to develop and strengthen the community's economy; nurture a safe, attractive, and vital community; and encourage a broad range of housing options. Among the key priorities in this CSA include:
  - Engage, assist, recruit and nurture businesses within and outside of San José that can create jobs, expand the City's tax base, and support essential public services.
  - Support cultural vibrancy and economic vitality through community arts organizations, cultural facilities, and special events working with community partners to leverage City resources.
  - Continue to implement the City's "Envision San José 2040" General Plan and other plans through the creation of urban villages, active community partnerships, and ongoing relationships with neighborhoods and the development community.
  - Further enhance the experience of customers dealing with the full range of Development Services by ensuring that staffing, systems, and standards are consistent and timely.
  - Partner with *Destination: Home*, a public-private partnership, to advance toward the goal of ending chronic homelessness in Santa Clara County through a regional strategic planning process.
  - Implement a Rapid Rehousing Program that will provide supportive housing services in order to relocate people to safer, healthier, and sustainable conditions.
- ***Environmental and Utility Services.*** The San José Green Vision encompasses a wide range of services and projects related to water supply, water pollution control, recycling and waste management, and watershed protection in order to protect the environment and quality of life in the community. Among the key priorities in this CSA include:



## Key City Service Area Priorities



- Oversee programs to collect, recycle, and dispose of solid waste to maximize diversion from landfills, minimize inefficient use of limited natural resources, and protect public health, safety, and the environment.
- Support sustainable infrastructure, systems, and behaviors throughout the community through public education, public-private partnerships, and leadership of the City’s Green Vision.
- Promote the health of the South Bay Watershed and the waters of the San Francisco Bay and its tributaries through the collection, treatment, and management of wastewater and stormwater runoff, and through pollution prevention programs and public education.
- **Neighborhood Services.** Libraries, parks and recreation, animal care and services, and code enforcement comprise this CSA, with the common goal of fostering healthy, vibrant, and secure neighborhoods. Among the key priorities in this CSA include:

- Operate a resourceful and efficient model of library services to ensure public access to a wide range of materials, information, and technology through its system of branch libraries. The expansion of branch library hours along with technological advances in materials handling enhance the delivery of library services to the community. The priority in the coming year will be ensuring the success of the new model of libraries operating at six days a week, with the increased use of volunteers, staff, and technologies including a new mobile technology vehicle, one of the first of its kind.



- Animal Care and Services will focus on health and safety services, such as calls related to aggressive and injured animals, and shelter services that continue to provide low cost and free spay and neuter services and animal adoption service.
- Neighborhood clean-ups will continue to be available city-wide to ensure convenient methods to reduce trash and illegal dumping in concert with Parks, Recreation and Neighborhood Services (PRNS) and Code Enforcement.
- PRNS will continue to use a multi-service delivery community center “hub” model that ensures that core services and recreation options remain available for residents of all ages throughout the community, along with services provided by community partners at 42 re-use sites. PRNS will also continue to support opportunities for outdoor leisure activities through the operation of several regional parks.

## Key City Service Area Priorities

- PRNS will continue to implement the Mayor’s Gang Prevention Task Force Youth Intervention programs and services.
- Code Enforcement field inspection staff will continue to respond to Emergency and Priority complaints within 24 and 72 hours, respectively.
- **Public Safety.** Although Police and Fire services constitute the bulk of the City’s investment in public safety, other departments and programs also contribute to the safety of the community. Among the key priorities in this CSA include:
  - Provide effective and timely police and fire response to high-priority calls for service from the community in order to protect the safety, health, and property of San José residents and businesses.
  - Enhance the use of data and analytics to increase the efficiency and effectiveness of police and fire staff, equipment, and systems to serve the community.
  - Focus on community preparation through crime prevention, emergency preparation, and fire prevention to reduce the risk to life, health, and property in partnership with neighborhoods and businesses.
  - Focus on recruitment and retention of qualified police officers and firefighters to meet authorized staffing levels.
- **Transportation and Aviation Services.** This CSA supports the planning, development, and operation of efficient transportation services that serve the people and economy of San José and Silicon Valley. Among the key priorities in this CSA include:
  - Operate Mineta San José International Airport in order to cost effectively meet the needs and expectations of the residents and businesses of Silicon Valley, develop additional air service to connect our community with priority destinations, and ensure that the Airport continues to meet all appropriate safety and security requirements.
  - Focus limited resources available for street and infrastructure maintenance on the highest priorities and facilities that have the greatest use and economic significance. Continue efforts to protect lives and property of San José residents through safety engineering and education.



# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## Key City Service Area Priorities

- Continue planning for future infrastructure needs to determine resource requirements, funding alternatives, and work in partnership with neighborhoods and the business community to achieve an appropriate balance of effort.
- **Strategic Support.** The overall ability of the City to provide quality and effective services depends on strategic support services, such as information technology, human resources, public works, and financial services, to ensure consistency and efficiency throughout all City departments. Among the key priorities in this CSA include:
  - Attract and retain well-qualified City employees, who can consistently provide efficient services through skill, innovation and creativity, through effective recruitment and selection processes.
  - Ensure that the City’s finance and technology systems are protected, upgraded, and aligned with changing needs of government processes, community expectations, and City resources.
  - Oversee the City’s capital projects to ensure on-time and on-budget delivery of facilities that meet the needs of both the community and City staff. Also maintain the City’s buildings and other infrastructure to ensure a safe environment for the community and employees.



## Total Adopted Budget

In the 2015-2016 Adopted Budget, the total net funding is \$3.2 billion for all City funds (General, Special, and Capital). This is \$179.8 million (6.0%) above the 2014-2015 Adopted Budget (Table 2 below). This increase reflects growth in all categories, with the General Fund experiencing the largest increase of 7.3%

<b>2015-2016 Adopted Budget — All Funds (Table 2)</b>			
	<b>2014–2015 Adopted</b>	<b>2015–2016 Adopted</b>	<b>% Change</b>
General Fund	\$ 1,132,680,837	\$ 1,215,409,515	7.3%
Special Funds	1,552,813,702	1,603,506,240	3.2%
<Less: Operating Transfers>	(598,730,848)	(614,133,445)	2.6%
<b>Net Operating Funds</b>	<b>2,086,763,691</b>	<b>2,204,782,310</b>	<b>5.7%</b>
Capital Funds	937,894,687	996,722,294	6.3%
<Less: Capital Transfers>	(14,293,000)	(11,317,000)	20.8%
<b>Net Capital Funds</b>	<b>923,601,687</b>	<b>985,405,294</b>	<b>6.7%</b>
<b>Total</b>	<b>\$ 3,010,365,378</b>	<b>\$ 3,190,187,604</b>	<b>6.0%</b>

# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## Position Impacts

This Adopted Budget includes increases to staffing levels to support the expansion of library hours, delivery of the City’s capital program, police services, development fee programs, continuation of one-time activities funded in 2015-2016, and limited enhancements to other critical services. Overall, the level of staffing will increase by a net 186 positions, from 5,759 full time equivalent positions in the 2014-2015 Adopted Budget to 5,945 positions in the 2015-2016 Adopted Budget as shown in the Table 3 below. This 3.2% increase still leaves City staffing well below its peak of almost 7,500 positions in 2001-2002.

<b>Changes in Position Count (All Funds) from 2014-2015 Adopted to 2015-2016 Adopted Budget (Table 3)</b>	
<b>2014-2015 Adopted Budget</b>	<b>5,759 positions</b>
2015-2016 Base Budget Changes	-16 positions
2015-2016 Adopted Budget Changes	202 positions
Total Net Position Changes	186 positions
<b>2015-2016 Adopted Budget</b>	<b>5,945 positions</b>

## Employee Compensation

As a service organization, City employees are critical in the delivery of quality services to our community. In order to maintain service level stability, it is very important that we retain and attract quality employees. In recognition of this important goal, the 2015-2016 Adopted Budget includes funding of \$33.2 million in the General Fund (\$42.4 million in all funds) for compensation increases as shown in the Table 4 below. It is important to note that these figures do not include the additional funding of \$9.1 million approved by the City Council on August 25, 2015 for employees represented by the San Jose Police Officers’ Association, which was offset by a reduction to the Police Department Staffing/Operations Reserve.

<b>2015-2016 Adopted Budget Funding for Compensation Increases (Table 4)</b>		
	<b>General Fund</b>	<b>All Funds</b>
Salary Program*	\$ 22.0 M	\$ 29.5 M
San Jose Police Officers’ Association**	7.0 M	7.0 M
Automatic Step Increases	1.6 M	2.0 M
Management Pay for Performance	1.3 M	2.6 M
Employee Market Competitiveness Reserve	1.3 M	1.3 M
<b>2015-2016 Compensation Increases</b>	<b>\$ 33.2 M</b>	<b>\$ 42.4 M</b>

\* The Salary Program reflects the salary increases that were negotiated and agreed to by the City and 10 bargaining units. Salary increases were approved by the City Council on June 23, 2015. Further details on the salary increases by each employee group can be found at: <https://www.sanjoseca.gov/index.aspx?NID=505>.

\*\* Does not include \$9.1 million funding approved by the City Council on August 25, 2015 allocated from the Police Department Staffing/Operations Reserve.



# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## **Balancing the Budget**

As displayed in Table 5 on the following page, the 2015-2016 Adopted General Fund Budget Balancing Plan includes actions that allocate a \$9.4 million surplus, which includes a general surplus of \$9.4 million combined with a \$20,000 surplus for the cost-recovery Development Fee Programs. This table shows the matrix of balancing strategies and the dollars associated with each action. A complete discussion of the balancing strategies can be found in Attachment A and throughout the Adopted Budget. It is important to note that this plan focuses on actions to bring the 2015-2016 budget into balance and does not include the rebudget of funds from 2014-2015 to 2015-2016 to complete projects as well as new net-zero grants and reimbursements that were brought forward as part of the budget deliberation process.

Attachment B also responds to the directives contained in the Mayor's March Budget Message for Fiscal Year 2015-2016 that was approved by the City Council on March 24, 2015. Adopted Budget actions that respond to City Auditor referrals requiring additional funding are described in Attachment C.

As discussed earlier, the 2015-2016 Adopted Operating Budget incorporates the following:

- Direction provided in the Mayor's March and June Budget Messages for Fiscal Year 2015-2016 as approved by the City Council, reflecting the priorities and investments identified in those messages;
- City Council priorities, recent community outreach and surveys, other departmental and organizational priorities, and forecasts for future revenues and expenditures;
- Budget Balancing Strategy Guidelines contained in the City Manager's Budget Request for Fiscal Year 2015-2016 that were adopted by the City Council as part of the approval of the Mayor's March Budget Message for Fiscal Year 2015-2016; and
- City Council-approved Guiding Principles for Restoring City Service Levels and the City-Council approved City of San José Budget Principles.

