

# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Sam Liccardo

**SUBJECT: MARCH BUDGET MESSAGE  
FOR FISCAL YEAR 2020-2021**

**DATE:** March 6, 2020

Approved:

Date:

3-6-20

## RECOMMENDATION

Direct the City Manager to submit a balanced budget for Fiscal Year 2020-2021, guided by the policy direction and framework of priorities outlined in this March Budget Message.

\* \* \*

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2020-2021 March Budget Message for consideration by the City Council, and the residents of San José. With Council approval, this initial framework provides the City Manager with direction to prepare proposals for the Council's budget deliberations in May, and to formulate the Fiscal Year 2020-2021 Proposed Budget.

## OVERVIEW

### **The Novel Corona Virus Epidemic and the City Budget**

The report of the third COVID-19-infected person in Santa Clara County on Friday, February 28, our shifted the trajectory of our community dramatically. The fact that the patient had contracted the virus locally made concrete the "not if, but when" warnings of the U.S. Centers for Disease Control. Another score of confirmed cases in the County have emerged since then, and the County's Public Health team's diligent efforts to trace contacts of the infected patients will likely yield several dozen—if not hundreds—more in the days ahead. More troublingly, the CDC's restrictive, inadequate testing protocols cannot possibly identify all of the clusters of infection, and a more proactive, rigorous testing regimen would dramatically enlarge that grim tally—perhaps at a rate more exponential than linear. Given the high estimates of both infection and mortality rates, we now live in a world requiring dramatic changes to our daily hygiene, work patterns, travel, and social engagement.

This new reality compels us to pivot. In evaluating our budgetary decisions, we should expect heavy headwinds in several key economic sectors—such as air travel—that will have direct

impacts on City revenues. The Organization of Economic Cooperation and Development (OECD) predicted Monday that the virus's spread has already jolted global economic growth by a half-percent downward, and it may stall GDP growth rates to 2009 levels. Recent shockwaves in financial markets have forced many economists to retract previously sanguine macroeconomic projections. It seems increasingly likely that we will see a recession this year, particularly as US consumers and employers feel reluctant to travel, to convene in public spaces, or spend their money.

These global phenomena have very local impacts. For example, public health concerns forced Facebook, Nvidia, and several other major conferences to cancel their San Jose McEnery Convention Center and hotel bookings, and more will likely follow. These cancellations, and similar responses to the epidemic, will sink City revenues in several categories, including sales and transient occupancy taxes (TOT), the latter of which had already been underperforming over the past six months.

Similarly, a continued deterioration of the stock market—which suffered its biggest weekly loss since the 2008 financial crisis—will undermine our retirement funds' ability to meet their expected rates of return. This will exacerbate the City's \$4 billion in unfunded liabilities in those accounts, forcing higher contribution rates in the years ahead. Although our Retirement Services Stakeholder Working Group has been underway for several months exploring strategies to mitigate the harm and risk from the seemingly chronic underperformance of our pension assets, we should not expect any short-term solutions to emerge to address the fiscal harm of recent market drops.

### **Budgeting in Turbulent Uncertainty: Three Tiers of Authorization**

As we navigate this turbulence, we must make spending decisions mindful of the dramatic changes that our lives and economy may endure in the weeks ahead. Accordingly, I propose the following three-tiered framework for any spending authorized by Council in this budget message:

- **Tier I:** Fiscal Resilience
- **Tier II:** Affordable Housing and Homelessness Solutions Funded by Measure E
- **Tier III:** Contingent Expenditures

The first tier will consist of allocations that boost fiscal resilience. Saving, building reserves, paying down debt, and other mechanisms that reduce stress on the General Fund will best position us for any future downturn. They will also soften the landing in ways that will enable us to more quickly recover, and to restore fiscal health and City services in subsequent years.

Second, with the passage of Measure E, the Council has already allocated 100% of the measure's revenues to build affordable housing and address our homelessness crisis. To keep trust with our voters, and to address a housing crisis that will outlive the COVID-19, we must focus every dollar of Measure E revenue toward those objectives.

Every other expenditure authorized by this Budget Message should be contingently allocated, and ultimately approved in June only (a) if news substantially improves in the weeks ahead, or (b) if



there is a non-General Fund source for the expenditure. A more substantial outbreak—which seems very likely at this point—will force us to retrench, tighten our belts, and focus dollars on helping our community recover. By the time that I submit my June Budget Message, we will know much more that will enable us to either pull back these contingent expenditures, or to move forward.

### Building Budgetary Resilience for the Next Half-Decade

In recent years, we have increasingly put dollars into reserves to prepare for a looming downturn, and we have paid down existing debts to reduce future strain to the General Fund. We have begun to see the benefits from this strategy, as evidenced by this year’s small surplus, and by a sustained balanced budget projected over the next half-decade.

That is, the City’s most recent base five-year General Fund forecast (See Table 1) shows, for the first time in two decades, a small net surplus over the next half-decade. Deficits and surpluses for individual years range from a negative \$11.1 million to a positive \$14 million balance:

**Table 1 – 2021-2025 General Fund Forecast Incremental General Fund Surplus / (Shortfall) \$ in Millions**

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Base Case	\$0.5 M	(\$11.1 M)	\$14.0 M	(\$2.2 M)	\$1.0 M
Optimistic	\$13.4 M	\$7.4 M	\$30.1 M	\$11.3 M	\$16.7 M
Pessimistic	(\$13.1 M)	(\$19.8 M)	\$4.2 M	(\$12.1 M)	(\$6.6 M)
Recession	(\$38.3 M)	(\$53.7 M)	(\$19.4 M)	(\$33.7 M)	(\$32.9 M)

Source: 2021-2025 Five-Year Forecast and Revenue Projections for the General Fund

Critically, this forecast does not incorporate any assumptions reflecting the COVID-19 pandemic that is already underway. The base forecast depends upon assumptions that—knowing what we know today—seem plainly unrealistic, such as 4% growth in transient occupancy tax, and 3.64% growth in sales tax next year. Budget staff keenly included a more pessimistic scenario, yielding an aggregate five-year deficit of almost \$50 million, and a recessionary scenario that projects a deficit of more than \$170 million over the five years.

A slowdown seemed likely anyway. Well before recent news of the local spread of COVID-19, a UCLA Anderson Forecast from December of 2019 already predicted a slowing California economy<sup>1</sup>. Of the economists surveyed by the National Association for Business Economics, about 74% predicted that a recession would occur in the next 21 months.<sup>2</sup>

<sup>1</sup> “December 2019 Economic Outlook”, UCLA Anderson School of Management, December 2019.

<sup>2</sup> Greene, Megan, Jankowski, Patrick, Simonson, Ken, “Most NABE Economists Expect Recession by the End of 2021; Express Overwhelming Support for Federal Reserve Independence”, August 2019.

Given the very uncertain extent of COVID-19 infection, we should prepare for the worst. The troubled state of financial markets and declining macroeconomic indicators compel us to double-down on our budgetary resilience strategy, by building reserves and reducing our long-term debt obligations. Accordingly, through this Budget Message, I again seek my colleagues' support for our adopted principles of budgetary resilience:

1. **LONG-TERM SAVING:** prepare for economic volatility by building reserves and paying down debt to free ongoing resources;
2. **AVOID ONGOING GENERAL FUND OBLIGATIONS:** when a downturn appears likely, limit General Fund spending to one-time expenditures not requiring ongoing commitments, or else find ongoing, stable sources outside of the General Fund;
3. **FOCUS ON HIGHEST PRIORITIES:** invest in our residents' priorities that have the greatest impacts on the quality of life in our community; and
4. **LEVERAGE OTHER RESOURCES:** focus on ways to maximize the use external resources, including private-public partnerships, philanthropy, and volunteer energy.

### **Restoring City Services**

Following a difficult decade punctuated by the Great Recession, we have made substantial strides in restoring core City services every year since my first Budget Message, with a particular emphasis on public safety, road repair, and library services.

In our first Budget Message in Fiscal Year 2015-2016, we added firefighters, restored library hours to six days a week, enhanced gang prevention, accelerated homeless rehousing, and expanded illegal dumping response. We then prepared and secured voter support for two 2016 ballot measures — a one-quarter cent sales tax (Measure B) in June and a modernization of the City's business tax (Measure G) in November—that together boosted revenues approximately \$60 million annually. Since that 2016 Measure B primarily emphasized public safety in its ballot argument and campaign literature, we focused those dollars on critical police and fire needs. That year, we added 41 authorized sworn police officers, restored all "browned out" fire stations, added two-person "squad" cars to boost emergency medical response, invested in emergency vehicle signal preemption technology, doubled our community service officer team, improved property crime response, expanded crime analysis capability at SJP, and allocated \$4 million to provide "rapid response" housing for homeless residents.

We've also made significant progress in improving our infrastructure. Contrary to the claims of a few poorly-informed critics, the Council committed \$17.7 million in revenues from 2016 Measure B for street repaving. Since that time, the City's Measure T, VTA's Measure B, and the legislative approval of SB1 have provided a steady funding source for street repaving. Accordingly, we have shifted the City's 2016 Measure B funding to public safety. Nonetheless, the City repaved nearly 290 miles of streets in 2019—the most in a quarter-century.



Other infrastructure projects have also seen overdue investment. The voters' approval of Measure T has enabled us to build new fire stations, with Station 37 in final design, Station 20 in planning, and site identification underway for stations in Districts 3 and 7. We're well along with a \$1.4 billion upgrade of the wastewater plant, we've just completed a vital flood pump in Alviso, we've expanded our airport by 6 gates (with more likely to follow), and we hope to soon be underway on a new police training facility.

For their dedication to providing the best, most professional service to our residents, I have deep gratitude to our hardworking City workforce, who have weathered many years of growing workloads without commensurate growth in staffing or technology investment. I am also grateful to my City Council colleagues for their continued budgetary discipline, and for their focus on restoring our residents' most valued services.

## **DIRECTION**

Accordingly, the City Manager is directed to present a Proposed Budget that allocates funding in a manner that aligns with the following recommendations:

### **Tier I: Fiscal Resilience**

**Eliminating Debts:** We have made considerable progress in reducing citywide debt obligations in recent years. These efforts provide multiple benefits: reducing future annual debt service obligations, freeing ongoing dollars to restore services, bolstering the City's solid credit rating, reducing bond financing costs, and liberating City-owned parcels from cumbersome restrictions imposed by financing covenants. Last year, for example, we began to pay off our golf course debt, resulting in \$700,000 dollars in ongoing annual savings.

This year, we have the benefit of nearly \$25 million in one-time funds from the Finance team's excellent work on refunding of City Hall debt. The City Manager is directed to use the bulk of this one-time funding—approximately \$19 million—to pay the remaining debt balances on both the Los Lagos Golf Course and the LED streetlight conversion contract (aka, ESCO Master Lease Agreement). Combined, these actions will inure to the benefit of City taxpayers about \$4 million annually, which will surely improve critical services in the years ahead.

**Reserves:** Reserves soften the blow of our Valley's inevitable economic downturns. In my prior March Budget Message, I directed the City Manager to establish reserve strategies that protect recently restored services, and we have much work to do to reach those targets. Although existing City Council policy calls for a general purpose reserve of 10%, we know that it would require an extraordinary cuts of existing services to reach that level, so we have established an intermediate baseline amount of 6.5%. I propose that we provide additional buffers against our imminent headwinds with the following allocations:

- **Future Deficit Reserve:** The City Manager's General Fund Forecast (released this week) indicates a deficit of \$11.1 million in 2021-2022, and nearly \$40 million in a recessionary scenario next fiscal year. The City Manager is directed to allocate \$11.1 million to address the projected shortfall in 2021-2022 on a one-time basis. The City Manager is further

directed to return to Council with a Manager's Budget Addendum identifying proactive strategies that will address an anticipated larger gap, including consideration of cost saving efficiencies and reduction strategies.

- **Budget Stabilization Reserve:** To provide budgetary resilience amid large fluctuations in revenues or expenditures, the City Manager is directed to review the current balance of this reserve and make contributions as necessary to maintain a protective level of funds. Specifically, to address what is almost certainly going to be a substantial shortfall, the City Manager is further directed to deposit into this fund all of the anticipated one-time revenues from the Revenue Capture Agreement between the City and eBay. The uncertain nature of these dollars—given their potential of being subject to dispute by other marketplace facilitators—make them a poor source for us to depend upon for provision of services at this early juncture.
- **Essential Services Reserve:** The City Manager is directed to set aside \$3 million in one-time funds that may be used to support services that are of essential importance to our residents. Services deemed essential by the City Council may be funded with the use of these one-time funds. I invite budget documents from my colleagues, but with one proviso: requests for cost estimates to the City Manager's Budget Office have dramatically increased in recent years, exceeding 80 last year. I request that my Council colleagues be strategic with their cost requests, mindful of their impact on the workload of an overstretched City Budget Office staff.
- **Sinking Funds:** The City's historic failure to budget sinking funds for capital assets has resulted in chronic deferred maintenance backlogs, even after the passage of Measure T. The City Manager is directed to review the City's capital programs to ensure "sinking fund" policies exist to address future capital replacement and maintenance needs. The City Manager is further directed to consider how new funding sources for parks and recreation capital improvements—such as a parks bond or community financing district—can provide a set-aside for capital replacement and (if legally feasible) maintenance. The City Manager is further directed to review and augment our sinking fund to address our IT "tech debt," including last year's contribution of \$2 million, while considering future critical replacement and repair needs for our aging IT.

## **Tier II: Affordable Housing and Homelessness Solutions Funded by Measure E**

Regardless of the outcome of this public health crisis, our community will continue to endure a homelessness and housing crisis. In our community survey, the paucity of quality, affordable housing remains the very lowest-rated characteristic of our City, with 82% of residents rating the availability as "poor." At last count, 6,097 San Jose residents are experiencing homelessness, and of these, 5,117 (84%) remain unsheltered.

Fortunately, in our March elections, the San Jose community showed its heart, approving Measure E to accelerate our efforts to build affordable housing and address our homelessness crisis. We thank the many community partners, led by SiliconValley@Home, who supported that effort. Measure E's passage enables us to finally secure an ongoing source of funding to build affordable



housing that will supplant the nearly \$40 million of annual affordable housing funding that San Jose lost through the demise of its Redevelopment Agency in 2012.

On December 10, 2019, the San Jose City Council adopted a spending plan (net of administrative costs not to exceed 5%) that prioritizes the revenues raised by the measure with the following allocation formula:

- 45% for rental housing construction and solutions for Extremely Low-Income households
- 35% for affordable rental housing and assistance for Low Income households
- 10% for below-market-rate for-sale housing and rental housing for Moderate Income households. These funds could provide forgivable loans for rent-restricted backyard homes, down-payment assistance, and other first-time homeownership opportunities.
- 10% for homelessness prevention and rental assistance solutions

The City Manager is directed to allocate Measure E revenues according to the Council-approved formulation, with the additional specific direction:

**Bridge Housing Communities (BHC)/ “Tiny Homes”/“Cabins”:** Last week’s successful grand opening of the City’s first BHC compelled Governor Gavin Newsom to remark, “this shouldn’t be merely a ‘pilot project’—this should be in every city.” Each of the forty tiny homes and cabins cost less than \$9,000 to build, not including site preparation and infrastructure, due to the work of Habitat for Humanity and other partners. This solution can work: our first resident, who moved in only weeks ago, has since found permanent housing with help from on-site supportive staff. The City Manager is directed to report to Council in May with an update about (a) the lease-up of the Mabury BHC, (b) the status and well-being of its residents, and (c) the development of the second BHC site. The City Manager is further directed to return to Council in September with the identification of two additional BHC sites, and to obtain Council approval to begin construction that will at least double our transitional housing capacity.

**Homelessness Prevention:** Two weeks ago, we announced the impressive progress we made in partnership with the County, Destination:Home, Sacred Heart Community Services, and a dozen other community-based organizations in preventing homelessness among 1,338 families facing imminent eviction in the prior two years. Relying upon an average grant of \$4,100 per household, we found that we could keep 92% of those families housed a year later. The program’s impact remains limited, however, by resources; it could serve only one-third of the residents seeking help. The City Manager is directed to triple the City’s current commitment of \$3 million to \$9 million. This funding will be particularly critical to address the disruptive impacts of economic shutdowns prompted by the spread of the coronavirus. In partnership with a consortium of non-profits led by Destination:Home, I recommend that the Council and City Manager work together to encourage other public and private organizations to match the City’s enhanced contribution dollar-for-dollar.

**Homeless Students:** In San Jose, the 2019 Homeless Youth Risk and Resiliency Survey found that 22% of the homeless respondents aged 18-25 are currently enrolled in college. The California Student Aid Commission reports that nearly one in three college students in California experience food and housing insecurity. In January, I joined Bill Wilson Center, San Jose State University,



and Airbnb to announce a first-of-its-kind pilot program to provide temporary housing to college students experiencing homelessness and housing insecurity, with Airbnb waiving all fees. To manage this process, Bill Wilson Center must create a Housing Expeditor Fellowship role responsible to coordinate and communicate with Airbnb, and to help identify housing opportunities for young homeless or at-risk adults. The City Manager is directed to provide Bill Wilson Center up to \$55,000 in 2020-2021, and matching funds of up to \$60,000 over the following two years in support of this effort, from the tranche of funds allocated to Extremely Low Income residents.

**SJ Bridge Employment:** We created SJ Bridge to employ homeless residents to clean litter and trash in dozens of citywide “hot spots,” under the management and case support of two local nonprofits. In December of 2019, the program employed 19 homeless individuals and opened applications for 20 more. Previously, 20 more people had already transitioned to full-time employment. The City Manager is directed to report to Council during the Budget Process on both the efficacy of the cleaning crews in combatting blight, and in the efficacy of the program in enabling clients to reclaim a path to self-sufficiency. The City Manager is directed to continue the program for another year and expand the program to ensure sufficient transitional jobs and work crews to routinely clean Guadalupe River Park and St. James Park, in addition to their current routes. The City Manager is directed to explore non-General Fund potential future sources of funding, with support from the Mayor’s Office.

**Backyard Homes:** We have succeeded in dramatically boosting our community’s adoption of backyard homes (aka, accessory dwelling units, or ADU’s). Our combination of fee waivers, streamlining, one-stop permitting, and liberalization of size constraints enabled approvals of 415 backyard home permits last year, a number greater than the prior five years’ *combined*. The quantity of this housing should not be overlooked—for a single year, the number of San Jose’s ADU permits roughly equaled the housing production—of *all kinds*— for the entire city of Palo Alto over the *four-year period* from 2014 to 2018<sup>3</sup>. It also exceeded the aggregate four-year production of all housing in both Cupertino and Los Gatos—*combined*<sup>4</sup>. The great obstacle to scaling this production of naturally affordable housing for many homeowners appears to be financing, particularly for homeowners without sufficient equity in their homes.

Council has expressed interest in exploring the provision of forgivable loans for homeowners willing to agree to rent restrictions on their backyard homes. The City Manager is directed to return to Council by June with a proposal that will allocate the first \$5 million generated within the 10% moderate-income tranche of Measure E revenues for this program, with the requirement that rent restrictions remain on the units for an extended period of time—of not less than 5 years— or until the homeowner pays off the City loan.

**Navigation Center:** Last year’s Budget Message calls for the siting, development, and construction of a Navigation Center, to provide our unsheltered homeless residents connection to shelter and services and the path forward to coming in from the cold of living on the streets. The City Manager is directed to inform the Council, verbally at Council or through information memorandum, by May of the status of efforts to identify a site, and with specific options for the City move this important work forward.

---

<sup>3</sup> SV@Home, <https://siliconvalleyathome.org/resources/#palo-alto>, March 2020.

<sup>4</sup> SV@Home, <https://siliconvalleyathome.org/resources/#los-gatos>, March 2020.



### **Tier III: Contingent Expenditures**

Should the spread of COVID-19 subside, and our economy stabilizes, then we can refocus on restoring key City services, as outlined below. The City Manager is directed to prepare the 2020-2021 Proposed Budget mindful that the funding priorities and programs described below may not be funded should the economy significantly contract. Those items funded by sources other than the General Fund are generally less susceptible to economic swings and can be incorporated into the budget as the relevant funding source allows.

#### **A. PUBLIC SAFETY**

Our first priority, and that of our residents, is public safety. In last year's annual community survey, the "overall feeling of safety" ranked highest among resident priorities, as "essential" or "very important" by more than 90% of residents. Through our budget, we have consistently prioritized public safety, allocating more than 60% of the departmental General Fund expenditures to Police and Fire. Nonetheless, pressing needs remain unmet.

**Police Staffing:** As of late January, the Police Department had 1,149 filled sworn officers, with 1,151 officers authorized for the year. Due to our two-year investment in the Hire-Ahead Program last year, three Police Recruit Academies were conducted in 2019-2020 yielding 145 recruits. Due to our tremendous turnaround in recruiting, hiring, and retaining officers in recent years—adding more than 200 officers net of retirements since the passage of Measure F in 2016—SJPD will soon reach its 1,151 budget cap, and still remain the most thinly-staffed major-city police department in the nation.

The City Manager is directed to add 20 sworn officers to the current budget authorization of 1,151, with an emphasis on expanding in such units as Street Crimes, sexual assaults (SEIU) and domestic violence (DV) investigations, and the traffic enforcement unit (TEU). The Five-Year Forecast should be adjusted to reflect this investment. To help support the hiring of the sworn staff, I recommend that the City Manager apply for a federal COPS Hiring Program grant. If awarded, this grant will help provide substantial one-time funding, and mitigate the General Fund impact over multiple years.

**Improving Deployment Efficiency:** SJPD has not revised its geographic district boundaries—essential for efficient and effective allocation of patrol officers—in nearly two decades, during a period in which the City has grown by more than 200,000 residents. The City Manager is directed to allocate one-time funding of \$350,000 to the Police Department to support the redistricting effort.

**Downtown Foot Patrol:** Growing concern over the safety of residents, workers, and visitors in our Downtown compels the need for walking patrol. Since I first urged this expenditure several years ago, Council has repeatedly approved the funding for a walking beat downtown, but the Department has had difficulties in persuading officers to volunteer to fill those overtime slots. As recruits transition from the Academy to field training to patrol this year, the Chief will have additional capacity to deploy walking patrols downtown. The City Manager is directed to fund the \$600,000 Downtown Foot Patrol Program with ongoing dollars, but only upon the addition of this



beat as a routinely-assigned, non-voluntary shift in the next fiscal year. The City Manager is further directed to engage with discussions with the County Sheriff, under contract with the VTA, to offer a visible presence for the benefit of transit riders along the light rail and Santa Clara Street bus corridors, and to further report to the PSFSS Committee outcomes of prior years' spending on Downtown Foot Patrol, and to discuss plans to get officers on walking beats Downtown.

**Fire Station 37:** Staffing for Adequate Fire and Emergency Response (SAFER) grants provide funding directly to local fire departments to boost the numbers of trained firefighters in their communities. We have used SAFER grants in the past to rebuild our Fire Department from the days of browned-out stations during the Great Recession. With the addition of new stations, we should again commit a City "match" to ensure we can secure these grants to offset early years of funding. The City Manager is directed to do so, with the addition of any ongoing expenditures in the Five-Year projection to account for the future staffing of Fire Station 37.

**Fire Station 20/ARFF:** By committing \$4.6 million of its own funding, the City has the opportunity to leverage much greater FAA investment in expanding the reconstruction of the Airport Rescue and Firefighting Facility (ARFF), aka Fire Station 20, to include off-airport operations that will improve emergency response capability. We could accomplish this improvement without additional ongoing operational costs by shifting an existing squad medical response unit from Fire Station 5, which would improve coverage and response. The City Manager can evaluate the addition of an engine company in the future, but in the meantime, the City Manager is directed to identify additional funding in Measure T or other capital sources to move forward with this expansion of Fire Station 20. Due to the FAA's March 31<sup>st</sup> deadline for the City's commitment to the project, the City Manager is directed to comply with that schedule and allow full funding to allow off airport operations. He is further directed to reimburse the Measure T program as part of future budget cycles from the Fire Construction and Conveyance Tax Fund, the General Fund, or other eligible sources.

**Gun Violence: Ordinance Completion and Support of Recovery of Public Subsidy for Guns:** In 2018, Council directed the City Attorney to draft an ordinance to reduce "straw purchases" of guns—such as the one used to kill the son of San Jose resident Sara Huff-Bacarato in 2019—through regulations that would require greater accountability of stores and clearer identification of buyers. Due to workload challenges in the City Attorney's Office, that ordinance has not yet been completed. Additionally, the Mayor's Office has secured approximately a half-million dollars in grants and in-kind assistance for research and analysis from various foundations, a legal center, and the County of Santa Clara to determine how taxpayers can recover the public costs resulting from gun violence and harm, such as the \$2 million annually incurred in County emergency response costs. The City Manager is directed to allocate one-time funding over the next two years—to support research, implementation, and legal analysis to evaluate and—with Council approval—implement these measures.