These guidelines and principles are included in Exhibit 1 to this message. Detailed information regarding budget actions and associated performance results is included in the sections for specific City Service Areas, City Departments, Council Appointees, and City-Wide.

2015-2016 ADOPTED OPERATING BUDGET MESSAGE


Balancing the Budget

<b>2015-2016 Adopted Operating Budget General Fund Budget Balancing Plan (in 000's) (Table 5)</b>		
	<b>2015-2016</b>	<b>Ongoing</b>
<b>2015-2016 General Fund Surplus</b>	<b>\$ 9,389</b>	<b>\$ 9,389</b>
<b>Development Fee Program Impact</b>	<b>20</b>	<b>20</b>
<b>Revised Base Budget Forecast</b>	<b>\$ 9,409</b>	<b>\$ 9,409</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Beginning Fund Balance:		
Police Department Staffing/Operations Reserve	\$ 6,960	\$ 0
Police Department Overtime Reserve	5,000	0
Homeless Rapid Rehousing/Homeless Response Team Reserves	3,500	0
Police Sworn Hire Ahead Reserve	3,000	0
Development Fee Reserves	2,518	1,989
2015-2016 Future Deficit Reserve	2,400	0
SJ BEST & Safe Summer Initiative Reserve	1,500	0
2014-2015 Paramedic Program Revenues	1,500	0
Cultural Facilities Capital Maintenance Reserve	1,110	0
City Annual Required Contributions Reserve	1,000	0
Other Reserve Liquidations	1,158	0
Additional Excess Revenue/Expenditure Savings	2,393	0
Grants/Reimbursements/Fees		
Transportation Fees & Charges (Parking Citations, Sidewalk, Trees)	1,213	1,213
Other Fee Programs/Reimbursements/Grants	1,457	1,460
Other Revenue Changes:		
USPTO – Tenant Improvements	3,434	0
Sales Tax	2,200	0
Property Tax	2,000	0
2015-2016 Paramedic Program	450	0
Miscellaneous Other Revenue	1,216	984
Overhead Reimbursements/Transfers from Other Funds	1,922	924
<b>Subtotal Source of Funds</b>	<b>\$ 45,931</b>	<b>\$ 6,570</b>
<b>Use of Funds</b>		
Service Level Enhancements	\$ 34,794	\$ 8,069
Salary Program	21,995	18,881
2014-2015 One-Time Funded Services	7,730	7,202
Other Fee Programs/Grants/Reimbursements	5,185	780
Earmarked Reserves (e.g., SAFER 2014, Silicon Valley Regional Com. Sys., Long Range Planning)	5,175	(1,000)
Unmet/Deferred Technology, Infrastructure, and Maintenance	3,885	0
Development Fee Programs	2,043	1,704
Funding Shifts from Other Funds/Other Expenditure Changes	893	730
New Facilities Operations and Maintenance	537	1,424
Use of Reserves (e.g., Salaries and Benefits, Committed Additions, Police Dept. Staffing/Operations, Cultural Facilities Capital Maintenance)	(26,897)	(21,841)
<b>Subtotal Use of Funds</b>	<b>\$ 55,340</b>	<b>\$ 15,949</b>
<b>Total Balancing Strategy</b>	<b>\$ (9,409)</b>	<b>\$ (9,379)</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 30</b>

## Strategic Investments

Following is a discussion of some of the most significant budget actions in the Adopted Operating Budget. These approved investments, across all funds, are organized by the priority themes as shown below.

### Improving Safety Through Investments in Police and Fire Operations *(investments that ensure our public safety services are safe, effective, and efficient)*

- ***Police Field Patrol Community Service Officers*** – Adds 22.0 Community Service Officer (CSO) positions, 4.0 Senior Community Service Officer positions, and associated non-personal/equipment funding. This action will increase the number of CSOs from 28 to 50 and will add four supervisor positions to provide oversight for this program. The CSOs will be deployed on a seven day per week, overlapping eight-hour day schedule with 12.0 CSOs and 1.0 Senior CSO assigned to each of the four Police Patrol Divisions. The remaining 2.0 CSOs will be used for backfill coverage. Due to the lengthy recruitment and hiring process, the goal is to have the positions filled by February 1, 2016. The additional staffing will enhance the unit's ability to handle low priority calls, and in turn will free up time for sworn officers to respond to calls for service and conduct proactive police work.
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- ***Police Overtime*** – Increases the Police Department overtime budget by \$5.0 million from a Base Budget level of \$12.5 million to \$17.5 million, which is offset by the use of a \$5.0 million Police Overtime Earmarked Reserve that was proactively established with the approval of the 2014-2015 Mid-Year Budget Review. Although the Department is conducting police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2015-2016 with approximately 150 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed to continue backfilling for vacant patrol positions, maintain targeted enforcement of high crime activity through suppression cars, conduct high profile investigations, and backfill for civilian vacancies as needed.
  - ***Downtown Police Foot Patrol Program*** – Increases the Police Department overtime budget by \$560,000 to continue the Downtown Foot Patrol program for an additional year. This program was implemented in 2014-2015 to enhance safety and security, support ongoing surveillance and apprehension projects, and allow specialized units such as the Downtown Services Unit to focus on high crime activity. This program will continue to deploy four Police Officers and one Police Sergeant on a 5 hours per day, 5 days per week schedule to address concerns that were raised from businesses and the public regarding safety levels downtown.
  - ***Police Recruitment and Background Services*** – Continues one-time funding for recruiting (\$325,000) and backgrounding (\$100,000) for sworn and civilian vacancies.

## Strategic Investments

- **Crime Prevention Program** – Adds 4.0 Crime Prevention Specialists (CPS) to increase community outreach, disseminate crime prevention information to City residents through presentations, and respond to residents’ concerns about crime. The Crime Prevention Unit currently has 8.0 CPS positions to cover the four Police Patrol Divisions. The additional 4.0 CPS positions will allow the Crime Prevention Unit to provide each of the four Police Patrol Divisions with 3.0 positions. With the additional funding, the Crime Prevention Unit will develop two new programs: Crime Free Multi-Housing Program (CFMHP) and a community notification system such as the NIXLE Law Enforcement Social Media System. CFMHP is a law enforcement program that focuses on reducing crime and calls for service at multi-housing complexes. The NIXLE system will allow the Crime Prevention Unit to write and send crime prevention information to the community to increase awareness.
- The diagram illustrates a cyclical process with three stages: Prevention, Intervention, and Suppression. Each stage is connected to the next by a blue curved arrow pointing clockwise. The arrows are thick and have a slight 3D effect. The text labels are in a blue, sans-serif font.
- **Silicon Valley Regional Communications System Reserve** – Increases the Silicon Valley Regional Communications Reserve by \$3.0 million. A total need of \$24.6 million was identified to fund San José’s portion of the upfront investment to build the system (\$7.5 million, with Valley Transportation Authority participation), purchase dispatch consoles (\$2.5 million), and purchase new radios (\$14.6 million). This reserve along with funding already allocated for this purpose (\$3.13 million) will partially fund the \$7.5 million need to build out the system, leaving a remaining unfunded need of \$1.4 million.
  - **Field Patrol Mobile Data Computers** – Adds one-time funding of \$1.3 million for the replacement and installation of Mobile Data Computers (MDC) in Field Patrol vehicles in order to continue critical access to data that is required for Patrol Officers. This funding, along with grant funding in the Supplemental Law Enforcement Services Fund, will be used to replace all of the MDCs, which were last replaced in 2009 and are at the end of their lifecycle. An ongoing allocation of \$175,000 will allow for the upgrade to a dual carrier system to increase the reliability for MDC data transmission.
  - **Police Protective Equipment** – Adds one-time funding of \$530,000 for police protective resources, such as ballistic panels, plates, and vests. This investment will help protect the existing sworn workforce.
  - **Police Body Worn Cameras** – Adds one-time State Drug Forfeiture Fund funding of \$613,000 to match potential grant funding from the United States Department of Justice to purchase body-worn cameras for Police Officers, with expected implementation in 2015-2016.

## Strategic Investments

- **Communications 9-1-1 Phone System Replacement** – Adds one-time funding of \$150,000, which is a preliminary estimate of the City’s share to replace the San José Police Communications 9-1-1 telephone system and equipment (total cost approximately \$1.5 million). The City will replace its system and upgrade its technology to meet Next Generation 9-1-1 requirements, an internet protocol (IP)-based system that will allow digital information (e.g., voice, photos, videos, text message) to be received from the public.
- **Computer Aided Dispatch Business Intelligence** – Adds one-time funding of \$315,000 for the Computer Aided Dispatch (CAD) Business Intelligence Enterprise software, and ongoing software maintenance funding of \$40,000, in order to increase efficiency and accuracy in response time data reporting. The software will provide enhanced real-time data dashboards for Patrol Officers and command staff, including the number of patrol units available or out of service, the number of pending calls for service, and average response times.
- **Central ID Unit** – Converts 2.0 limit-dated Latent Fingerprint Examiner II positions to permanent positions in the Central ID Unit to address an increased caseload and continue work on the backlog of latent print cases.
- **Crime Analysis Unit** – Adds 1.0 Program Manager I to the Crime Analysis Unit to leverage and expand the use of data analytics to help enhance the delivery of prevention, patrol, and investigative services. The addition will allow the Crime Analysis Unit to maximize the use of various predictive policing programs to process and interpret large quantities of data to anticipate where crime “hot spots” will likely emerge. The Program Manager will be responsible for managing the Crime Analysis Unit, which currently consists of 10.0 Crime and Intelligence Analysts, 2.0 Senior Crime and Intelligence Analysts, and 1.0 Senior Analyst.
- **Police Video Unit** – Adds one-time funding of \$100,000 for contractual services to help support the Video Unit. The contractual services will help with the production of Department public safety messages, training videos, and other media-related projects that the Department uses to communicate with staff and the public.