**Traffic Safety and Automated Speed Warnings:** Sixty people lost their lives on our streets in traffic collisions in 2019, a figure that has grown nearly 60% over the past ten years. Speed makes all the difference: a pedestrian has a 90 percent chance of dying in a collision with a vehicle moving at 40 mph, but a 90 percent chance of surviving at a collision speed of 20 mph. More than 40 percent of the City's fatalities and 33 percent of our severe injuries occur on only 3 percent of the



City's roads, comprising 17 Priority Safety Corridors (PSCs). Finding a way to reduce speeds on these corridors will dramatically improve safety.

The City has unsuccessfully sought legislation to authorize enforcement speed limits through automated speed detectors. We have not explored, however, the implementation of automated speed warnings. Behavioral research suggests that the mere awareness of official monitoring of driver behavior and warnings related to noncompliance<sup>5</sup>—even without explicit enforcement—can “nudge” subjects into greater compliance. For example, one National Highway Traffic Safety Administration study in Maryland utilized warnings that provided “encouraging” results in “producing statistically significant” reductions in speeding<sup>6</sup>. Similarly, in the UK, the West Midlands police department effectively reduced speeding by utilizing warning letters that explained the importance of speed limits with positive effect<sup>7</sup>.

California law prohibits automated speed enforcement, but it does not explicitly prohibit a city from using automated means to monitor speeds and warn motorists. I recommend that the City Manager explore a program that sends warning letters to registered owners of speeding vehicles that identify the date and time of the violation, and provide messaging targeted to alter behavior (eg., “we are increasing speed enforcement on that road due to increasing complaints by your neighbors,” or “we are aware of your failure to comply with the posted speed limit on that street, which has a high rate of injury accidents, including one that has left a neighbor of yours in the hospital.”). The cost of administration of the program may be recoverable, resulting in no ongoing impacts to the General Fund. I recommend that the City Manager and City Attorney assess the cost and legal feasibility of this approach, and, if legally feasible, present (in this budget year) for Council approval the capital cost of installing automated speed detectors along at least five pilot PSC corridors.

**Traffic Safety and Street Improvements:** In my last June Budget Message, I directed the City Manager to allocate \$300,000 for street safety projects in ten locations citywide. Nine months into the current fiscal year, I have just learned that the Department has not expended these funds, which is unacceptable. The City Manager is directed to designate these funds and an additional \$1.7 million in traffic capital funding (\$2.0 million total) for traffic calming, traffic mitigation, and safety-enhancing improvement projects in targeted neighborhoods and/or major roads. The City Manager should communicate to Council verbally or through an Information Memorandum to identify the funded projects, utilizing on a data-driven approach that focuses on investments that can most substantially reduce the risk of harm to pedestrians and cyclists.

## **B. ACCELERATING AFFORDABLE HOUSING PRODUCTION**

**Development Services Action Team:** The current alignment of City departments responsible for various decisions relating to development services (Planning and Building, Fire, Public Works, and occasionally, Environmental Services, Parks, Transportation, and Housing) leaves project-

---

<sup>5</sup> “Taming Traffic Tension with Behavioral Science”, Association of Psychological Science, March 2020.

<sup>6</sup> De Leonardis, D., Huey, R., and Robinson, E., “Investigation of the Use and Feasibility of Speed Warning Systems”, National Highway Traffic Safety Administration: Office of Behavioral Safety Research, May 2014.

<sup>7</sup> The Behavioural Insights Team, “Making Our Roads Safer - The 2017 Nudge Awards: Nudge for Good”, Behave!, June 2017.



critical decisions subject to several different department heads. Coordination and oversight of all of those departments' decisions remains a challenge, in part because no single person has the sole responsibility for timely delivery of EIR's, planning approvals, building permits, fire inspections, and certificates of occupancy. Effective change management and consistent trouble-shooting requires having one person who wakes up each morning focused on development services, and having the responsibility and authority to direct changes that will improve organizational performance and customer service. More than a decade ago, the City of Sacramento addressed these challenges by assigning oversight over all of development services to a single person at the Deputy City Manager level. The City has some experience and success standing up cross-departmental development teams with the Capital Improvement Program Action Team of a decade ago. The City Manager is directed to create a Development Services Action Team to drive the transformation of the development process and delivery of priority projects, led by a newly-created Deputy City Manager position. That Deputy's portfolio must consist solely of the work of change management, trouble-shooting, and meeting clear outcome-focused metrics across all of the development services departments. To the extent recommended by the City Attorney, the City Manager should use development services fees to fund this position for two years.

**Attorney Affordable Housing:** Projects associated with the City's \$100 million affordable housing development through the NOFA grant process has stressed the capacity of the City Attorney's Office to keep up. The City Manager is directed to use one-time housing funds to add an Affordable Housing Attorney for a two-year period for legal research and review, help with housing grants, homelessness issues, and consultant contracts that will enable City staff to scale up expertise and protocols for greater affordable development activity in the years ahead.

**Backyard Homes—ADU Allies:** As the demand for backyard homes grows, a continued deployment of an ADU Ally Team will ensure success of the program. This successful effort was funded with one-time dollars, however, and requires our continued commitment. The City Manager is directed to allocate \$150,000 in one-time funding for an ADU Ally to continue outreach, homeowner workshops, and customer service. The City Manager is also directed to allocate sufficient resources from the appropriate Development Services Fee Program dedicated to the ADU program's need for engineering, building inspection, and permitting services.

**Facilitating the Siting of Transitional and Permanent Housing Solutions:** The siting of housing solutions for homeless residents has met with predictable resistance in our neighborhoods, often due to unresolved preexisting issues such as trash and illegal dumping, parking violations, and encampments. In response, the City Manager's Office piloted the implementation of enhanced services in areas adjacent to Overnight Warming Locations (OWLs) over the past year. These enhanced services have made neighborhoods more receptive of these interim uses. To scale this approach, I recommend the City Manager allocate funding to develop and deploy this program at future interim and permanent supportive housing sites within the City, after providing the Council with a report of the outcomes of our pilot efforts and with opportunity for input. The City Manager and City Attorney are further directed to return to Council this Spring with a set of recommendations about how and whether the City can provide a geographically-defined local preference for the housing of homeless individuals or low-income family in any new housing site.



### C. EQUITY, DISPLACEMENT & ECONOMIC OPPORTUNITY

**Equity Framework:** The two recent Equity-related study sessions have explored—and demonstrated the importance of—the work underway within the City workforce in collaboration with the Government Alliance for Race and Equity (GARE). I recommend the City Manager allocate one-time funding for two years to develop a workplan that 1) integrates an equity framework into decision-making, and operationalizes this practice in our daily work, 2) creates a coordinated community engagement approaches that builds effective partnerships, 3) creates infrastructure to ensure the City has a data-driven approach, 4) sets aside resources for external consultants or facilitators to assist the City, where necessary, and 5) substantially expands language access capacity. I further recommend that the City Manager change the title of the Office of Immigrant Affairs to better reflect the expanded scope of its work on racial equity.

**Equity and Budgeting:** I recommend the City Manager issue a Manager’s Budget Addendum that outlines this year’s progress on implementing an equity screen to guide the distribution of resources for neighborhood services, as directed by Council through my June 2019-20 Budget Message, including specific description of the criteria used for resource allocation. I also recommend inclusion of a summary description of work undertaken by departments to incorporate an equity review and analysis in the City Manager’s current budget proposals.

#### **Anti-Displacement Initiatives for Small Local Businesses:**

- **Storefront Activation Program:** Dramatic changes in our national retail environment have persuaded national credit retailers to constrict their leasing activity. This dynamic provides some opportunity for locally-owned small business owners to find more affordable, visible locations, but they often need small business assistance programs to get started. The Storefront Activation Grant Program helps eliminate start-up barriers that will enable more small businesses to transform empty spaces to vibrant shops and restaurants. The City Manager is directed to allocate one-time funding of \$250,000 to continue this program, and to proactively communicate the availability of the program to less traditional storefront tenants, such as community-based non-profits, arts organizations, and day-care centers.
- **Neighborhood Business District (NBD) Grants:** As the City implements Urban Village plans and builds its anti-displacement strategy, many of the existing neighborhood business districts will require ongoing support to remain sustainable, long-term civic institutions. I recommend that the City Manager consolidate its NBD grants and allocate an additional \$10,000 in ongoing funding to increase the current grant program to \$60,000, with priority given to business districts providing services addressing small business and non-profit anti-displacement strategies.
- **Affordable Housing and Commercial Space:** Builders have expressed concerns about the City’s requirements in some business districts to build ground-floor commercial space within affordable housing projects. We appreciate their challenges in financing space that may not be eligible for tax credit or grant funding. However, effectively halting mixed-use development undermines many goals to which we have committed ourselves. At a time of tremendous displacement of our small local businesses and non-profits, we critically need



more commercial space for affordability and access. We also need more child care, employment opportunities, and neighborhood-serving services within walking distance for our low-income residents living in high-density buildings. We seek to create more walkable, mixed-use corridors to promote alternatives to the automobile, improve public health, add the “eyes on the street” for public safety, and reduce greenhouse-gas emissions. We also want better urban design, more vibrant streetscapes, and more engaging pedestrian-level activity in our development. All of these goals support a continued commitment to mixed-use development along our key transit corridors, neighborhood business districts, and in the Downtown. I recommend that we convene key partners in the Departments of Housing, Planning, and Economic Development, the County, Housing Authority, housing builders, and financing partners to explore and identify alternative sources of funding and new approaches to financing that would enable inclusion of ground-floor active uses for retail, restaurants, and neighborhood services such as child care, laundry, and gyms.

**Education and Digital Literacy:** On February 11, our City Council unanimously approved the San José Education Policy to articulate and institutionalize the City’s approach to education. San José’s future prosperity depends enormously on the educational success of our youth. Driven by the values of equity, opportunity, quality, and accountability, the Policy guides the City investment and focuses our efforts on improving outcomes for our children. As our Library Department assumes primary leadership and support responsibilities with PRNS and other departments, the City Manager should work to identify citywide resources that can be used to continue this work.

**SJ Learns:** Now in its fourth cycle, SJ Learns has provided more than 3,500 young students with extended-day learning in 16 high-need neighborhoods. This program leverages the expertise of our school districts and the resources of our business community; for example, last year’s commitment from Alaska Airlines dramatically expanded the program into the summer to counter summer learning loss. In the year ahead, we will identify opportunities to expand the program, and to work with our school district partners to identify innovations that will better serve our highest need youth. To support these efforts to improve outcomes for the youngest members of community, I recommend the City Manager allocate another \$300,000 in one-time funds to SJ Learns.

#### **D. BLIGHT & NEIGHBORHOOD QUALITY OF LIFE**

**BeautifySJ:** BeautifySJ provides San Jose residents a much-needed respite from trash, graffiti, and blight, while boosting community pride by rallying residents to reclaim their public spaces with their neighbors. I propose the following changes to BeautifySJ:

- **Inter-Departmental Coordination:** BeautifySJ requires coordination across seven different departments and offices, involving at least 12 different beautification and quality-of-life-related initiatives. We routinely hear residents praise our hard-working City staff, but grouse about how services are delivered. A resident may use the MySanJose app to report graffiti and illegal dumping next to and in a park, but operating procedures result in different programs and different departments responding to the same geographic location. This ambiguity in ownership of service delivery frustrates our community and undermines our success. The City Manager is directed to explore consolidating the effort under a single



manager focused on ridding our City of blight. The City Manager is further directed to evaluate both one-time and ongoing beautification investments that allow for more effective blight-reduction strategies.

- **Interagency Coordination:** Similarly, a MySanJose app request for response to illegal dumping will require CalTrans to address dumping near a freeway off-ramp, the City to respond on a city street a few yards away, the Water District near a creek further away, Union Pacific along a railroad, and the VTA near a transit station. The MySanJose app will only provide satisfactory remedy for one of those five requests. Recent efforts to negotiate an MOU with Union Pacific may soon bear fruit, and the negotiation may provide a model for other interagency relationships. I recommend that the City Manager negotiate with other entities to facilitate City response to a blight complaint on another agency's land, but with compensation from that landowning agency.
- **BeautifySJ Sponsorships:** Several potential donors have expressed interest in sponsoring a portion of a program or event, but procurement rules prohibit sponsorship of large aspects of programs. Corporate contributions to the BeautifySJ program—whether to sponsor the Great American Litter Pick-Up or to fund BeautifySJ litter pick-up bags—should be easily (and happily) facilitated. I recommend that the City Manager authorize department directors to accept sponsorships and donations for BeautifySJ programming of departments operating within enterprise funds, and to do so without having to return to Council for approval.
- **BeautifySJ Grants Program:** More than 110 unduplicated neighborhood groups have received BeautifySJ grants since its inception—leveraging the power of volunteer energy and community pride. In the last seven months, the program has leveraged close to \$300,000 in in-kind/cash matches and about 14,000 volunteer hours at an estimated value of \$345,000. Over the past three years, residents have provided 34,000 hours of volunteer time. Neighborhoods continue to use grants to connect with their community members for neighborhood cleanups, tree plantings, mural-painting, and other ways that they can beautify their corner of San Jose. I direct the City Manager to allocate \$200,000 in one-time funding to the BeautifySJ Grant program to continue this momentum.
- **BeautifySJ Capital Needs:** The City Manager is further directed to allocate no more than \$400,000 to replace the leaf truck that is used by anti-litter staff for volunteer events and picking up illegal dumping, and to purchase two front-loading mini-tractors to utilize during clean-ups of dumping along creek trails and other tight spaces where traditional equipment cannot access.

**Cash for Trash:** We have recently launched an innovative program to pay unhoused residents for the trash they collect along creeks, roadways, and other areas near homeless encampments. A first-in-the-nation partnership with MasterCard has simplified payment processing, and other partnerships are planned. The City Manager is directed to monitor and measure the impact of the program in reducing visual blight and trash moving into waterways and storm drains. The City Manager is directed to use one-time funds of \$55,000 to continue this program into the next fiscal year, and to explore other sources of potential funding, including the City's sources and philanthropic contributions, to sustain the program.



## E. COMMUNITY BUILDING, CULTURE, AND THE ARTS

**City-Owned Cultural Facilities:** As cultural facilities age, the list of deferred maintenance projects grows. In 2014, the City Council approved "capping" the revenue from the 4% of the Transient and Occupancy Tax (TOT) dedicated to the General Fund, with increment generated above that amount flowing to a new reserve needed for underfunded capital and maintenance of the City's cultural facilities. This set aside ended in 2017-18, and the City began an annual allocation of \$450,000 supplemented with additional one-time funds. In 2019-2020, the annual contribution increased from \$450,000 to \$850,000 and an additional one-time contribution of nearly \$6 million from the General Fund. However, this level of investment still leaves an average annual deficit of more than \$1 million over the next five years. The City Manager is directed to identify appropriate one-time sources of funds to increase the contribution in 2020-21 and evaluate a 5-year capital improvement program to identify and program funding to satisfy the current and future need. The City Manager should also explore re-instituting the previous increment funding approach, and further evaluate whether Team San Jose-operated City venues, such as the Center for Performing Arts, California Theater, and Montgomery Theater should be included within the fund, with supplemental annual contributions. The City Manager should report back to the Council through the budget process.

**History San Jose:** History San José operates several City-owned facilities, and preserves and enriches the cultural heritage of San Jose and the Santa Clara Valley through research, collections, partnerships, educational programs and events. The City Manager is directed to allocate \$300,000 in funds from the Cultural Facilities Capital Reserve to address high-priority capital improvements such as paving its dirt employee parking lot or replacing its perimeter fence.

**St. James Park/Levitt Pavilion:** The Levitt Foundation partners with cities and local organizations to transform public parks into vibrant destinations where free, live music brings people together and invigorates community life. The Friends of Levitt San Jose seeks to bring over 50 free, family-friendly concerts and performances each year to historic Saint James Park. Cost estimates of a Levitt Pavilion in the park have reached—\*gasp\*—\$21.6 million, including landscape, site work, reinforced lawns, green room, roof, glazing, and stage. Although Councilmember Raul Peralez has expressed a willingness to commit \$7.9 million of eligible District Three Parkland Dedication Ordinance/Park Impact Ordinance funding, and future developer fees may yield another \$5.5 million, the remaining gap for fundraising and funding exceeds \$8 million. The City Manager is directed to work with Chuck Toeniskoetter, the former CEO of TBI—who has volunteered his time to collaborate with the Friends of Levitt and convene a group of private sector experts to review the development and construction of the project, and to propose changes. Because this Pavilion will comprise the largest outdoor music venue in San Jose, and will serve the entire community, the City Manager is further directed to explore and propose the expenditure of citywide sources, such as the Construction and Conveyance Tax City-Wide Fund, for the construction of the Pavilion.

**Armory Renovation:** Rising rents threaten to displace our artists and cultural organizations, just as they have displaced our residents. SVCcreates supports a portfolio of more than 100 multicultural arts organizations and 150 artists in Santa Clara County, and has launched an effort to create a distributed network of space solutions for the arts. To date, they have invested \$3 million in shared space models for the arts that address the issue of dislocation of our creative community,



such as at the site on the corner of South 1st and San Carlos. The historic Armory building has recently been purchased by developer Urban Community, which has offered the building to SVCCreates as a potential space for artists and arts groups. CULTURESPACE will provide space for rehearsals, programming, classrooms, and offices for a consortium of multi-cultural arts groups, and will provide a music venue and event space for groups displaced by the sale of the Trianon Theater. These uses will require a renovation of the facility, which SVCCreates will fund through capital contributions. The City Manager is directed to identify capital funds up to \$250,000 for planning of this space to support the artist community. Given that traffic mitigation funds originally designed for this project appear to be no longer needed, the City Manager should consider this as a source, if appropriate.

**Children's Musical Theater San Jose (CMT):** After 22 years at the corner of Parkmoor and Meridian in District 6, a new school will displace CMT. Rather than folding up and moving to a new city, CMT leadership and its Board of Directors set out on to find space in San Jose, and will move down the street in September. At that site, CMT will bring rehearsal studios, administrative offices, and a set shop under one roof. CMT wants to continue serving the community; while enabling kids with financial barriers participate through its Community Access program, CMT will also help provide space for other arts organizations in its facility through subleases. CMT will provide up to ten (10) hours per week for weekday, daytime use of its 2,500 square foot “Studio A” space from February to May, and from August to November. CMT will work with the Director of the Office of Cultural Affairs to identify beneficial partners. The City Manager is directed to provide \$250,000 in one-time funds to CMT in the form of a Development Agreement to support its new space for calendar year 2020.

**Vietnamese American Cultural Center:** The City of San Jose has the largest Vietnamese population of any city outside of Vietnam, making up more than 10% of our population. Years ago, the City made efforts to establish a Vietnamese American Culture Center, but efforts languished during the economic downturn and with the loss of Redevelopment funding. In 2016, the Council established an interim Vietnamese American Community Center at the Shirakawa Center. Since opening, the community has embraced the Center, with larger events garnering over 1,000 attendees. The City Manager is directed to include funding to continue operations, and to bring forward a recommendation on the feasibility to make this funding ongoing.

**Rotary and Fireworks:** Members of San Jose’s Downtown Rotary Club—such as Marianne and Carl Salas, and Jim Gardner— have generously and doggedly sustained the Independence Day Fireworks show in Downtown San Jose, enjoyed by many tens of thousands residents each year. As a sign of the times, the Downtown Rotary will have to purchase “active shooter” insurance to move forward with a fireworks show this year. I recommend that the City Manager identify this modest one-time funding necessary to defray the entire cost of insurance, and to work with Rotary and our Office of Cultural Affairs to identify ongoing funding for the purpose.

## F. INNOVATION

**Innovation Imperative:** In recognition of San Jose’s chronic staffing shortfalls, in March 2016, the Council unanimously approved a plan to transform San José into the most innovative city in America by relaying on technology and data as a “force multiplier” for staff’s good work. We worked to secure several one-time grants to fill positions. The City Manager’s Office of Civic

Innovation and Digital Strategy is charged with improving the efficiency and effectiveness of City services, leading such efforts as the MySanJose App, business process automation, and data projects. The City Manager is directed to identify grant funding that can stabilize CiDS staffing for the coming fiscal year, and allocate sufficient ongoing resources to sustain at least three positions addressing high priority areas such as the digital inclusion program, privacy policy, small wonders, data analytics and digital transformation.

## **CONCLUSION**

**Prior One-Time Funded Items:** The City Manager is directed to evaluate programs funded on a one-time basis in Fiscal Year 2019-2020 for continuation in Fiscal Year 2020-2021.

**Budget Balancing Strategy Guidelines:** In addition to the five principles I've articulated in this Budget Message, the City Manager is directed to use the familiar FY 2020-2021 Budget Balancing Strategy Guidelines as detailed in Appendix A to develop a balanced budget for the fiscal year ahead.

I respectfully request the support of my colleagues for this March Budget Message. This memorandum has been coordinated with the City Manager and City Attorney.

For more information on this memorandum, please contact Nicholas Almeida, Budget Director, at 408-535-4811.

## **ATTACHMENTS**

Appendix A – FY 2020-2021 Budget Balancing Strategy Guidelines



## APPENDIX A

### 2020-2021 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. Consider current needs in the context of long-term service delivery priorities.
2. Balance ongoing expenditures with ongoing revenues to maximize service delivery within existing resources, to ensure no negative impact on future budgets, and to maintain the City's high standards of fiscal integrity and financial management.
3. To the extent possible, establish a Future Deficit Reserve in the General Fund to cover any projected budgetary shortfall in the following year as a stopgap measure.
4. Evaluate program-level budgets and determine if there are opportunities to shift resources or reconfigure operations to close service delivery gaps, generate new revenues, address truly significant community or organizational risks, fund programs added on a one-time basis in 2019-2020, and/or respond to City Council direction and organizational risks. Review existing vacancies for opportunities to reorganize work groups to realize cost savings or to achieve current service level demands through alternative means. Factor in performance measure data in the development of proposals.
5. Focus on business process redesign to improve employee productivity and the quality, flexibility, and cost-effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
6. Explore alternative service delivery models (e.g., partnerships with non-profit, public, or private sector for out-or in-sourcing services) to ensure no service overlap, reduce and/or share costs, and use City resources more efficiently and effectively.
7. Identify City policy changes that would enable/facilitate service delivery improvements or other budget balancing strategies to ensure equity and inclusion for how services are delivered.
8. 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.
9. Explore expanding existing revenue sources and/or adding new revenue sources.
10. Establish a fees, charges and rates structure designed to fully recover operating costs, while considering the impacts on fee and rate payers whereby a cost recovery structure may be lower in certain circumstances, and explore opportunities to establish new fees and charges for services, where appropriate.
11. Focus any available one-time resources on investments that 1) address the City's unmet or deferred infrastructure needs; 2) leverage resources to or improve efficiency/effectiveness through technology and equipment or other one-time additions; 3) continue high-priority programs funded on a one-time basis in 2019-2020 for which ongoing funding is not available; 4) accelerate the pay down of existing debt obligations; 5) increase budget stabilization reserves to address future budget uncertainty; and/or 6) funding needs for non-bond eligible furniture, fixtures, and equipment associated with the continued implementation of Measure T.
12. Engage employees in department and/or city-wide budget proposal idea development.
13. 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.
14. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.

**PAGE IS INTENTIONALLY LEFT BLANK**





# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Sam Liccardo

**SUBJECT: JUNE BUDGET MESSAGE FOR  
FISCAL YEAR 2020-2021**

**DATE:** June 8, 2020

**Approved:**

**Date:** June 8, 2020

## RECOMMENDATION

I recommend that the City Council:

1. Approve the City Manager's Proposed Budget with the additional direction outlined in this memorandum for purposes of adopting a final budget for Fiscal Year 2020-2021.
2. Adopt a resolution authorizing the City Manager to negotiate and execute agreements for projects approved in the Mayor's Budget Message when amounts exceed the City Manager's existing contract authority provided that any required environmental review for the project has been completed.
3. Authorize the changes proposed in the following Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where the Addenda are amended or superseded by the contents of this Budget Message.

MBA #3	Coronavirus Relief Fund and General Fund Adjustments
MBA #4	General Fund Revenue Assumptions and Transient Occupancy Tax Amendments
MBA #6	Recommendation on the 2021-2025 Proposed Capital Improvement Program
MBA #9	Office of Retirement Services' FY20-21 Proposed Administrative Budget
MBA #12	Police Department Budget and Staffing Adjustments for Berryessa/North San Jose BART Station Law Enforcement Services
MBA #13	Mayor's Gang Prevention Task Force San Jose Bringing Everyone's Strengths Together Resource Allocation Plan
MBA #14	Amendment to the Tree and Sidewalk Hardship Program
MBA #15	Airport Cost per Enplaned Passenger Target
MBA #16	Recycle Plus Rate Increases
MBA #17	Bascom Community Center Opening/Responsible Landlord Engagement Initiative

MBA #19	Amending City Council Policy 1-18 to include Measure E Allocations
MBA #20	Coronavirus Relief Fund and Resident Assistance
MBA #21	SJBridge Program Update and Budget Adjustments
MBA #22	Local Sales Tax Budget Allocations
MBA #24	Cultural Facilities Capital Rehabilitation Needs
MBA #25	Team San Jose 2020-2021 Performance Measures
MBA #26	Proposed 2020-2021 Transient Occupancy Tax Funded Arts and Cultural Development Grants
MBA #28	San Jose AI Fresco Activation
MBA #29	2020-2021 Proposed Fees & Charges Report Amendments
MBA #32	Recommended Amendments to the 2020-2021 Proposed Operating and Capital Budgets

## **INTRODUCTION**

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2020-2021 June Budget Message for consideration by the City Council and the residents of San José.