- **Bureau of Investigations Video Evidence** – Adds 1.0 Senior Crime and Intelligence Analyst to assist the Bureau of Investigations in the collection, analysis, enhancement, and dissemination of video evidence.
- **Gang Investigations Unit** – Adds 1.0 Crime and Intelligence Analyst to the Gang Investigations Unit to assist sworn staff with administrative and investigative work on gang-related crimes. This position will assist the detectives with the research and development of the gang summaries, which can range from 160 hours to over 800 hours for each summary. The Crime and Intelligence Analyst will also be able to assist on other Police Department intelligence requests, since they will be familiar with the same databases used for gang investigations.

## Strategic Investments

- **Field Training Officer Program** – Adds 1.0 Senior Office Specialist to the Field Training Officer (FTO) program in order to relieve sworn staff from administrative duties. The Senior Office Specialist position will work in conjunction with an Administrative Officer on the day-to-day operations of the FTO program.
- **Police Fleet Management System** – Provides one-time funding of \$400,000 to procure and install an automated system that manages the tracking of patrol vehicles as they enter the parking structure, dispenses patrol car keys to officers without the need for onsite fleet staff, streamlines the coordination of patrol car assignments for each of the three patrol shifts, and displays real-time data of which vehicles are in the parking lot at all times.
- **Police Administration Building Roof Replacement** – Provides one-time funding of \$350,000 to replace the roof of the Police Administration Building and address key structural repairs to mitigate the sagging areas that are creating standing water issues.
- **Police Administration Building – Employee Parking Lot Perimeter Fencing** – Provides one-time funding of \$300,000 to install a perimeter fence around the Police and Fire Department employee parking lot at the Police Administration Building to secure the area and reduce vandalism.
- **Police Department Staffing/Operations Reserve** – A portion (\$3.7 million) of the existing Police Department Staffing/Operations Reserve will be used to fund additions that support Police Department staffing and operations. After these actions and considering rebudget actions that were approved, the remaining Police Department Staffing/Operations Reserve will total \$11.4 million in the 2015-2016 Adopted Budget, of which \$4.1 million will be ongoing funding beginning in 2016-2017.
- **Staffing for Adequate Fire and Emergency Response (SAFER) 2014 Grant Reserve** – Establishes a \$1.95 million SAFER Reserve to cover two years of the General Fund portion of the 2014 SAFER Grant that was recently awarded. The grant provides \$3.3 million to restore the equivalent of 14 firefighter positions at the step 1 level (includes salary and benefits, step increases, and anticipated benefit cost increases in year two). Pending a Fire Department organizational review that is currently in progress, SAFER 2014-funded personnel could be assigned to relief positions and minimize brownouts, or reallocate staffing to place an engine back in service for more water availability. The additional positions could also be assigned to Fire Station 33 (Communications Hill) based on a build out of that area in the next few years. A memorandum will be brought forward to appropriate the funds and approve the additional positions later this year.



## Strategic Investments

- ***Fire Information Technology Staffing*** – Adds a limit-dated Information Systems Analyst through June 2016 to implement the Electronic Patient Care Reporting (ePCR) system, assist with the San Jose Fire Department Response Time Work Plan, and work on more efficient technical applications to provide timely information for service analysis and improvements, including Emergency Medical Services response times. Since staff on overtime are currently working on this project, the cost of this position can be partially offset by a reduction to the overtime budget. This position is also partially funding by the Public Safety Capital Program.
- ***Fire Fighter Recruit Academies Training*** – Provides funding of \$70,000 (\$35,000 ongoing) to meet new mandated training criteria set forth by the California State Marshal's Office.
- ***Fire Engineer Academy and Training*** – Provides one-time funding of \$115,000 to expand Fire Engineer training from one week to two weeks to meet National Fire Protection Association NFPA 1002 training mandates and to develop policies regarding Fire Engineer academies and probation periods for Fire Engineers.
- ***Office of Emergency Services Staffing*** – Continues 1.0 limit-dated Senior Analyst through June 30, 2016. Funded by both a grant and an existing appropriation, this position will continue to support the Office of Emergency Services by performing grant-eligible planning, training and emergency management activities.
- ***Public Safety Vehicle Mobile Connectivity*** – Adds funding to address current issues with mobile connectivity for Public Safety. The focus will be on troubleshooting disconnects between the vehicles and the City network, reviewing existing solutions, and recommending configuration changes and/or upgrades to optimize connectivity. This connectivity is an important element in gathering and providing data to public safety field personnel.

### A Safer, Smarter San José

#### *(investments that address broader public safety needs)*

- ***San José BEST and Safe Summer Initiative Programs*** – Ongoing funding of \$2.5 million is added to the San José BEST and Safe Summer Initiative Programs (BEST) for a total of \$5.6 million. The San José BEST and Safe Summer Initiative programs support the Mayor's Gang Prevention Task Force by funding a variety of programs and various community-based organizations that provide direct gang intervention services. Of the ongoing funding, \$1.0 million will support the following three programs: Female Gang Intervention Unit; the Mayor's Gang Prevention Task Force Capital Building programs, such as Street Outreach and Late Night Gym; and the Digital Arts Program.
- ***San José Works*** – Allocates one-time funding of \$1,020,000 for San José Works, a youth jobs initiative. This initiative will focus on strengthening the City's partnerships, such as those through the Mayor's Gang Prevention Task Force, to identify, recruit, train and place at-risk youth in jobs. This will target youth in gang and crime hot spots and offer economic opportunity for the City's young residents.

## Strategic Investments

- ***Illegal Dumping Rapid Response Program*** – Continues ongoing funding of \$150,000 from the General Fund and one-time funding of \$100,000 from the Community Development Block Grant (CDBG) Fund to address illegal dumping activities in the City. The \$150,000 from the General Fund will be used to implement recommendations from a consultant study currently underway to address illegal dumping in the City; the installation of deterrent infrastructure, such as fencing, bollards, and signage in “hot spots” identified by staff; and additional rapid response pick-ups and clean-ups in neighborhoods throughout San José as needed. The CDBG funds provide \$50,000 for outreach, which includes community notices neighborhood clean-up events and information on the closest facilities for proper disposal of bulky items, and \$50,000 for additional one-time clean-ups in targeted neighborhoods. In addition, funding to shift 1.0 Maintenance Worker II in the Transportation Department from the Integrated Waste Management (IWM) Fund to the General Fund to continue the response to illegal dumping activities is included as the IWM funding is no longer available to support this activity. The funding shift will continue to allow the position to respond to complaints of illegal dumping by clearing debris in dump spots.
- ***East San José Reuse Center Activation*** – Adds 2.0 Senior Recreation Leader and 2.0 Recreation Leader PT positions to expand hours at the Alum Rock and Berryessa Reuse Centers. The area immediately surrounding the Alum Rock Reuse Center has been recognized as a “hotspot” area by the Mayor’s Gang Prevention Task Force, and the Berryessa Reuse Center is in need of expanded hours to better serve youth. By adding City resources (staff positions) and expanding hours, the centers will use a hybrid model (community center programs provided by the City and non-profit organizations) to provide youth with healthy and safe recreational and after-school activities. Extended hours aim to provide structured drop-in services, for example, homework assistance, from the late afternoon through evening hours.
- ***Code Enforcement Support Staffing*** – Adds 1.0 Staff Technician, offset by fee revenue, to provide administrative support to the Code Enforcement Division. The Staff Technician is needed to address a high volume of customer inquiries as a result of the newly implemented Multiple Housing risk-based and tiered program with self-certification. Since implementation, there has been a significant increase in the number of questions about placements in the tiers, violations, the online self-certification process, and address/contact changes, which have added to the complexity of the length and nature of the calls.
- ***Transportation Safety and Education Staffing*** – Adds a Transportation Specialist and funding in the Traffic Capital Improvement Program (CIP) to support traffic safety projects and education, and neighborhood traffic calming.





## Strategic Investments

- ***Sidewalk Repair and Inspection Program*** – Adds ongoing funding of \$500,000 for Sidewalk repairs, offset by fee revenue, to address current activity levels. Sidewalk repairs are the responsibility of the property owner and any contractual repair work performed by the City is invoiced back to the property owner for reimbursement. In addition, adds 2.0 Associate Construction Inspectors to address the increasing sidewalk repair workload. The costs will be fully offset by additional revenue from the Sidewalk Inspection Program.

## Restoring Basic City Services

*(investments that meet basic community and organizational needs)*

- ***Library Branch Hours Expansion to Six Days a Week*** – Adds 27.93 net library positions to restore branch library hours from four days to six days of service, and from 33/34 hours to 47 hours at all 23 branch libraries, including the Village Square Branch Library coming online March 2016. Under this new model, all branches will be open Monday through Saturday and will result in increases to materials circulation, visitor attendance, and library programming. As an example, the seven Family Learning Centers (at Alum Rock, Bascom, Biblioteca, East Branch, Hillview, Seven Trees, and Tully Branches) will now have staff dedicated to ensuring availability of services to improve literacy and learning, including the acquisition of collections specific for these communities. The cost of the expansion will be initially funded by the Library Parcel Tax (80%) and the General Fund (20%). The General Fund would assume the total cost of this expansion over a five-year period, with an anticipated increase in the General Fund share of 20% per year.



- ***New Village Square Branch Library Opening*** – Adds 8.90 positions and corresponding non-personal/equipment funding for the opening of the final branch library constructed with the \$212 million bond funding approved by voters in November 2000. The Village Square Branch Library, located at the Evergreen Village Square, is scheduled to open in March 2016.
- ***Happy Hollow Park and Zoo*** – Reallocates existing funding and adds new funding to support Happy Hollow Park and Zoo (HHPZ) operations, such as rides and ride safety, animal welfare, veterinary care, food and beverage services, and business analysis. Costs are partially offset by fee revenue.