This June Message comes amid the most tumultuous moment in San Jose’s modern history, with our community experiencing the deepest recession in nearly a century, a pandemic that has taken dozens of lives and impoverished hundreds of thousands, ongoing protests over the murder of George Floyd and persistent racism, and serious public concern raised over police response to violence, arson, looting, and vandalism committed by a small number of people among otherwise peaceful crowds.

I am grateful that our community has shown its true character in rising to this moment. Through our Silicon Valley Strong effort, more than 3,300 residents have volunteered to help, and their energies have been leveraged by 160 members of our hard-working City staff coordinating a network with essential partners like Second Harvest Food Bank to distribute more than 2.8 million meals per week. Employers have stepped up to contribute more than \$27 million to help struggling families through this pandemic—several at the urging of Cisco CEO Chuck Robbins—and a network of non-profits led by Destination:Home and Sacred Heart Community Services. More than 400 volunteers have shown up in the mornings after the protests—many of them protesters themselves—to lend a hand in cleaning graffiti and picking up debris.

Our collective resilience and commitment to help each other will carry us through this very difficult period. As we think about our budgetary priorities, however, we should have no delusions about the duration of our purgatory ahead. Each of the last two recessions has resulted in painfully elevated unemployment rates and severe budget-slashing for several years following the initial downturn. This one will likely be worse. Accordingly, spending decisions we make today should not lock us into ongoing spending commitments that we cannot satisfy in the near term. The CARES Act has provided a lifeline to large cities like San Jose this year, but future years will require us to continue trimming our sails to manage difficult winds.



## **“Defunding” the Police**

Some who rightfully call for reform amid America’s troubled history of police brutality have urged cities across the nation to “defund” the police in the wake of the horrific murder of George Floyd. I am grateful to the many protesters who have moved this important issue to the forefront of our national consciousness, and who righteously demand change. I also agree with those who interpret “defund” to mean that we should use this moment as a catalyst for discussion about how we could reduce police involvement in social problems for which they may be poorly equipped or trained. Two years ago, for example, we announced that SJPD would no longer engage in police enforcement on public school campuses where student behavior was better handled as an internal disciplinary issue. Similarly, for several years, Chief Garcia has sought to work with the County to find ways to enlist trained mental health providers to work collaboratively with SJPD to provide the first response to a resident experiencing a psychotic episode, rather than confronting the troubled person with a badge and a gun. There are plenty of other opportunities for us to work with the community to co-create a better response.

But if “defund” merely represents a mechanism by which we slash police budgets as a means to express protest, I disagree strongly. The appropriate response to protest is to reform, not to defund. We will be exploring and implementing many reforms in the days ahead, such as to expand the authority of the Independent Police Auditor, to ban the use of rubber bullets in crowds, to mandate a “duty to intervene” on all officers, and to revise our use of force policies. We’ll need to consider many others, to be sure, and that will require more work—particularly in curtailing the power of unaccountable arbitrators to make it harder to discipline or fire bad cops.

Yet defunding the police will undermine our efforts to keep San Jose’s community safe — particularly for those members of our community who have suffered the most from systemic racism.

Other cities may have the luxury of considering defunding measures without undermining public safety, but San Jose has the most thinly-staffed police department of any major city in the United States. The City of Los Angeles, for example, has more than twice as many officers per resident as San Jose, and San Francisco has three times as many. Although I am proud of the work we have done to boost our police force by more than 300 officers since 2017, we have much more work to do. We’ve understaffed critical investigations units for more than a decade, and have heard repeated calls from the City Council to bolster resources for sexual assaults, burglary, and domestic violence investigations. We have seen traffic-related deaths of pedestrians and cyclists climb while the staffing of our traffic enforcement unit remains near historic lows. We have only recently emerged from a half-decade in which officers routinely worked multiple mandatory overtimes every week due to patrol staffing shortages, and our police 911 response times lag well below our own—and other cities’—standards.

Our residents have told us, again and again, they want more police—not fewer. Over the last decade, I have attended perhaps a half-dozen cafecitas with the predominantly Spanish-speaking “Madres” at Washington Elementary School, and I have never completed a conversation without several of them pleading for more police to counter whatever has transpired the prior week in their neighborhood, from gang activity to gunfire. Americans of color statistically suffer from

higher rates of victimization to serious and violent crime, ranging from homicide to aggravated assault.

I don't believe that the more affluent neighborhoods in San Jose will suffer with defunding; we've seen the explosive growth of the private patrol industry in cities like Atlanta, for example. But our families of modest means will suffer. Westfield and Santana Row will hire security guards for the businesses in their malls, but immigrant-owned small businesses along East Santa Clara Street, Alum Rock and Story Road will struggle with the robbery and vandalism without recourse. No matter how justifiable any criticism of SJPD might be, I remain certain that our civil liberties will be far more vulnerable to violation in a city with roving private security patrols. Private security companies will not be accountable to the public when they disproportionately stop and question black and brown drivers in affluent neighborhoods, for example.

Moreover, defunding police will undermine substantive efforts at reform. A decade ago, I can recall then-Independent Police Auditor LaDoris Cordell imploring our City Council to boost spending on hiring police to address the harmful impacts of officers' fatigued decisionmaking on the civil liberties of our residents. We have made numerous investments over the last half decade in transparency and accountability: collecting data on demographics of every person stopped by police; publishing use-of-force data on a public dashboard; deploying body worn cameras; hiring independent experts to identify trouble spots for racially biased policing, creating new courses on implicit bias, de-escalation of force, and encountering mental health crises; backfilling patrol so that every officer can attend those classes; and improving recruitment and screening. All of those investments require more money, not less. Based on an independent report issued weeks ago and recited in the Mercury News, this work has eliminated the longstanding statistical disparity between officers' use of force rates and arrest rates against persons of color in San Jose. We have much more work to do—particularly in light of the many complaints arising from recent protests—but we don't get it done by cutting these programs.

Finally, we should all be honest about what gets cut in police budgets—typically during recessions. Any City Council will be loathe to cut the lifeline 911 emergency response that patrol officers provide to communities in moments of distress, or to lay off investigators of sexual assaults, child abuse, or domestic violence. Instead, in this city and every other, departments wring savings from programs that work proactively to build stronger police-community relationships, such as crime prevention, outreach, and youth programs like Police Activities League and gang prevention.

We need a better approach. Yes, reform takes time, and feels less satisfying than a “quick fix.” But nothing worth achieving has ever been simple, and no meaningful reform has ever resulted from a “quick fix.”

## **SPENDING PROPOSALS**

I am grateful for the diligent and excellent work of City staff, particularly in the City Manager's Budget Office, in preparing another balanced budget for Council consideration.



My colleagues submitted 72 Budget Documents totaling over \$41 million in budgetary spending proposals. I thank my colleagues on the Council and their staff for their thoughtful input to the budgetary process over the past several weeks. Of course, we don't have sufficient funding to satisfy all of these requests, but I have sought to balance the multiple and competing demands.

I propose the following changes to the City Manager's 2020-2021 Proposed Operating and Capital Budgets for Council adoption.<sup>1</sup>

### **A. Equity and Racial Justice**

The tumultuous experience of our community and our nation in recent weeks—the murder of George Floyd, subsequent protest and civil unrest, severe recession, fast-growing food lines, and the persistent coronavirus pandemic—have a common thread: all have laid bare chronic economic and racial disparities in our nation, and have exposed painful wounds for too many in our community. Systemic racism has left a deep economic and social divide in its wake, and it remains for each of us to embrace the work of healing that divide.

We have much work to do. Our budget, as an expression of our priorities, serves as a good starting place.

**Digital Divide:** This pandemic has exacerbated the fundamental deprivation of educational and economic opportunity for low-income families due to their lack of broadband access. In San Jose, the digital divide has deprived at least 11,000 children of access to an education, to say nothing of the economic opportunity, health care, or other critical needs that remain beyond the reach of their parents and grandparents. Fortunately, work that we launched several years ago with community partners, last year's creation of the Digital Inclusion Fund, and the acceleration of this work under the supervision of Kip Harkness, Jill Bourne, and Dolan Beckel, and the work of Apoorva Pasricha and Kaylana Mueller-Hsia from the Mayor's Office of Technology and Innovation have put us in a much better position than most other major cities. In particular, Kip's negotiating efforts have enabled us to come to terms on an innovative partnership with AT&T to provide hot spots to 11,000 students by this fall, while accelerating deployment of AT&T small cells in key geographic locations that will enable us to leverage cellular networks for digital access for more low-income families in the future. I recommend that the City Manager allocate \$3.5 million of the CARES Act funding for this AT&T partnership to enable us to provide educational access for 11,000 San Jose children, and broadband for many more of their family members.

**Police Use of Force Review:** I recommend that the Independent Police Auditor work with the City Manager to establish a process, consistent with that contemplated by the Obama Foundation's My Brother's Keeper Alliance, to review our "use of force" policies, engage our community on proposed changes, seek the feedback of our community on the findings, and reform those policies consistent with the best thinking nationally. The process should engage the entire community, including faith leaders, social justice advocates, leadership within our communities of color, criminal justice experts, the Police Officers' Association, the police rank-and-file, the Chief of Police, and the Independent Police Auditor (IPA). I direct the City

---

<sup>1</sup> Number references for Council Budget Documents do not necessarily indicate the request was fully funded.

Manager to reduce the Police Department's overtime allocation on a one-time basis by \$150,000 and reallocate to the IPA to coordinate this review, engage the community, and report back to the full City Council on findings and recommendations for meaningful improvements to our practices. The City Manager should allocate any additional funding needs as costs become clearer in the Fall.

**Less-Than-Lethal Uses of Force:** The events of recent weeks have raised important concerns and questions about the Police Department's use of force, and whether more alternatives exist. The City Manager is directed to utilize funding from the SJPD budget to work with the Chief of Police and any experts to investigate, explore, and report back to the Council about any emerging less-than-lethal options that could reduce the need for police to rely upon the use of a baton, projectiles, or firearms.

**Independent Police Auditor Authority and Scope:** We must explore expansions of IPA authority that will ensure accountability, public confidence, and independence of investigations of police misconduct. The City Manager and the IPA are directed to present options to the Council, including the potential of expanding IPA's authority to include comprehensive investigation of some complaints. Based upon Council direction, the City Manager should commence negotiations with the Police Officers' Association consistent with the California Supreme Court's *Seal Beach* decision.

**Office of Racial Equity:** Much work has been underway within our workforce and our community to elevate conversations about how we can confront the impacts of structural racism in our institutions, including City Hall. I am grateful to Zulma Maciel, Angel Rios, Lee Wilcox, and other members of the City team who have led the Government Alliance on Race and Equity (GARE) efforts over the past two years. We will need full-time staff to continue to guide that effort, along with work underway to apply an equity screen on budgetary decisions, and to engage the community to meaningfully participate in internal change. A deep thanks to Nicole Taylor, Gina Dalma, and the Silicon Valley Community Foundation for their willingness to partner in this work, to commit \$100,000 over two years, and to help fundraise for more resources. I direct the City Manager to supplement that grant with a total allocation of \$200,000 from the Essential Services Reserve for two years, to support a full-time role to staff an Office of Racial Equity embedded within the City Manager's Office. The City Manager is directed to work with SVCF for additional fundraising over this duration to sustain this work, and to establish a means to enable every City of San Jose employee to undergo implicit-bias awareness training to improve service delivery to our diverse community.

## **B. Economic Resilience, Recovery, and Rebirth**

**Families in Distress:** Our community has come together like never before to assist thousands of our neighbors in need. Yet the more than \$27 million raised through the Silicon Valley Strong effort will not suffice to meet the overwhelming and intense need in our community. The City staff's careful and prudent use of CARES Act funding enables us to supplement Silicon Valley Strong fundraising with savings from our food distribution efforts.

- The City Manager shall allocate not less than \$7 million of the remaining federal CARES Act funds reserved for Resident Assistance (City Manager's Budget Addendum #20) for



struggling high-need families. The funding shall be distributed through the Silicon Valley Strong coalition of non-profits, prioritizing high-need San Jose families (including undocumented residents) unable to get access to federal funds. The City Manager shall return to Council with a proposed funding allocation plan for the remaining Resident Assistance dollars prior to their expenditure.

- The City Manager shall allocate \$88,100 in one-time funds from the Essential Services Reserve and the City Clerk shall allocate \$111,900 from Council District 4's Office Budget to support Councilmember Diep's interest in an economic assistance program for the neediest residents in District 4. These funds are contingent on the Councilmember's ability to secure a nonprofit to administer the program. If a partner cannot be identified, the \$88,100 from the Essential Services Reserve should be contributed to citywide resident assistance efforts as a part of Silicon Valley Strong. (BD #61 Diep)
- The Knight Foundation recently awarded the City a grant for our Silicon Valley Strong AI-powered chatbot and SMS solution—giving our residents a one-stop shop for all information pertaining to COVID-19. I direct the City Manager to allocate \$20,500 in one-time funds from the Coronavirus Relief Fund's Resident Assistance allocation to match the Knight Foundation's commitment, and fully fund the tool for 2020-2021. Our data so far shows that 87% of chatbot uses have resulted in the user finding their answer. The associated SMS solution recently launched and will provide access to the 10% of our population that is digitally unconnected, in three languages.

**Child Care:** With limitations on summer school, child care, and potentially fall schooling imposed by public health orders, the lack of available child care remains a huge obstacle for thousands of our parents—particularly of modest incomes—needing to work outside the home. Due to City staff's prudent management of the CARES Act funding, we can assist struggling child care providers to keep them afloat, and to open work opportunities to many more parents struggling to find child care options. I direct the City Manager to allocate \$1 million from the Coronavirus Relief Fund's Small Business Assistance allocation, and \$500,000 from CRF's allocation for Resident Assistance (MBA #20), for loans and grants to home-based and small childcare providers, with the condition that these businesses continue to actively provide service to families. An equity screen should be applied to provide priority to high-need neighborhoods. Any unused funds for home childcare providers should be reallocated back into CRF with sufficient time to spend before the December 30, 2020 federal deadline.

**San Jose "Viva Al Fresco":** As outlined in the City Manager's Budget Addendum #28, we can combine assistance to small businesses with street activation—to help bring customers and markets outside. Closing lanes of streets in business districts, for example, can both allow for open streets for bike and pedestrian traffic, and enable businesses to move out into sidewalks and parking spaces. Using lessons about placemaking and activation from Viva Calle and Viva Parks can enable greater utilization of public spaces that will also bring more foot traffic to outdoor cafes, exercise classes, retail, and other amenities. I direct the City manager to combine the \$189,000 from VTA Measure B and County funding with \$600,000 from CARES Act funding for a robust program that will assist small businesses.

**Small Business Support:** Many small businesses shut down upon the issuance of the public health orders, and too many will struggle to reopen. As a part of Silicon Valley Strong, we have already committed \$4 million in grants and loans for small businesses with a combination of philanthropy and federal funds. As recommended in the City Manager’s Budget Addendum #20, we can bolster these efforts through the Coronavirus Relief Fund. I direct the City Manager to apply an equity screen to the distribution of these dollars to prioritize businesses in neighborhoods heavily impacted by COVID, as well as businesses afflicted by damage, vandalism, and looting from recent civil unrest. I further direct the City Manager to allocate one-time funding from the Small Business Assistance portion of the Coronavirus Relief Fund to:

- Support the revitalization of the Greater Downtown through creative ideas supporting safe reactivation of business spaces. (BD #10 Peralez – \$100,000)
- Provide \$65,000 to the Hispanic Chamber of Commerce Silicon Valley and \$35,000 to the Silicon Valley Black Chamber of Commerce in support of building capacity for COVID-19 compliance and facilitating small businesses reopening through outreach, marketing, and service partnerships. (BD #37 Jones)
- Provide \$50,000 to the Latino Business Foundation of Silicon Valley for support in providing services to minority-owned small businesses affected by COVID-19, including compliance with County orders. (BD #12 Carrasco)
- Provide \$92,000 to the San Jose Downtown Association to provide services to small businesses impacted by COVID-19 including outreach and communication, support for reopening, and efforts to address recruitment, retention, and vacant space.

**Silicon Valley Recovery Roundtable:** The Silicon Valley Recovery Roundtable (SVRR) represents 59 business, education, labor, and non-profit leaders tasked with creating a regional strategy to help get people back to work quickly, forging an equitable recovery, helping small businesses survive, and identifying innovations that can enable more residents to thrive in the “new normal.” The body will make policy recommendations to the City of San Jose and other governmental agencies, and identify collective opportunities for action and corporate investment. In addition to providing actionable solutions for small and medium-sized enterprises, SVRR has begun to share best practices for reopening across industries, beginning with manufacturing and solar installations. SVRR will also recommend critical steps to create a more equitable future for our most vulnerable residents, with a focus on job training, integrated workforce solutions, and identifying needs gaps. To accomplish this work, SVRR leverages pro bono or deeply discounted staffing from Boston Consulting Group, SVLG, SPUR, Stanford Impact Labs, multiple companies, and the City of San Jose, but some consultants and staff need to be paid. I direct the City Manager to allocate one-time funding of \$50,000 from the Essential Services Reserve and \$50,000 from the Coronavirus Relief Fund to support the staff and consultants that perform the critical work of SVRR most directly affecting the City’s planning for the San Jose economy.

**Monterey Corridor Gateway Revitalization:** The Monterey Corridor’s diverse business community includes a array of retail, light industrial and manufacturing employers. In 2019, Council adopted budget direction to establish the Monterey Corridor Working Group to revitalize this important resource and develop a common understanding of the issues and opportunities, and to create a strategy for future action. I direct the City Manager to allocate one-



time funds of up to \$100,000 from the Essential Services Reserve to secure contractual services focused on building out a formal business organization; creating and executing outreach strategies; addressing vacant and blighted spaces; accessing technical services to support local small businesses; and fostering connections to workforce development services. (BD #47 Esparza and Jimenez)

**Measure E Allocation:** I am grateful that in March, San Jose voters approved Measure E, providing tens of millions of dollars annually for affordable housing and homeless assistance. The initial allocation of Measure E dollars—as modified by Council through the March Budget Message—will guide spending until the end of the 2020-2021 fiscal year. Staff is directed to return to Council in the Spring of 2021 to determine whether to revise the following year’s allocation to reflect the City’s rapidly-changing economic landscape.

**Supporting Residents In Need:** Several colleagues sought to assist non-profits performing vital work supporting our neediest residents. In response, I recommend that the City Manager allocate:

- \$50,000 in one-time funding from the Housing Trust Fund to pay for basic and supportive services for West Valley Community Services (WVCS) for low income families and individuals in West San Jose, including food, homeless services, affordable housing, financial assistance, and case management. I further direct the City Clerk to allocate \$10,000 in one-time funds from the Vice Mayor’s Surplus Campaign Funds to WVCS in support of the Cadillac Winchester Neighborhood in West San Jose. (BD #27 and #28 Jones)
- \$20,000 from the Coronavirus Relief Fund to the Health Trust Medically Tailored Meal Program to expand and improve their program in San Jose, working with hospital systems and care providers to create new avenues for referrals and streamline the access to nutrition to meet patients’ health needs. (BD #23 Foley)
- \$10,000 in one-time funds from the Essential Services Reserve to the Recovery Café San Jose to provide support services for the LGBTQ community, including assistance recovering from addiction and support with mental health challenges. (BD #24 Foley)

### C. Public Safety

**Community Walking Beats in High-Need Neighborhoods:** The City Manager’s Budget Addendum #3 recommends continued one-time funding of Foot Patrol in High Need Neighborhoods. Studies have repeatedly demonstrated that sustained presence of foot patrol within a defined geography can substantially deter and reduce criminal activity and build more positive communication between police and residents, at a time when community policing is sorely needed. The City Manager is directed to include the deployment of foot patrol in the locations requested by Councilmember Esparza in Budget Document #45, and utilize an equity screen to prioritize other neighborhoods needing this service. This patrol should not only respond to calls, but must also proactively and constructively engage with residents and businesses. The City Manager is also directed to continue pushing to forge a partnership with the County’s Behavioral and Mental Health Services departments to pair behavioral health specialists with

police officers in areas where calls for service typically demonstrate a large number of individuals suffering from behavioral and/or mental health episodes. (BD #45 Esparza)

**Domestic Violence Prevention:** The YWCA Silicon Valley’s Clinical Counseling Program serves survivors of domestic violence, sexual assault, and human trafficking. I direct the City Manager to allocate one-time funding of \$10,000 from the Essential Services Reserve to contribute to the cost of Clinical Supervisors, who have the critical role of supervising the program’s 26 trainees and presiding over 1,700 counseling sessions. (BD #20 Foley)

**Emergency Preparedness:** The Community Emergency Response Team (CERT) program cost-effectively “crowdsources” emergency readiness by engaging volunteers with training and materials in multiple languages. Last year, the Council adopted my recommendation to fund neighborhood CERT volunteers with equipment, but implementation has been interrupted by our response to COVID-19. I direct the City Manager to rebudget the \$90,000 in one-time funding for this purpose, and to coordinate with the City’s safety training program to identify areas of greatest need. (BD #52 Khamis)

**Traffic Calming and Pedestrian Safety:** Traffic calming and pedestrian safety infrastructure—such as crosswalk flashing beacons, bulb-outs, and speed humps—remain in high demand throughout San Jose. The Department of Transportation’s (DOT) resource constraints will push the delivery of some funded projects beyond 2020-2021, and Council Offices should work with DOT to prioritize project delivery for their district. The City Manager is directed to allocate one-time funding from the Essential Services Reserve, unless otherwise noted, for the following traffic safety needs:

- Design and construct a decorative pedestrian fence on Snell Avenue, south of Santa Teresa Boulevard to encourage pedestrians to cross the road where there are signal and marked crosswalks. (BD #32 and #56, Jimenez and Khamis – \$90,000)
- Install a high visibility crosswalk with a bulb-out along Penitencia Creek Road at one of the intersections along Rock Canyon Cir to provide pedestrian crossing to the Penitencia Creek Trail. (BD #57 Diep – \$30,000)
- Upgrade two existing crosswalks and install two new crosswalks at Sierra Road and Lodestone Drive/Cabrillo Avenue to improve safety near Cherrywood Elementary. (BD #58 Diep – \$60,000)
- Repaint striping at the intersection of Commercial Road and Berryessa Road to ensure motorists and bicyclists follow the designated lanes on this heavily traveled road. (BD #60 Diep – \$3,200)
- Install bulb-outs on the west leg of the existing crosswalk at Kimlee Drive and Danby Drive to protect students crossing on their way to Sierramont Middle School. (BD #63 Diep – \$15,000)
- Conduct street safety enhancing projects on Thornwood Drive and Winterset Way, as noted in Councilmember Khamis’ Budget Document. (BD #54 Khamis – \$83,000)



- Additional one-time allocation of funds for traffic calming projects in District 3 to address resident safety concerns. (BD #9 Peralez – \$100,000)
- Councilmember Davis submitted four traffic calming projects ranging from \$20,000 to \$150,000 in her District. I direct the City Manager to allocate \$200,000 in one-time funds from the Essential Services Reserve to her District’s Safety-Pedestrian Improvements fund balance for the Councilmember to select projects for funding based on her prioritization. (BD #2-5 Davis)
- The installation of a left turn light at the intersection of Naglee and Dana would enhance pedestrian safety for students walking to and from Trace Elementary and a nearby library, but would cost \$300,000 for design. I direct the City Manager to allocate \$100,000 toward the cost of design from the Building and Structure Construction Tax Fund if the Councilmember contributes at least \$100,000 from her Safety-Pedestrian Improvements allocation in 2020-2021 to initiate this work. She can then dedicate the remainder of the cost from her 2021-2022 allocation to complete the design. (BD #7 Davis)
- Over the years, Councilmember Khamis has consistently requested a project for lane widening in response to his concern for traffic safety on Branham Lane. Funding from my June Budget Message last year enabled a preliminary conceptual design for this project that could be used to attract grant funding. Once this design is complete, I direct the City Manager to report back to Councilmember Khamis on potential grant funding opportunities that could be used to complete the design and construction of this project. (BD #48 Khamis)
- Branham Lane is a Vision Zero Priority Safety Corridor (PSC) with a high frequency of severe injury crashes. Branham Lane between Almaden Expressway and Vistapark Drive needs safety upgrades to reduce the prevailing speed along the corridor, and enhance safety for bicyclists and pedestrians. I direct the City Manager to allocate \$40,000 in one-time funds from the Essential Services Reserve and \$110,000 from Council District 9’s Safety-Pedestrian Improvements allocation to perform “quick build” projects along this stretch, including installing plastic bollards and enhancing existing crosswalks. (BD #21 Foley)
- Monterey Road and Valleyhaven Way lies on a Vision Zero PSC. On March 3, 2020 a fatal auto accident took the life of Maurice Dillard, who was thrown from his motorcycle. Friends, family, and neighbors have expressed their concerns about traffic safety at this location and request the installation of a new traffic signal. In my follow-up with DOT, I learned that the design for this traffic signal would cost roughly \$300,000 and that the Councilmember has an available balance in his Safety-Pedestrian Improvements funds to cover this cost. I direct the City Manager to allocate \$100,000 in one-time funds from the Essential Services Reserve if Councilmember Jimenez contributes \$200,000 from his own traffic and pedestrian safety allotment to initiate the planning phase of this project. (BD #31 Jimenez)
- As directed in the March Budget Message, the City Attorney’s Office shall provide a memorandum to the Council exploring how automated speed enforcement cameras along our Priority Safety Corridors might enable the City to provide a warning—short of

enforcement—with a fee assessed for the cost of operation of the service. Specifically, the memorandum must fully explore how “enforcement” is defined (in statute and case law) for the purposes of the state prohibition on the use of such technology for enforcement.