## Strategic Investments

- ***Pavement Maintenance Program*** – Provides additional funding of \$8.0 million to pave and repair streets throughout the City. Funding totaling approximately \$47.9 million has been included in 2015-2016 Adopted Budget for pavement maintenance; however, of this amount, \$23.9 million is unexpended funds carried over from 2014-2015. The remaining \$24.0 million of new funding represents \$16.0 million from the Construction Excise Tax Fund and one-time funding of \$8.0 million from the General Fund per the Mayor’s June Budget Message for Fiscal Year 2015-2016, as approved by the City Council. While this \$24.0 million exceeds the minimum \$18.0 million level of funding needed for pothole repairs and maintenance of the Priority Street Network, it falls well short of the annual investment of \$104.2 million necessary to fully fund the maintenance of the entire street network.
- ***City-Wide Customer Relationship Management*** – Adds funding for the purchase of a City-wide customer relationship and service request management application (CRM/SRM) for the management of resident and business inquiries, service requests, and work order routing from different channels including mobile applications. This procurement allows for the future creation of a digital neighborhood dashboard allowing residents to readily report city issues, such as broken streetlights, graffiti, and abandoned vehicles, and see the status of those requests through a visual interface of a neighborhood map.
- ***Community Center Rental Program*** – Adds 1.5 positions to facilitate community center room rentals. The cost of these positions will be offset by community center rental revenues.
- ***Alum Rock Park Programs*** – Adds 1.0 Senior Recreation Leader position, partially offset by the deletion of 0.60 Account Clerk II PT position, to revitalize the Visitor Center and develop and implement outdoor recreation and leisure classes and programs at Alum Rock Park.
- ***Economic Development/Incentive Fund Partial Reallocation to Business Development and Economic Strategy Activation*** – Reallocates one-time funding of \$200,000 from the Economic Development/Incentive Fund City-wide Expenses allocation budgeted in 2014-2015 to the Office of Economic Development in order to perform economic development functions that were previously performed by the San Jose Redevelopment Agency. This funding will be used to support the City’s business attraction, retention, and expansion efforts through marketing communications, business outreach, retail market analysis, and small business support. After one year of experience with this funding level, an appropriate ongoing amount of funding for business development and economic strategy activities will be recommended for City Council consideration in 2016-2017.
- ***Development Fee Programs:***
  - ***Building Development Fee Program*** – the following resources are added to improve target cycle times and customer service levels: 3.0 Building Inspector Supervisors, 3.0 Associate Engineers, ongoing peak staffing funding, one-time funding to purchase tablets for mobile inspections, one-time funding for replacement vehicles, and funding to support shared resources.



## Strategic Investments

- **Public Works Development Fee Program** – Adds a Construction Inspector and Building Inspector as well as shared resources to address increased activity and workload anticipated for 2015-2016.
- **Fire Development Fee Program** – adds a Senior Engineer and 0.50 Analyst and eliminates a Senior Hazardous Materials Inspector position to improve performance for plan review, provide assistance to monitor works-in-progress, and to monitor revenues and expenditures. Funding to replace one vehicle and add a new vehicle is also included.
- **City-Owned Facilities – Capital Infrastructure Improvements** – Adds one-time funding of \$2.5 million to address City facilities infrastructure and deferred maintenance: at Animal Care and Services – waterproofing at the shelter (\$800,000) and upgrade the fire alarm and security system (\$225,000); conduct an arc flash hazard analysis (\$350,000) to address compliance with NFPA 70E requirements; city-wide building assessments to evaluate the current and projected capital needs of City facilities (\$400,000); and at City Hall – audio visual system upgrade in the Council chambers and Rotunda (\$500,000) and replacement of the chiller media (\$250,000).
- **Cultural and Art Facilities – Capital Infrastructure Improvements** – Per previous City Council direction, growth in the General Fund’s share of TOT revenue above the 2013-2014 actual collections is to be allocated to the capital maintenance of City-owned cultural and art facilities. Of the \$5.1 million projected to be available in 2015-2016, \$1.5 million is allocated in the 2016-2020 Adopted Capital Improvement Program for the following: Children’s Discovery Museum (\$350,000); Mexican Heritage Plaza (\$300,000); Tech Museum of Innovation (\$230,000); Plaza de Cesar Chavez (\$210,000); History San José (\$205,000); and San José Museum of Art (\$200,000). In addition, the Convention and Cultural Affairs Fund provides funding of \$6.4 million to address a variety of electrical, mechanical, structures, unanticipated, and miscellaneous rehabilitation and repair projects at the Convention Center and cultural facilities managed by Team San José.
- **City Tree Maintenance** – Provides \$100,000 of ongoing funding to reinstate a small level of funding for maintenance service for trees that are the responsibility of the City. There are 18,478 City responsibility street trees that require pruning to ensure limbs do not fall into the roadways or block traffic control infrastructure. This funding will enable the Transportation Department to maintain all the trees on a 20-year cycle.
- **Critical Information Security Remediation Efforts** – Adds resources totaling \$250,000 to strengthen the City’s core Information Technology systems as a result of a recent security assessment conducted by security consultants.
- **Preventative Maintenance Program** – Adds ongoing funding of \$500,000 to continue the current Preventative Maintenance Program at the annual level of \$1.8 million. Since 2012-2013, this program has been funded at \$1.8 million with a combination of ongoing and one-time funds. The goal has been to increase the ongoing funding each year to ensure the continuity of this service. By increasing the final ongoing level of support to \$1.8 million, this action will allow the overall preventive maintenance of City facilities to be maintained at the industry standard of 80% annual preventative maintenance by using a combination of staff, overtime, and contractual services for maintaining the HVAC, plumbing, lighting, energy management systems, roofing, generators, and emergency fire alert systems.

## Strategic Investments

- ***Workers' Compensation Service Delivery Model Pilot Program Extension*** – Provides one-time contractual services funding of \$125,000 to continue support for the Workers' Compensation Service Delivery Model Pilot program, administered by Athens' Administrators, a third party administrator (TPA), through 2015-2016. While the end of the initial two-year pilot period is approaching, the City does not yet have sufficient data to be able to compare the in-house delivery to the TPA to make an informed recommendation given the amount of start-up time to implement this pilot program. The extension of the pilot program through 2015-2016 will enable the City to compile sufficient data to complete a service delivery evaluation analysis and make an informed recommendation regarding this program. The addition of a temporary Workers' Compensation adjuster is included to help address the backlog of City-processed workers' compensation claims.
- ***Employment Services Consulting Services*** – Provides one-time funding of \$100,000 to provide consultant support to the Human Resources Department to review the recruitment process and suggest improvements that can be implemented to reduce the cycle time among other recommendations included in the recently released Employee Hiring Audit. This funding will also be used to revise a number of critical job specifications which cannot be completed by current staff without diverting from recruitments to fill vacancies.
- ***Employment Services Temporary Staffing*** – Continues one-time funding for two positions through June 30, 2016, to extend the Human Resources Department's increased hiring capacity across the City, consistent with funding levels approved in 2014-2015. With approximately 10% of authorized City positions currently vacant, the temporary positions will assist in the various phases of the recruitment process. It should be noted that temporary positions, funded by vacancy savings, will again be authorized in various departments with higher vacancy rates to assist with recruiting efforts.
- ***Human Resources/Payroll/Budget Systems*** – Provides one-time funding of \$882,000 for the Human Resources/Payroll/Budget Systems Upgrade project due to anticipated increases in project costs and associated staffing timeline changes. On April 14, 2014, the City Council approved a recommendation to authorize staff to negotiate an agreement with the selected vendor. Based on a revised cost estimate, the first year costs for the project are anticipated at \$7.2 million. Currently, \$6.3 million is budgeted to implement these new systems. A portion of the cost of these new systems will be reimbursed by other funds. The new budget system will incorporate program-level budgeting to increase transparency and allow greater scrutiny of individual programs within each department.
- ***Enterprise Asset Management System*** – Adds one-time funding of \$500,000 to upgrade the Enterprise Asset Management system, which will facilitate a business process review and analysis of asset replacement needs.
- ***Office 365 Licensing*** – Adds funding of \$350,000 for an upgrade of City-wide licensing to Microsoft Office 365 and its productivity suite. This licensing provides a local, more robust installation of Office 2013, which will lead to higher employee productivity than offered by the web version through the provision of enhanced features and a format similar to the versions to which employees are accustomed.

## Strategic Investments

- **Information Technology Management** – Adds an Assistant Director position to the Information Technology Department to meet the growing demands of the organization and community for technical solutions and implementation. Also adds an Enterprise Technology Manager to coordinate City department technology projects to ensure compatibility and compliance with enterprise architecture, standards, and compliancy.
- **Public Records Act Support** – Adds an Information Systems Analyst in the Information Technology Department to provide timely and consistent responses to City-wide Public Records Act (PRA) requests and electronic-discovery for litigation. In the City Attorney’s Office, consultant services funding of \$50,000 was approved for the corresponding legal expertise to ensure that the infrastructure development and legal framework for PRA requests are closely coordinated.
- **City Attorney’s Office** – Adds a Senior Deputy City Attorney to provide additional capacity for addressing real estate and economic development matters and a Legal Administrative Assistant to support the transactional and litigation attorneys. In addition, one-time funding of \$100,000 is added for continued critical transition support for litigation attorney services and transactional attorney services.
- **Permit Center Break Room and Restrooms** – Provides one-time funding of \$570,000 to renovate the Development Services Permit Center to include a staff break room and restroom. The Permit Center, located on the 1st floor of the City Hall Tower, does not have a break room dedicated for employee use. The restroom will provide staff a restroom conveniently located within their office space and separate from the 1st floor public restroom.

### Broadening Opportunity and Prosperity/Boosting Vitality

*(investments that expand opportunities for our residents and enhance experiences of our residents/visitors)*

- **San José Learns** – Adds one-time funding of \$2.0 million to invest in the after school program infrastructure to academically focus after school programs for children in grades K-3 with the most needs. This funding will be expended over a two-year period and will support recommendations from the Mayor’s San José Learns Working Group.
- **Homeless Response Team and Homeless Rapid Rehousing Programs** – Adds \$3.5 million on an ongoing basis to continue support for the Homeless Response Team (\$1.5 million) and the Homeless Rapid Rehousing Program (\$2.0 million). The Homeless Response Team provides the City with a stronger infrastructure for addressing the needs of our homeless residents, including the response relating to encampments and the concerns of community members and businesses. The primary purpose of the Rapid Rehousing effort is to engage transitionally homeless individuals with a history of sustained San José residency from targeted encampments and provide them with supportive services and rental subsidies to successfully assist them in their transition from homelessness to permanent housing.