**High Capacity and Safe Transit Corridor:** The Santa Clara Valley Transportation Authority (VTA) is pursuing the Stevens Creek Corridor Vision Study at the request of jurisdictions on the corridor. Transforming the corridor will provide a more comfortable, efficient, and safe option for those traveling by foot, bicycle, and transit, while accommodating vehicles. I direct the City Manager to allocate \$50,000 in one-time funds from the Essential Services Reserve and the City Clerk to allocate \$50,000 from Council District 1’s office funds to contribute the City’s share of funds for the study. The allocation of these funds is contingent on other jurisdictions contributing their share to the study. (BD #36 Jones)

**“Internet of Things” (IoT) Speed Dashboard:** As we experience fiscal challenges in the coming years, we must double-down on Smart City and data-driven strategies to improve safety and service delivery despite resource scarcity. Half of the City’s electronic speed monitoring signs can capture valuable data, and can also transmit that data via modem. An IoT dashboard for radar devices would allow DOT to monitor and analyze traffic data received from cloud-enabled devices in “real-time” throughout the City, and help SJPD more efficiently allocate enforcement response to improve safety. I direct the City Manager to allocate \$100,000 in one-time funding from the Essential Services Reserve to secure a vendor to develop this platform and dashboard. If successful, any future procurement of new radar signs should incorporate remote data download capability. (BD #25 Foley)

#### **D. Investment In Youth and Learning**

**My Brother’s Keeper:** We have participated in the My Brother’s Keeper network, an initiative of President Obama’s to expand opportunities and lift aspirations for young boys and men of color, since 2015. I am grateful to Vice Mayor Jones for his support of the important work of the African American Community Services Agency (AASCA) aligned with our initiative in San Jose. I direct the City Clerk to allocate \$10,000 from the Vice Mayor’s Surplus Campaign Funds to AACSA for costs associated with My Brother’s Keeper. (BD #29 Jones)

**Digital Access for Students:** Our digital divide undermines the ability of our youth to continue their learning and engage in distance learning during the COVID-19 health crisis. Four Title 1 schools in the Oak Grove School District (OGSD)—Christopher Elementary, Stipe Elementary, Edenvale Elementary, and Davis Intermediate—are in need of laptops to support their students. I invite Councilmember Jimenez to co-host a computer drive for OGSD students with my office, similar to those drives successfully hosted in Council Districts 6 and 8 with the excellent collaboration of Tech Exchange. The purchase of any remaining laptops needed will be funded by up to \$74,000 from the CRF allocation for “Digital Inclusion,” (see MBA #20) if the federal rules allow for a direct allocation to a non-City jurisdiction. Alternatively, the City Manager shall utilize up to that amount of the more than \$1 million that I have raised this year for the Digital Inclusion Partnership. (BD #34 Jimenez).



**Youth Programming:** As County health orders ease, our youth must get access to quality recreational and academic programming. I direct the City Manager to allocate one-time funds from the Essential Services Reserve, unless otherwise specified, for the following:

- The Hispanic Foundation College Success Center (HFCSC) has served 2,500 families to improve SAT scores, boost financial literacy, develop math skills, complete dual enrollment courses, boost high school graduation rates, and improve college readiness. The City Manager is directed to allocate \$15,000 to the Hispanic Foundation of Silicon Valley to support HFCSC and its STEM programs in the 2020-2021 school year. (BD #11 Carrasco)
- Recreational opportunities can be an effective violence prevention tool in neighborhoods such as Seven Trees—designated a “hot spot” by the Mayor’s Gang Prevention Task Force. I direct the City Manager to allocate \$22,700 in one-time funds from the Essential Services Reserve to add a part-time Recreation Leader. This added capacity will support expanded youth activities at the Seven Trees Community Center, including doubling use of the Teen Late Night Gym from twice a month to once a week. (BD #43 Esparza)
- The Bay Area Women’s Sports Initiative (BAWSI) offers a BAWSI Rollers program focused on providing early, positive experiences to children who typically have the least access to participation—introducing local students with cognitive, physical and/or hearing disabilities to adaptive physical activity in a non-threatening and accessible way. I direct the City Manager to allocate \$10,000 in one-time funds from the Essential Services Reserve to the BAWSI Rollers program in District 9. (BD #22 Foley)
- I direct the City Manager to allocate \$10,000 in one-time funds from the Essential Services Reserve for recreational scholarships in District 8, to eliminate financial barriers to participation for our families. (BD #65 Arenas)
- The Alum Rock Youth Center needs renovation, including updates to its audio-visual systems. I direct the City Manager to allocate \$118,000 from the Council District 5 Construction and Conveyance Tax Fund Infrastructure Backlog Reserve to make these improvements. (BD #14 Carrasco) In its contract negotiations with its current tenant, the City Manager should explore and consider opportunities to expand programming and space accessible to the public, in consultation with Councilmember Carrasco’s office.

**Early Learning:** I direct the City Manager to allocate funds for the following early learning programs:

- Family Resource Centers (FRC) offer a variety of free child development support for children, parents, and caregivers of children 0-5 years old, typically in neighborhoods with residents of modest means. I direct the City Manager to allocate \$50,000 in one-time funds from the Essential Services Reserve to First 5 Santa Clara County to bring an FRC to O.B. Whaley Elementary School. These funds will leverage over \$340,000 in matching funds from First 5 and the Packard Foundation. (BD #41 Esparza)
- I direct the City Manager to allocate \$30,000 of one-time funds from the Essential Services Reserve to Grail Family Services in support of renovating their new building to

open a state-funded preschool, providing a quality educational experience for 48 young children in East San Jose. (BD #13 Carrasco)

## E. Community and Neighborhood Engagement

**Outdoor Park Activations:** Viva Parks offers a series of free events focused on health and wellness resources, physical activity, and community building. When permissible under the public health order, Viva Parks and movie nights will offer much-needed opportunities to socialize in family-friendly, safer outdoor settings, which will become especially important for older adults. I direct the City Manager to set aside \$336,000 in one-time funding from the Essential Services Reserve for at least 50 park activations citywide in Summer 2021-2022, with at least four activations occurring within each of Districts 2 and 7, and eight in District 8. Depending on our fiscal recovery, the City Manager is further directed to assess the availability of funds during the year to increase this allocation of funding. The City Manager should evaluate the location of remaining park activations using an equity screen, to benefit communities in the most need, such as East San Jose. (BD #30 Jimenez, BD #40 Esparza, BD #64 Arenas)

**Welch Park Leisure Programming:** The Welch Park Community Center provides a large amount of outdoor space for organized activity. I direct the City Manager to allocate \$27,000 in one-time funds from the Essential Services Reserve to offer four free additional outdoor classes at the Welch Park Community Center as part of its leisure programming. In the event these classes cannot take place due to public health orders, the funds should be repurposed for Viva Park activations in District 8. (BD #67 Arenas)

**Volunteer Management:** Our recent success with volunteer recruitment and engagement through Silicon Valley Strong showcases the power of the San Jose community spirit. Since March, we have benefited from more than 3,300 volunteers providing support in food distribution and other COVID-19 response efforts. We will need this continued level of engagement in the difficult fiscal years ahead, particularly in our parks system. I direct the City Manager to allocate \$100,000 from the Essential Services Reserve to add one-time volunteer coordination and management capacity. This additional capacity should be deployed using an equity screen where new volunteer efforts are needed. (BD #55 Khamis). I further direct the City Manager to embrace longstanding City Auditor recommendations to incorporate more centralized volunteer management capacity in order to support and coordinate citywide efforts—i.e., for fingerprinting, technology platforms, fellowship recruitment and grant applications, and coordination of cross-departmental projects—thereby liberating capacity within departments.

**Neighborhood Association Start Up Impact Fund:** Many neighborhoods in the City need assistance to start and strengthen their associations, a precursor to participation in such programs as Neighborhood Watch, National Night Out, or BeautifySJ. Last June, I provided direction to allocate \$50,000 in one-time funding to increase outreach efforts and support the formation of neighborhood associations. These funds went unutilized in 2019-2020. I direct the City Manager to rebudget these funds for 2020-2021 with the same direction, including the use of an equity screen to identify targeted neighborhoods with willing residents citywide, starting with three neighborhoods identified in District 7. (BD #46 Esparza)



## F. Beautifying our City

**BeautifySJ:** Our BeautifySJ efforts appear even more critical now, as the pandemic's pause on the work of City, County, and CalTrans crews during the pandemic have left the City in worsening aesthetic condition. District 7 has long endured a disproportionate amount of blight and illegal dumping. I direct the City Manager to allocate \$122,182 in one-time funds from the Coronavirus Relief Fund to hire a full-time Community Activity Worker and provide necessary supplies to address blight issues in Council District 7, as part of the Better Blocks with BeautifySJ. (BD #39 Esparza)

**Cash for Trash:** As noted in my March Budget Message, the Cash for Trash program is an innovative program to pay unhoused residents for the trash they collect along creeks, roadways, and other areas near homeless encampments. This program was halted in the Spring due to COVID-19. I direct the City Manager to rebudget the balance of funds for 2020-2021. Through the good work of Olympia Williams in PRNS and Paul Pereira in my office, Santa Clara Valley Water will consider funding the program for an additional year—expanding the program to more waterways. This funding would sustain the program into 2021-2020, providing continuity that also solidifies our valuable partnerships with MasterCard and community organizations.

**Kelley Park Japanese Friendship Garden:** The devastating Coyote Creek Floods in 2017 left the Japanese Friendship Garden in urgent need of rehabilitation. By enhancing the Garden, renovations would improve revenue generation by encouraging the use of the space for events and special occasions. I direct the City Manager to allocate up to \$80,000 in one-time funds from the Citywide Construction and Conveyance Tax Fund for capital improvements at the Japanese Friendship Garden, so long as they do not impose additional operational costs. (BD #44 Esparza)

**Guadalupe River Park:** The Guadalupe River Park will play a crucial role in the future of Downtown San Jose, and its economic development, public health, and quality of life. Recent events, including a damaging fire, have left the Park in sore condition. The Guadalupe River Park Conservancy (GRPC), as part of the Knight Foundation's three-year initiative to launch the park's transformation, will establish a long-term vision for the Guadalupe River Park, supported by the necessary research, partnerships, and capacity for implementation. I direct the City Manager to explore a deeper partnership with GRPC that leverages their expertise and maximizes the effectiveness of nonprofit-city relationships with respect to park management. I further direct the City Manager to allocate \$30,000 from the Citywide Construction and Conveyance Tax Fund to GRPC to address fire damage and the Heritage Rose Garden restoration. Finally, I direct the City Manager to explore with GRPC and philanthropic partners a nascent concept to house work-ready homeless residents at a suitable site near the park, where that transitional housing would be conditioned on participation in park clean-up, beautification, and stewardship.

**Welch Park Dog Waste Stations:** Welch Park is regularly visited by dog owners, and many residents complain about the dog waste seen across the park due to improper disposal. I direct the City Manager to allocate one-time funding of \$9,000 from Council District 8 Construction and Conveyance Tax Fund to install five Dog Waste Stations and three additional trash cans—relying on community support to keep the waste station bag dispensers filled. (BD #66 Arenas)

**Blighted Properties:** Over the last decade, the Responsible Landlord Engagement Initiative (RLEI) has partnered with the City of San Jose to improve neighborhoods by resolving problem properties afflicted with blight, disrepair, persistent code violations, and criminal activity. However, Catholic Charities discontinued RLEI for 2020-2021 due to the retirement of the program's longstanding manager, Jaime Angulo. I direct the City Manager to set aside \$170,000 in one-time funds from the Low and Moderate Income Housing Asset Fund for a Community Program Administrator. The City Manager must assess and report to the Neighborhood Services and Education Committee with options to consider whether and how the important work of RLEI can continue in some of our high-need neighborhoods.