## Strategic Investments

- ***Small Business Activation and Assistance*** – Adds one-time funding of \$220,000 to help small businesses activate vacant buildings. In 2014-2015, the Office of Economic Development launched the San José Storefronts Initiative to help small businesses locating in San José business districts by providing one-time grants to help businesses lease street facing vacant spaces in Downtown and Neighborhood Business Districts and facilitating pop-up retail locations on public and private properties to further encourage street activation. Following the success of the program, the funding will continue to provide qualified small businesses with grants to help offset the costs of City fees, permits, and taxes.
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- ***Small Business Activation and Assistance*** – Adds 1.0 Executive Analyst position to provide additional support to small businesses in multiple languages with the intent of fostering the creation and growth of immigrant small businesses in San José. Recognizing the vitality that small businesses bring to San José, the City Council’s adoption of the 2012-2013 Operating Budget included the creation of the Small Business Ally program. The program provides a single point of contact to support small businesses with the City’s permitting process. The services currently provided by the program includes English and Spanish languages. There is a significant demand for support and materials in other languages including Vietnamese. In addition, this action provides one-time funding of \$50,000 for development of a more user-friendly, resource enhanced, and multilingual website for BusinessOwnerSpace.com and the City’s small business assistance website, *Your Business Coaching Center*.
  - ***Manufacturing Jobs Initiative*** – Adds one-time funding of \$200,000 to launch the manufacturing jobs initiative to incentivize the retrofit of older, vacant industrial buildings by covering the cost of permit approvals. This action provides funds to offset the City’s permitting costs and taxes associated with manufacturing production facilities on a first come, first served basis for tenant improvement projects of 25,000 square feet or more contained in buildings built prior to 2000. It is anticipated that the funding will be able to support two to five projects in 2015-2016.
  - ***Office of Immigrant Affairs*** – Adds \$250,000 in one-time funding for the City to work collaboratively with the County of Santa Clara, the Silicon Valley Community Foundation, and community based organizations to maximize the support for the immigrant community. This collaboration will ensure successful implementation of administrative relief through outreach, education, fraud prevention, and coordination of City services with public and community partners, reduction of barriers, and support for immigrant business owners.
  - ***San José Creates & Connects*** – Adds one-time Transient Occupancy Tax resources of \$150,000 as matching funds for the implementation of the San José Creates and Connects program.

## Strategic Investments

- ***Independence Day Celebration Grant*** – Adds one-time Transient Occupancy Tax funding of \$75,000 to support Independence Day celebrations, including the Downtown Fourth of July Fireworks events and the Independence Day celebration at Lake Almaden.
- ***Community Network Upgrades*** – Adds funding to upgrade the community area network, which provides services to public safety through the City’s community centers and fire stations. The current network to the City’s remote community facilities has not been upgraded for the past two decades. The City continues to modernize service delivery to the public in many community centers, which cannot be adequately utilized due to lack of bandwidth. This upgrade will provide funding to upgrade the connectivity to remote locations, including community centers and fire stations, and ensure more timely delivery of critical data to fire stations and enhanced community services such as public WiFi.
- ***St. James and East San José Parks Activation*** – As directed in the Mayor’s March Budget Message for Fiscal Year 2015-2016, as approved by the City Council, adds ongoing funding for the St. James Park Activation effort, and, as directed in the Mayor’s June Budget Message for 2015-2016, as approved by the City Council, also adds one-time funding of \$80,000 to expand this model as a pilot to additional parks in East San José. The Parks, Recreation and Neighborhood Services Department received funding from the Knight Foundation, which helped support over 100 events at St. James Park throughout 2014-2015. This action adds 1.0 Events Coordinator to organize events and activities, such as Zumba in the summer and fall, holiday-themed activities in the winter, and Bike Life Festival in the spring. Similar programming will be piloted for various parks throughout East San José that have experienced challenges and/or serve at-risk youth, including Capitol Park, Mt. Pleasant Park, and Plata Arroyo Park. The Administration was directed to return to City Council with results of the efforts at Capitol, Mt. Pleasant, and Plata Arroyo Parks.
- ***Lake Cunningham Bike Park and Skate Park*** – Adds 5.75 positions to support the new Lake Cunningham Bike Park. Anticipated to break ground in 2015-2016, this five-acre adventure sports park will offer trails, tracks, skills challenge courses, dual slalom, free ride area, and pump tracks for a variety of bike disciplines, such as mountain biking, free-style, and cycle-cross. To ensure staff is ready when the facility opens in July 2016, hiring will occur in the latter half of 2015-2016.

### Engaging the Community

*(investments that support innovation and strategic partnerships as well as increase transparency and community input)*

- ***Silicon Valley Talent Partnership*** – Adds \$80,000 in one-time funding to support the Silicon Valley Talent Partnership (SVTP). SVTP is a non-profit that engages private sector talent and innovation to solve public sector problems

## Strategic Investments

- ***Civic Innovation Strategic Partnerships Funding Reallocation*** – Eliminates 1.0 Assistant to the City Manager that was created to focus on development and execution of innovative initiatives, policies, and programs through collaboration with key stakeholders throughout the community and transfers the funding associated with this position to the Office of the Mayor, where it will be used to accomplish the same goals.
- ***Website and Graphics Coordinator*** – Adds 1.0 Public Information Representative (funded by the Development Fee Programs and Solid Waste Fees) to update and maintain the Planning, Building, and Code Enforcement Department’s website and educational handouts, which are constantly changing because of the introduction of new programs, new codes, and new industry standards. An effectively designed website will assist Permit Center staff by providing public information about the Development Fee Programs and increasing the percentage of permit applications completed online.

## Our Future

*(investments that better position the City moving forward)*

- ***North San José Development Policy and EIR Update*** - Provides one-time contractual services funding of \$640,000 to initiate the North San José Development Policy update process. At its meeting on November 18, 2014, the City Council directed staff to return in June 2015 to present an approach that would facilitate a reduced North San José Traffic Impact Fee on office/R&D development, including potential modification to the transportation infrastructure plan, and any resulting fiscal impacts. Based on further City Council direction in June 2015, staff is developing a work plan for analyzing the North San José Area Development Policy and potential changes to the Traffic Impact Fee. In addition, staff will evaluate a new base year for traffic modeling, program and project level traffic analysis for planned build-out of the three remaining development phases, and the project schedule, which may continue into 2016-2017. The Traffic Capital Program will provide \$200,000 for a traffic report consultant, which is included in the scope of work.
- ***Envision San José 2040 General Plan Four-Year Major Review*** – Provides one-time funding for 1.0 Planner I/II through June 30, 2016 and \$400,000 for consultant services to perform a four-year major review of the General Plan, as required by the Envision San José 2040 General Plan, to evaluate the City’s achievement of key economic development, fiscal, and infrastructure/service goals, greenhouse gas emission reduction goals and targets, water conservation and recycling goals, availability and affordability of the housing supply, Healthful Community goals, and review changes and trends in land use and development. Based on this review, the City Council may amend the General Plan to further achieve the General Plan’s vision and goals.
- ***Long Range Planning Project Staffing*** – Provides funding for 1.0 Planner I/II through June 30, 2017 to provide support for several high-priority long-range planning projects including the Downtown/Diridon Environment Impact Report (EIR), North San José EIR for the North San José Development Policy, Environmental component of the Four-Year Major Review of the General Plan, Santana Row Expansion EIR, the Reserve at Winchester EIR, and the Parkview Towers EIR.



## Strategic Investments

- ***City Council District 3 Participatory Budgeting Pilot*** – Provides \$100,000 one-time funding to develop a Participatory Budgeting Pilot in Council District 3. Participatory budgeting is a democratic process through which residents will decide how to spend part of the City’s budget. This process typically includes the following elements: community members brainstorm spending ideas, budget delegates develop proposals based on these ideas, residents vote on proposals, and the government implements the winning projects.
- ***Ballot Measure Polling*** – Adds \$55,000 in one-time funding to allow for polling of up to three potential revenue-related ballot measures, such as a sales tax increase, medical marijuana tax increase, and bond measure for street repair and pavement maintenance, that may be brought to the voters in the 2016 election cycle.
- ***Water Pollution Control Plant Capital Improvement Program Staffing*** – Adds 23 professional and technical positions to support the delivery of over \$1.0 billion in Water Pollution Control Plant Capital Improvement Program projects over the next ten years.
- ***United States Patent and Trademark Office – Tenant Improvements Project*** – Provides funding of \$6.4 million, of which \$3.0 million is unexpended funds from 2014-2015, for the completion of the tenant improvements for the United States Patent and Trademark Office and recognizes revenue of \$3.4 million from the federal government to reimburse the City for these improvements as approved by City Council on March 3, 2015. Also included is the ongoing maintenance costs associated with the increased use of the facility.
- ***Airport Investments*** – In order to encourage airlines to expand air service choices for travelers, adds \$10,000 in funding to host the 2015 Airport Roundtable Conference, which would attract airline decision makers, route planners, consultants, and staff from other airports, providing the opportunity to showcase SJC and the region. An additional \$111,000 is added to support a marketing campaign to promote SJC as the preferred airport for the Super Bowl 50 event in February 2016.
- ***Garbage and Recycling Services*** – Adds \$2.5 million for the sorting and processing of waste materials collected from single-family dwellings (SFDs), commonly referred to as “back-end processing”, prior to landfill conveyance, with the goals of significantly increasing the amount of materials recycled and diverting waste sent to the landfills. The second phase of this conversion consists of another service area comprising roughly 20% of the City’s single-family residences in the north and east portions of San José, for a total of 40% of residences, with the goal of serving all single-family homes over the next five years. Also adds one-time funding of \$850,000 for limited, free curbside collection of large items, such as mattresses and furniture, for SFDs.
- ***Water Conservation Efforts*** – Adds \$350,000 for conservation efforts for customers in the Water Utility System supported by the Water Utility Fund. Conservation efforts will include an additional amount for cost sharing agreements between the City and the Santa Clara Valley Water District to provide customer rebates for the implementation of water efficient systems (\$50,000); funding for implementation of a new WaterSmart program (\$150,000); and a landscape rebate agreement for single-family residents to remove current and install more water-efficient landscaping (\$150,000). In addition, General Fund resources are added to support portions of existing positions to support city-wide water conservation efforts as well as planning efforts to recharge local aquifers with recycled water.

## Other Budget Actions

- ***Energy Team Staffing*** – Adds one-time funding to extend a Supervising Environmental Services Specialist position through June 30, 2016 in the Public Works Department. This position will continue to manage the City-Building Energy Projects Program and continue to serve as an energy advisor on other capital projects throughout the City as needed.
- ***Single Family Garbage Billing Program Model Change: Call Center Staffing*** – Eliminates ten positions and shifts funding from the Integrated Waste Management Fund to the General Fund for 1.0 Senior Office Specialist for one year. These positions are no longer needed due to the City Council-approved change in billing in which the Recycle Plus payments for garbage and recycling services for all single family residential households will now be collected through the Santa Clara County Secured Property Tax bill in order to minimize costs to customers and ratepayers. This transition occurred in July 2015. Retaining one position allows staff to maintain current call times and evaluate staffing level needs for one year.
- ***Environmental Services Department Late Fee Reserve*** – Liquidates the Environmental Services Department Late Fee Reserve (\$1.8 million) set aside as part of the 2015-2016 Base Budget to fund programs previously covered by Recycle Plus Late fees that will no longer be collected with the billing transition to the County Property Tax roll. This reserve covers the cost of shifting City facilities' waste collection (\$765,000), illegal dumping response activities (\$143,000) and anti-litter program (\$69,000) to the General Fund. Savings resulted from the determination that the cost of non-profit waste disposal subsidies could remain in the Integrated Waste Management Fund (\$350,000). Additional savings of \$400,000 were generated as a result of the elimination of Garbage Rate Assistance programs.
- ***Children's Health Initiative*** – Allocates, from an Earmarked Reserve, the final year of a three-year funding strategy (\$275,000) that was approved in the 2013-2014 Adopted Operating Budget to transition the City's funding of the Children's Health Initiative to the County of Santa Clara. The City's original allocation of \$2.1 million provided health insurance access to children of Santa Clara County with a family income that falls below the federal poverty level. The transition strategy apportioned the City's allocation of \$2.1 million according to the following schedule: \$1.1 million in 2013-2014; \$550,000 in 2014-2015; and \$275,000 in 2015-2016.
- ***Successor Agency City Subsidy (Administrative Support)*** – Reduces the administrative support to the Successor Agency to the Redevelopment Agency (SARA) by \$150,000 to reflect the continued phase out of this work and the assumption of duties by existing City staff. With the dissolution of Redevelopment Agencies in 2012, Successor Agencies were tasked with winding down operations and overseeing the dissolution process. An annual review of resources will continue to be completed.

## **Other Budget Actions**

### *Fees and Charges Adjustments*

The 2015-2016 Adopted Budget includes a range of adjustments to fees and charges. No utility rate increase was included for the Storm Sewer Service Charge, but an increase of 5.5% was approved for the Sewer Service and Use Charge to address capital investments in the sanitary sewer system and the Water Pollution Control Plant. Recycle Plus rates were increased by 4.0% for single-family dwellings (SFD) and 5.0% for multi-family dwellings (MFD) to support the base cost of operations as well as service enhancements. Municipal Water System rates increased by 28.0% due to the higher cost of wholesale water purchases and water conservation program enhancements.

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

Increases to approximately 26 parking citation fines were approved, which is expected to generate additional revenue of \$925,000. While most of the fines will increase by an amount between \$5 and \$10, the citation fines for parking in disabled and crosshatch spaces will increase by \$100 (from \$310 to \$410). All parking fines were last adjusted in 2011 between \$2 and \$22. These increases contribute to the City's commitment to traffic safety, pedestrian and bicyclist mobility, and clean streets. Issuance of citations for non-compliance with safety-related and street sweeping parking violations, such as parking in a bike path, blocking disabled sidewalk access, or parking in a posted No Parking zone for street sweeping activities, is one tool the Transportation Department uses to heighten awareness around roadway safety, with the goal of changing driver behavior.

Other upward and downward adjustments to various City fees were approved to maintain the City's cost recovery as described in the 2015-2016 Fees and Charges document, which is released under separate cover.

## **Capital Budget Overview**

The 2015-2016 Adopted Capital Budget and 2016-2020 Adopted Capital Improvement Program (CIP) is published as a separate document. Building on the efforts of the last several years and guided by the Envision San José 2040 General Plan (General Plan), the CIP continues targeted investments to maintain, rehabilitate, and rejuvenate a wide array of public infrastructure to improve system reliability, enhance recreational experiences, advance public safety, and ensure that San José remains well-positioned for further economic growth and opportunity. In addition, the CIP allocates significant resources to upgrade and revitalize the Water Pollution Control Plant (San José-Santa Clara Regional Wastewater Facility) and accelerate rehabilitation of the sanitary sewer collection system; invests in and sets aside funding for the rehabilitation and enhancement of a variety of park assets and recreational facilities; constructs a wide array of bike and pedestrian, traffic safety, and multi-modal improvement projects; and addresses deferred infrastructure needs at a number of the City's outstanding cultural facilities.

## 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

### Capital Budget Overview

The City's 2015-2016 Adopted Capital Budget totals \$996.7 million and the 2016-2020 Adopted CIP totals \$2.6 billion. The 2015-2016 Adopted Capital Budget reflects a 6.3% increase from the 2014-2015 Adopted Capital Budget of \$937.9 million, and from a five-year perspective, the 2016-2020 Adopted CIP is 6.1% higher than the 2015-2019 Adopted CIP.

Though the City continues to focus on infrastructure rehabilitation and renewal, investment needs substantially eclipse currently available resources. Many capital programs rely on grants and revenue from other agencies to help narrow the gap between local City funds and the growing backlog of unmet/deferred infrastructure needs. For the local street network, this gap widens in the 2016-2020 CIP as a result of reductions to the City's State Gas Tax allocation for pavement maintenance. The Status Report on Deferred Infrastructure Maintenance Backlog, that was accepted by the City Council on June 2, 2015, identifies a backlog of unmet/deferred infrastructure needs for pavement maintenance that has grown from \$434 million to \$504 million. Left unaddressed, this backlog will continue to grow and street conditions will continue to decline. Faced with this significant funding gap, the City Council has directed the Administration to explore a variety of strategies, including potential ballot measures, to identify additional resources to maintain San José's road network. Regardless of the fiscal challenges, within available resources, the City remains dedicated to providing a safe, reliable, and efficient public infrastructure that meets the needs of its residents and businesses, now and in the future.

### *Capital Program by City Service Area*

Each of the 14 capital programs continue to be aligned to one of the six City Service Areas (CSAs). Table 6 below compares the 2015-2019 Adopted CIP with the 2016-2020 Adopted CIP for each CSA. As discussed earlier, the 2016-2020 Adopted CIP is 6.1% higher than the 2015-2019 Adopted CIP. The Adopted CIP includes significantly increased investments in the Water Pollution Control Program (Environmental and Utility Services CSA). However, this increase in funding is offset by declines in almost every other CSA.

**2015-2019 Adopted CIP and 2016-2020 Adopted CIP Comparison (By City Service Area)**  
(Table 6)

City Service Area	2015-2019 Adopted CIP	2016-2020 Adopted CIP	% Change
Community and Economic Development	\$ 13,558,297	\$ 11,533,381	(14.9%)
Environmental and Utility Services	1,219,247,457	1,401,460,070	14.9%
Neighborhood Services	410,160,504	375,983,902	(8.3%)
Public Safety	53,560,582	55,887,812	4.3%
Transportation and Aviation Services	653,521,947	635,319,868	(2.8%)
Strategic Support	76,158,900	94,304,261	(23.8%)
<b>Total</b>	<b>\$ 2,426,207,687</b>	<b>\$ 2,574,489,294</b>	<b>6.1%</b>

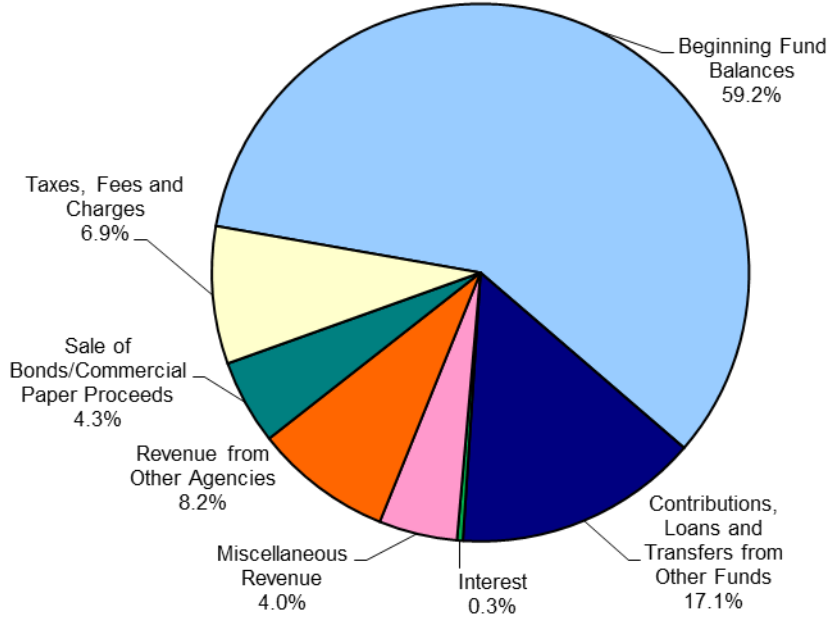
# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## Capital Budget Overview

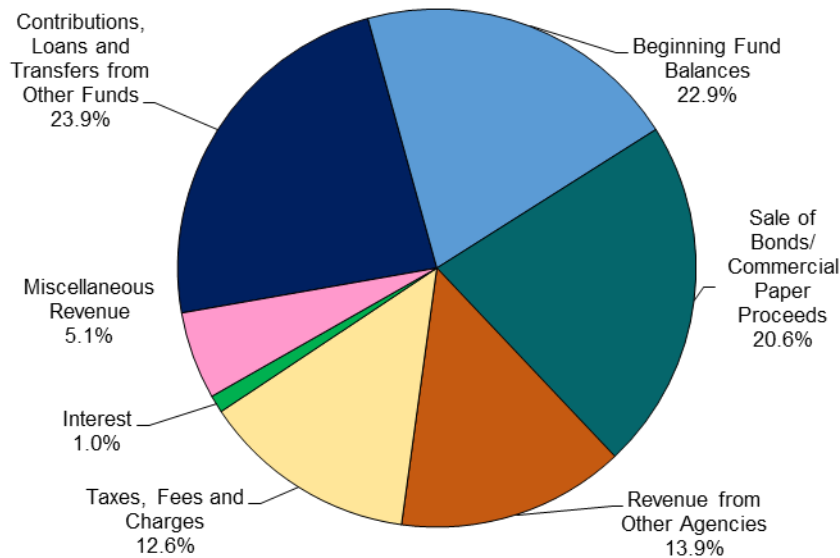
### Capital Program Funding Sources

The Capital Budget is supported by a variety of funding sources as shown below in the pie charts below that depict both the 2015-2016 (\$996.7 million) and five-year CIP funding (\$2.6 billion).

**2015-2016 Adopted Capital Budget  
Source of Funds (\$996.7 million)**



**2016-2020 Adopted Capital Improvement Program  
Source of Funds (\$2.6 billion)**



## Capital Budget Overview

The Beginning Fund Balance category is a major funding source at \$589.6 million, representing 59.2% of the 2015-2016 Source of Funds and 22.9% of the five-year CIP funding. Beginning Fund Balances primarily reflect planned carryover funding for projects expected to be initiated or completed in the next five years. The Parks and Community Facilities Development Capital Program has Beginning Fund Balances totaling \$139.3 million, accounting for 23.6% of the total Beginning Fund Balances. A majority of the funds are reserved pending determination of final scope, location, or funding of projects. Other programs with significant Beginning Fund Balances include the Water Pollution Control Program (\$126.6 million), Traffic (\$104.1 million), Airport (\$92.4 million), and Sanitary Sewer System (\$69.2 million). With a substantial number of capital projects scheduled to be completed over the next five years, the total Ending Fund Balance in 2019-2020 is estimated to fall to \$90.8 million.

Contributions, Loans, and Transfers from Other Funds is the next largest revenue category with 17.1% of the 2015-2016 funding (\$170.2 million) and 23.9% of the CIP funding (\$614.2 million). Over the five-year period, this funding stream includes the transfer of revenue from storm, sanitary, and water operating funds that are supported by utility user fees (\$414.7 million) and the allocation of Construction and Conveyance (C&C) taxes to each Parks and Community Facilities Council District Fund (\$52.8 million).

The Sale of Bonds/Commercial Paper Proceeds is relatively small in 2015-2016, representing only 4.3% (\$42.8 million) of the total funding sources, but increases to 20.6% (\$530.0 million) in the CIP. This category is mostly comprised of anticipated bond sales and use of commercial paper proceeds to support the Water Pollution Control Program (\$517.3 million) due to the large capital improvement program identified by the Water Quality Control Plant Master Plan. These figures, however, are likely to change as the financing for the major renovation of this facility is refined.

The Revenue from Other Agencies category, which includes mostly federal, State, and local grants as well as revenue from other agencies that use the Water Pollution Control Plant, comprises 8.2% of the 2015-2016 funding (\$82.3 million) and 13.9% (\$356.5 million) of the five-year CIP. With the expected expansion of the Water Pollution Control Plant, the contributions from user agencies are expected to increase significantly and are currently projected to total \$203.4 million over the five-year period. These figures may also change as the user agencies determine their preferred funding mechanism for the Plant improvements.

The Taxes, Fees and Charges category accounts for 6.9% (\$69.3 million) of the funding in 2015-2016 and 12.6% or \$325.6 million of the total funding in the CIP. The three largest funding sources in this category are Construction and Conveyance (C&C), Construction Excise, and Building and Structure Construction Taxes, which serve as the major revenue sources for Parks and Traffic Capital projects. While collections remain relatively strong in these areas, the projections for each of these taxes are below the estimates in the 2015-2019 Adopted CIP primarily due to peak development activity levels experienced in 2013-2014 and a lower projected number of property transactions.

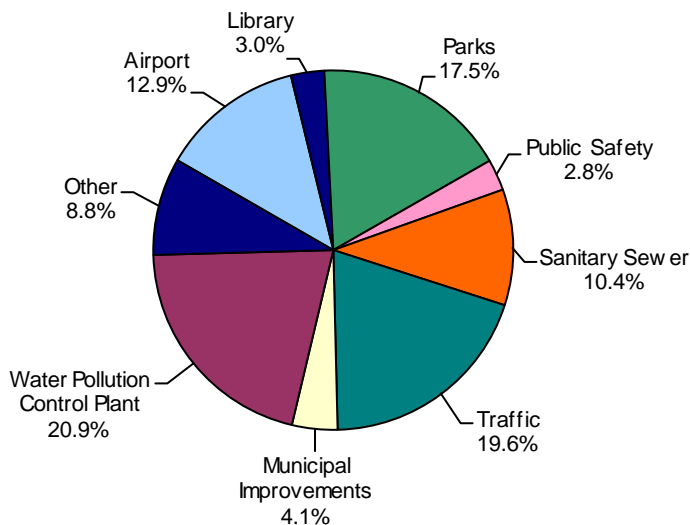
A more detailed discussion of revenues can be found in the Summary Information section of the 2015-2016 Adopted Capital Budget and 2016-2020 Capital Improvement Program.

## Capital Budget Overview

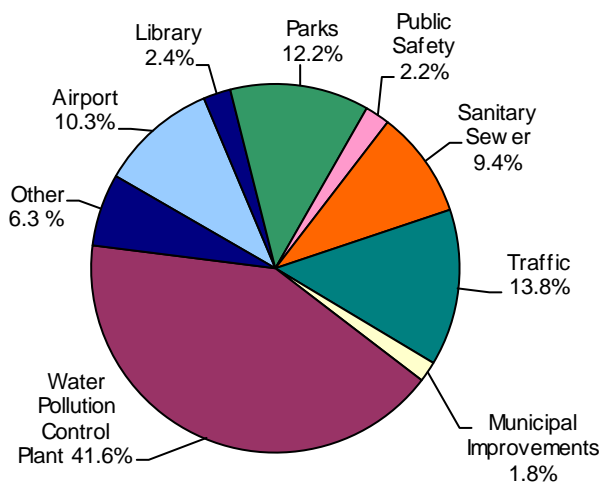
### Capital Program Investments

The CIP consists of 14 capital programs. The following pie charts depict the uses of funds by capital program and percentage of funding for the 2015-2016 Capital Budget and the 2016-2020 Capital Improvement Program. Major projects to be completed over the next five years are highlighted in the sidebar.

**2015-2016 Capital Budget**  
Use of Funds (\$996.7 million)



**2016-2020 Capital Improvement Program**  
Use of Funds (\$2.6 billion)



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

#### 2015-2016 Projects

Alviso Storm Pump Station  
 Animal Care and Services Waterproofing  
 Autumn Street Extension  
 Branham and Snell Street Improvements  
 Fire Station 21 – Relocation (White Road)  
 Martin Park Expansion  
 Water Meter Replacements  
 Monterey – Riverside Relief Sanitary Sewer Improvements  
 Perimeter Fence Line Upgrades (Airport)  
 Plant Electrical Reliability  
 San José Civic Auditorium HVAC Replacement  
 Security Exit Doors (Airport)  
 TRAIL: Coyote Creek (Flea Market)  
 TRAIL: Guadalupe River Trail (Tasman Drive Under-crossing)  
 United States Patent and Trademark Office – Tenant Improvements Project  
 Village Square Branch Library

#### 2016-2017 Projects

Almaden/Vine Downtown Couplet (OBAG)  
 Bollinger Road – Moorpark Avenue – Williams Road Sanitary Sewer Improvements  
 Cadwallader Reservoir Rehabilitation  
 Iron Salt Feed Station  
 LED Garage Lighting Upgrade  
 Lake Cunningham Bike Park  
 Large Trash Capture Devices  
 North San José Well #5 Dev. and Construction  
 Park Avenue Multimodal Improvements  
 Rehabilitation of Sanitary Sewer Pump Stations  
 Terminal A Baggage Claim Escalators  
 The Alameda “Beautiful Way” Phase 2 (OBAG)  
 TRAIL: Penitencia Creek Reach 1B (Noble Avenue to Dorel Drive)  
 TRAIL: Lower Silver Creek Reach 4/5A (Alum Rock Avenue to Highway 680)  
 TRAIL: Thompson Creek (Tully Road to Quimby Road)

#### 2017-2018 Projects

60” Brick Interceptor, Phase VIA and VIB  
 Southeast Ramp Reconstruction, Phase I  
 Tamien Park

#### 2018-2019 Projects

Airfield Geometric Implementation  
 Energy Generation Improvements  
 Southeast Ramp Reconstruction, Phase II

#### 2019-2020 Projects

Airport Rescue and Fire Fighting Facility  
 Fourth Major Interceptor, Phase VIIA  
 Route 101/Mabury Road Project Development  
 Westmont Avenue and Harriet Avenue Sanitary Sewer Improvement

# 2015-2016 ADOPTED OPERATING BUDGET MESSAGE

## Capital Budget Overview

In the 2016-2020 CIP, capital program investments fund infrastructure improvements throughout the City including: airport, community centers, libraries, municipal water systems, public safety facilities, parks, sanitary and storm sewer systems, transportation systems, and the Water Pollution Control Plant (WPCP).

Accounting for 41.6% of the 2016-2020 Adopted CIP, the WPCP is the largest capital program. A total of \$1.07 billion will be directed to renovate and upgrade the WPCP infrastructure to ensure capacity and reliability of treatment plant processes. This work is guided by the Plant Master Plan (PMP) and includes anticipated bond issuances combined with commercial paper proceeds, totaling \$517.3 million over the next five years.

The PMP recommends an estimated investment of approximately \$2.0 billion over a 30-year planning period to implement more than 114 capital improvement projects, with over \$1.0 billion to be invested in the near-term (the next ten years), to address future regulatory requirements, capacity needs, and an overhaul of the entire solids treatment process. In September 2013, the City Council approved a consultant agreement with MWH Americas, Inc. to assist and support the Environmental Services Department in developing and implementing such a large capital program. In February 2014, the MWH program team completed a detailed project validation process to critically evaluate project needs and priorities. Priorities for the near-term include securing program funding, evaluating project delivery approaches, developing program staff, and continuing development of project delivery processes.

The 2016-2020 Adopted CIP assumes the 5.5% rate increase for the Sewer Service and Use Charge Fund for 2015-2016, as approved by the City Council on June 23, 2015, with rate increases of 5% up to 7% in the out years. These rates will be reassessed at a later time once a more detailed implementation plan and financing strategy are identified. The next five to ten years will see significant investment at the Plant based on the PMP, resulting in revitalized infrastructure to meet current and future customer demands, meet future environmental regulatory standards, and reduce odor impacts to the surrounding community.

The Traffic Capital Program is the second largest program, or 13.8% of the CIP, with a budget of \$353.5 million. Of this amount, approximately \$100.3 million, or 28.4% of the Traffic Program is directed toward pavement maintenance activities. This funding level, however, is below the 2015-2019 Adopted CIP level of \$124.7 million due primarily to a projected drop in State Gas Tax revenues, the cessation of one-time funding from the federal government, and lower overall Construction Excise Tax revenues, which spiked in 2013-2014, generating additional resources for street maintenance. San José's street system consists of 2,410 miles of pavement and is rated overall in "fair" condition with a Pavement Condition Index (PCI) rating of 63. Additionally, due to insufficient funding for pavement maintenance, the backlog of deferred maintenance has grown from \$250 million in 2010 to \$504 million in 2015. The average annual funding in the CIP of \$20.1 million is well below both the \$68.3 million needed annually to sustain the current fair condition and the \$104.2 million needed annually to bring the system to an overall "good" condition with a PCI rating of 70.



## Capital Budget Overview

In 2015-2016, a total of \$47.9 million is programmed for pavement maintenance; however, of this amount, \$23.9 million is unexpended funds carried over from 2014-2015. The remaining \$24.0 million of new funding, to address the City's need for street paving and repair, represents \$16.0 million from the Construction Excise Tax Fund and one-time funding of \$8.0 million from the General Fund per the Mayor's June Budget Message for Fiscal Year 2015-2016, as approved by the City Council. This \$24.0 million exceeds the minimum \$18.0 million level of funding needed for pothole repairs and maintenance of the Priority Street Network. In addition, at the recommendation of the Administration, the City Council has directed the Administration to explore various future revenue strategies, including a City Sales Tax ballot measure, State funding from an increased vehicle license tax, a potential Sales Tax Measure with the Santa Clara Valley Transportation Authority, and a street repair bond measure.

Also, in accordance with the Mayor's March Budget Message for Fiscal Year 2015-2016, as approved by the City Council, the Adopted Traffic CIP continues the City's significant investment for pedestrian and traffic safety. Over the five-year CIP, approximately \$61.5 million is allocated for street safety improvements focusing on pedestrian safety with projects in each City Council district. This investment is consistent with the Vision Zero San José plan that was developed in April 2015 to enhance the City's focus on reducing traffic related deaths and severe injuries.

The North San José Transportation Plan (Plan) adopted in 2005 identifies traffic infrastructure investments of over \$500 million to facilitate future growth and development of North San José. While these improvements were originally envisioned to be primarily funded from traffic impact fees levied on developers and contributions from the San Jose Redevelopment Agency (SJRA), the lowering of impact fees to entice commercial/job-oriented development into North San José and the loss of SJRA has created a large traffic infrastructure funding gap and made plan implementation more reliant on local City revenues and regional grant funding. As approved as part of the Mayor's June Budget Message for Fiscal Year 2014-2015, Manager's Budget Addendum #8 described a new funding strategy, dedicating future Building and Structure Construction Tax revenues (estimated to exceed \$32 million as development proceeds) and future Business Cooperation Program revenues generated from new development in North San José (estimated to be approximately \$7 million as development proceeds) to be held in reserve for North San José transportation projects. As a result, in 2015-2016 the North San José New Development Reserve was established with \$1.2 million from projects initiated in 2014-2015. The 2016-2020 Adopted CIP also includes a North San José Improvements Reserve of \$8 million, of which \$4.5 million may be allocated towards the cost of interchange improvements at US 101/Oakland Road and at US 101/Mabury Road and the remaining funding will be allocated in the future for other North San José transportation improvements.

## Capital Budget Overview

### *Other Capital Program Highlights*

#### Unmet Infrastructure/Maintenance Needs

As presented in a report to the City Council on October 1, 2007, insufficient funding has created a structural deficit between the funding available and the resources necessary to maintain the overall condition of the City infrastructure. This includes the City's buildings, parks, traffic (streets, traffic lights, signs, and streetlights), utility, and technology infrastructure. The figures in this report are updated annually, and the most recent report was reviewed by the Transportation and Environment Committee on May 4, 2015 and approved by the City Council on June 2, 2015. In this most recent report, the infrastructure backlog totaled \$992 million across the City. Assuming this one-time backlog could be met, an ongoing annual investment of approximately \$175 million would also be needed to maintain and prevent further degradation of the City's infrastructure. The CIP, as well as investments included in the 2015-2016 Adopted Operating Budget, allocate limited resources to the most immediate and critical deferred infrastructure needs.

#### Operating Budget Impacts

The CIP continues to balance the delivery of capital programs with the limited resources available to operate and maintain existing and newly-constructed facilities. Over the past several years, strategies were implemented to defer or reduce operating and maintenance costs, with a particular focus on the General Fund. These efforts have included deferring the completion date for capital projects, using alternative staffing models, reducing the size of some facilities, developing joint library and community center facilities, entering into agreements with developers to initially maintain facilities, and installing capital improvements that would reduce costs, such as energy efficient traffic signals.

In March 2008, the City Council approved Budget Principle #8 that states capital improvement projects "shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire project, including operating and maintenance costs, will not require a decrease in existing basic neighborhood services." In addition, all capital improvement projects with new General Fund operating and maintenance costs will be detailed in the Five-Year General Fund Forecast and included as part of the annual CIP. The CIP included one project, Lake Cunningham Bike Park, that required City Council certification, which was approved with the adoption of the CIP.

Table 7 summarizes the additional annual resources required to operate and maintain new facilities coming on-line during the five-year CIP or planned by other agencies (such as developers). For the General Fund, these costs are estimated at \$146,000 in 2016-2017 and are anticipated to increase to \$461,000 by 2019-2020. These figures do not include the funding needed in 2015-2016 to operate and maintain new facilities as these amounts have been incorporated into the 2015-2016 Adopted Operating Budget. A total of \$362,000 is allocated in 2015-2016 to operate several facilities that will be operational at some point during 2015-2016, including the Coyote Creek Trail (Flea Market), Lake Cunningham Bike Park, Martin Park, Village Square Branch Library, and various transportation-related infrastructure.

2015-2016 ADOPTED OPERATING BUDGET MESSAGE

Capital Budget Overview

Projected Total New Operating and Maintenance Costs (Cumulative)  
(Table 7)

<b>Project Title</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
<i>Library Facilities</i>	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000
<i>Parks Facilities</i>	93,000	308,000	365,000	381,000
<i>Parks Facilities-Other Agencies<sup>1</sup></i>	0	17,000	18,000	18,000
<i>Traffic Projects</i>	42,000	47,000	49,000	51,000
<b>General Fund Total</b>	<b>\$ 146,000</b>	<b>\$ 383,000</b>	<b>\$ 443,000</b>	<b>\$ 461,000</b>
<i>Municipal Improvements (Special Fund)</i>	(275,000)	(275,000)	(275,000)	(275,000)
<i>Water Pollution Control Plant (Special Fund)</i>	326,000	1,200,000	(3,479,000)	(836,000)
<b>All Funds Total</b>	<b>\$ 197,000</b>	<b>\$ 1,308,000</b>	<b>\$ (3,311,000)</b>	<b>\$ (650,000)</b>

As mentioned earlier, operating and maintenance funding for the Lake Cunningham Bike Park project was certified with the adoption of the 2016-2020 CIP. This new facility is anticipated to open to the public in July 2016, with a net annual operating and maintenance impact on the General Fund of \$121,000. No other projects in the CIP required City Council certification.

In the Municipal Improvements Capital Program, the San José Civic Auditorium HVAC replacement project is expected to result in net operating and maintenance cost savings of approximately \$275,000 annually in the Convention and Cultural Affairs Fund.

It is important to note that the expanded infrastructure investment at the Water Pollution Control Plant will result in significant operating costs in the coming years. It is estimated that additional maintenance and operations costs will total \$326,000 starting in 2016-2017 and increase to \$1.2 million in 2017-2018. These costs are expected to be offset by energy savings achieved through better solids settling, less aeration demand, and improved bio-gas production, resulting in net savings of \$3.5 million in 2018-2019. While energy generation improvements will reduce operating and maintenance costs, annual savings will decrease to a net \$836,000 in 2019-2020 once the new digested sludge dewater facility comes on-line.

<sup>1</sup> Projects being constructed by other agencies, but will be maintained by the City of San José.

## Conclusion

This budget represents a concerted effort by the Mayor and City Council and the Administration to develop a balanced budget that prudently meets priority community goals in light of the continuing constraints on our resources that underlies an ongoing service level deficit. This budget includes some modest service restorations and additions, such as the restoration of library hours, the addition of Police Community Service Officers, investments in public safety technology and equipment, and ongoing support for homeless services and San Jose BEST gang prevention and intervention program. Given the resources available, however, this budget does not meet the full service expectations of our community and the needs of our organization.

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

Absent new revenues, however, our level of services will remain well below what our community deserves and expects from the City. We also anticipate that the City will not have sufficient resources for all that we would like to do, such as addressing our growing backlog of deferred maintenance for streets and facilities or making strategic capital investments that support operational efficiency. For these reasons and as directed by the City Council, we will continue to assess the possibilities of a potential revenue measure the City could bring to San José voters that can be a bridge to a stronger position in the future. Under State law, our next opportunity the City Council could bring a measure to the voters will be in June or November 2016, which thus could affect budget planning for 2016-2017.

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

Respectfully Submitted,



Norberto Dueñas  
City Manager

## 2015-2016 Adopted Operating Budget

### 2015-2016 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. Maintain adequate reserves to cover any budgetary shortfalls in the following year as a stopgap measure if necessary.
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 additional resources become available, spending on increasing compensation and restoring services should both be considered.
10. Focus service restorations the baseline January 1, 2011 service levels previously identified by the City Council in the areas of fire, police, library, community centers, and street maintenance, as well as the Police Staffing Restoration Strategy.
11. 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.
12. Incorporate compensation adjustments in a fiscally responsible manner that does not result in a reduction or elimination of services in the General Fund.
13. Engage employees in department budget proposal idea development.
14. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.
15. 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.

## 2015-2016 Adopted Operating Budget

### Guiding Principles for Restoring City Service Levels

#### Ensure the Fiscal Soundness of the City

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

#### Choose Investments that Achieve Significant Outcomes

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

#### Improve the Efficiency and Effectiveness of Service Delivery

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

**2015-2016 Adopted Operating Budget****City of San José Budget Principles**

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

**1) STRUCTURALLY BALANCED BUDGET**

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

**2) PROPOSED BUDGET REVISIONS**

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

**3) USE OF ONE-TIME RESOURCES**

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

**4) BUDGET REQUESTS DURING THE YEAR**

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

**5) RESERVES**

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

**2015-2016 Adopted Operating Budget****City of San José Budget Principles****6) DEBT ISSUANCE**

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

**7) EMPLOYEE COMPENSATION**

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

**8) CAPITAL IMPROVEMENT PROJECTS**

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

**9) FEES AND CHARGES**

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

**10) GRANTS**

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

**11) GENERAL PLAN**

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

**12) PERFORMANCE MEASURES**

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

**13) FIRE STATION CLOSURE, SALE OR RELOCATION**

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



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