**Parking Compliance:** Abandoned vehicles exacerbate parking shortages in overcrowded neighborhoods. DOT's Parking Compliance Unit (PCU) is able to conduct special operations aimed at mitigation of vehicle abatement issues in underserved, densely populated parts of our city. However, current staffing levels limit the ability for PCU to conduct more than a total of 18 single-day special operations in the next fiscal year. I direct the City Manager to allocate \$23,100 in one-time funds from the Essential Services Reserve to enable 18 single-day special operations. PCU receives approximately 60,000 requests for vehicle abatements annually and collects geographical data through San Jose 311. This data and an equity screen should be used to target special operations in high-need neighborhoods, but with the requirement that at least six of these special operations should occur in Council District 7, and two in Council District 8. The issuance of citations could partially offset the cost of operations with an estimated \$8,100 in additional General Fund revenue. (BD #42 Esparza, BD #72 Arenas)

## G. Cultural Vitality

**Arts and Cultural Grants:** The City of San Jose is one of the largest arts grantmakers in the Silicon Valley. Plummeting hotel tax revenues depleted 70% of our grant funding for arts and cultural grants programs, or nearly \$5 million, compared to the prior year. Even in the tough times, we must continue to support the arts and our cultural organizations, which must become catalysts for San Jose's revival. "Artists are natural community builders," as several cultural leaders articulated in a recent letter to the Council, unifying diverse audiences, supporting local businesses, and providing a common narrative for our aspirations. Based on those amounts outlined in the City Manager's Budget Addendum #20 from the Coronavirus Relief Fund, I direct the City Manager to allocate \$1.5 million for grants to arts and cultural organizations from the Small Business Assistance allocation, and \$500,000 from the Nonprofit Assistance Allocation, for a total of \$2 million. The City Manager is directed to report the criteria for that allocation to the Council, and it shall employ an equity screen to prioritize arts organizations serving high-need communities. I further direct the City Manager to identify partnerships and other opportunities to sustain the arts community, including earmarking federal funds from future relief packages for arts organizations supporting our economic recovery.

**Children's Musical Theater San Jose (CMT):** In my March Budget Message, Council approved the direction to provide CMT funding in support of its new space on Parkmoor Avenue, but the economic fallout put those dollars in peril. Councilmember Davis revived the proposal to support the new site, where CMT will continue expanding opportunities for youth to participate regardless of financial barriers and will provide other art organizations low-cost space through subleases. The City Manager is directed to follow the original direction in my March



Budget Message and provide \$250,000 in one-time funds from the Cultural Facilities Capital Maintenance Reserve to CMT, contingent on a 1:1 match from the County or private resources. (BD #6 Davis)

**SVCcreates:** In my March Budget Message, I recommended funding for the Armory Renovation to support the creation of shared space for artists and arts groups. While the development of this project appears to be on hold, continued development of the Japantown/Creative Center project could address some of that need. I direct the City Manager to provide \$55,000 in one-time funds from the Essential Services Reserve to SVCcreates for this purpose.

## H. Administrative

**Essential Services Reserve:** The City Manager’s 2020-2021 Proposed Budget included \$1 million in an Essential Services Reserve for allocation during the 2020-2021 budget process. After the release of the Proposed Budget, additional funding of \$1 million was added to the reserve as part of the City Manager’s Budget Addendum #3, for a total of \$2 million allocated through this Message.

**Mayor and Council Office Rebudgets:** For Mayor and City Council Offices, I recommend the following rebudgets subject to final verification of accounts by the City Clerk’s Office:

	Office Rebudget	Constituent Outreach Rebudget	Other Items in Budget Message	Total Net Rebudget
Mayor’s Office	\$643,622	\$110,378		\$754,000
Council General	\$8,453			\$8,453
District 1	\$377,782	\$7,218		\$385,000
District 2	\$95,000	\$0		\$95,000
District 3	\$93,887	\$3,113		\$97,000
District 4	\$1,080,000	\$0		\$1,080,000
District 5	\$338,000	\$0		\$338,000
District 6	\$167,000	\$0		\$167,000
District 7	\$243,000	\$0		\$243,000
District 8	\$129,000	\$0		\$129,000
District 9	\$343,654	\$346		\$344,000
District 10	\$185,786	\$2,214		\$188,000

## COORDINATION

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

For more information on this memorandum, please contact Nicholas Almeida, Mayor’s Budget Director, at 408-535-4811.

### Attachments:

Attachment A - City Source and Use of Funds

## Mayor's June Budget Message for Fiscal Year 2020-2021

### City Source and Use of Funds

<b>GENERAL FUND</b>		<b>2020-2021</b>
<b>Source of Funds</b>		
Page 6	Silicon Valley Community Foundation (Office of Racial Equity)	50,000
Page 10	Beginning Fund Balance: Rebudgets (CERT Program)	90,000
Page 14	Beginning Fund Balance: Rebudgets (Neighborhood Start Up Impact Fund)	50,000
Page 16	Parking Compliance: Revenue Collection (Fines, Forfeitures, and Penalties)	8,100
Page 17	Beginning Fund Balance: Rebudgets (Mayor and City Council)	3,828,453
<b>Total General Fund Source of Funds</b>		<b>4,026,553</b>
<b>Use of Funds</b>		
Page 5	Police Use of Force Review (Police Department Overtime)	(150,000)
Page 5	Police Use of Force Review (IPA Review)	150,000
Page 6	Office of Racial Equity	250,000
Page 7	Families in Distress: Economic Assistance in Council District 4	88,100
Page 8	Silicon Valley Recovery Roundtable	50,000
Page 8	Monterey Corridor Gateway Revitalization	100,000
Page 9	Supporting Residents in Need: Recovery Café San Jose	10,000
Page 10	Domestic Violence Prevention	10,000
Page 10	Community Emergency Response Team Program	90,000
Page 10	Traffic Calming and Pedestrian Safety: Snell and Santa Teresa	90,000
Page 10	Traffic Calming and Pedestrian Safety: Penitencia Creek Road	30,000
Page 10	Traffic Calming and Pedestrian Safety: Sierra Road and Lodestone Drive	60,000
Page 10	Traffic Calming and Pedestrian Safety: Commercial Road and Berryessa Road	3,200
Page 10	Traffic Calming and Pedestrian Safety: Kimlee Drive and Danby Drive	15,000
Page 10	Traffic Calming and Pedestrian Safety: Thornwood Drive and Winterset Way	83,000
Page 11	Traffic Calming and Pedestrian Safety: Council District 3 Traffic Calming	100,000
Page 11	Traffic Calming and Pedestrian Safety: Council District 6 Traffic Calming	200,000
Page 11	Traffic Calming and Pedestrian Safety: Branham Lane Vision Zero PSC	40,000
Page 11	Traffic Calming and Pedestrian Safety: Monterey Road Vision Zero PSC	100,000
Page 12	High Capacity and Safe Transit Corridor	50,000
Page 12	Internet of Things (IoT) Speed Dashboard	100,000
Page 13	Youth Programming: Hispanic Foundation College Success Center	15,000
Page 13	Youth Programming: Seven Trees Community Center	22,700
Page 13	Youth Programming: Bay Area Women's Sports Initiative	10,000
Page 13	Youth Programming: Council District 8 Recreational Scholarships	10,000
Page 13	Early Learning: FRC at OB Whaley Elementary	50,000
Page 13	Early Learning: Grail Family Services	30,000
Page 14	Outdoor Park Activations	336,000
Page 14	Welch Park Leisure Programming	27,000
Page 14	Volunteer Management	100,000
Page 14	Neighborhood Association Start Up Impact Fund	50,000
Page 16	Parking Compliance	23,100
Page 16	Children's Musical Theater San Jose	250,000
Page 16	Cultural Facilities Capital Maintenance Reserve	(250,000)

## Mayor's June Budget Message for Fiscal Year 2020-2021 City Source and Use of Funds

Page 17	SVCreates	55,000
Page 17	Essential Services Reserve (2020-2021 Proposed Budget)	(1,000,000)
Page 17	Essential Services Reserve (MBA #3)	(1,000,000)
Page 17	Rebudget: Office of the Mayor	754,000
Page 17	Rebudget: Council General	8,453
Page 17	Rebudget: Council District 1	385,000
Page 17	Rebudget: Council District 2	95,000
Page 17	Rebudget: Council District 3	97,000
Page 17	Rebudget: Council District 4	1,080,000
Page 17	Rebudget: Council District 5	338,000
Page 17	Rebudget: Council District 6	167,000
Page 17	Rebudget: Council District 7	243,000
Page 17	Rebudget: Council District 8	129,000
Page 17	Rebudget: Council District 9	344,000
Page 17	Rebudget: Council District 10	188,000
	<b>Total General Fund Use of Funds</b>	<b>4,026,553</b>

### BUILDING AND STRUCTURE CONSTRUCTION TAX FUND 2020-2021

#### Source of Funds

NONE	_____
<b>Total Building And Structure Construction Tax Fund Source of Funds</b>	<b>0</b>

#### Use of Funds

Page 11	Traffic Calming and Pedestrian Safety: Naglee and Dana	100,000
	Ending Fund Balance	(100,000)
	<b>Total Building And Structure Construction Tax Fund Use of Funds</b>	<b>0</b>

### CONSTRUCTION AND CONVEYANCE TAX FUND - CITY-WIDE PARKS PURPOSES 2020-2021

#### Source of Funds

NONE	_____
<b>Total Construction And Conveyance Tax Fund - City-Wide Parks Purposes Source of Funds</b>	<b>0</b>

#### Use of Funds

Page 15	Kelley Park Japanese Friendship Garden	80,000
Page 15	Guadalupe River Park	30,000
	Unrestricted Ending Fund Balance	(110,000)
	<b>Total Construction And Conveyance Tax Fund - City-Wide Parks Purposes Use of Funds</b>	<b>0</b>



## Mayor's June Budget Message for Fiscal Year 2020-2021

### City Source and Use of Funds

#### CONSTRUCTION AND CONVEYANCE TAX FUND - COUNCIL DISTRICT #5 2020-2021

**Source of Funds**

NONE		
<b>Total Construction And Conveyance Tax Fund - Council District #5 Source of Funds</b>		<b>0</b>

**Use of Funds**

Page 13	Alum Rock Youth Center Renovation	118,000
	Infrastructure Backlog Reserve	(118,000)
	<b>Total Construction And Conveyance Tax Fund - Council District #5 Use of Funds</b>	<b>0</b>

#### CONSTRUCTION AND CONVEYANCE TAX FUND - COUNCIL DISTRICT 8 2020-2021

**Source of Funds**

NONE		
<b>Total Construction And Conveyance Tax Fund - Council District 8 Source of Funds</b>		<b>0</b>

**Use of Funds**

Page 15	Welch Park Dog Waste Stations	9,000
	Unrestricted Ending Fund Balance	(9,000)
	<b>Total Construction And Conveyance Tax Fund - Council District 8 Use of Funds</b>	<b>0</b>

#### CORONAVIRUS RELIEF FUND 2020-2021

**Source of Funds**

NONE		
<b>Total Coronavirus Relief Fund Source of Funds</b>		<b>0</b>

**Use of Funds**

Page 5	Digital Divide (Digital Inclusion)	3,500,000
Page 6	Families in Distress: Resident Assistance (Local Assistance)	7,000,000
Page 7	Silicon Valley Strong: Chatbot and SMS Solution (Local Assistance)	20,500
Page 7	Childcare (Local Assistance)	1,500,000
Page 7	San Jose "Viva Al Fresco" (Local Assistance)	600,000
Page 8	Small Business Support: Greater Downtown Revitalization (Local Assistance)	100,000
Page 8	Small Business Support: Hispanic Chamber of Commerce SV (Local Assistance)	65,000
Page 8	Small Business Support: SV Black Chamber of Commerce (Local Assistance)	35,000
Page 8	Small Business Support: Latino Business Foundation (Local Assistance)	50,000
Page 8	Small Business Support: San Jose Downtown Association (Local Assistance)	92,000
Page 8	Silicon Valley Recovery Roundtable (Local Assistance)	50,000
Page 9	Supporting Residents in Need: Health Trust Medically Tailored Meal Program (Food and Necessity)	20,000
Page 12	Digital Access for Students (Digital Inclusion)	74,000
Page 15	Beautify SJ (Homeless Sheltering and Support)	122,182
Page 16	Arts and Cultural Grants (Local Assistance)	2,000,000
	Offset by Existing Appropriations	(15,228,682)
	<b>Total Coronavirus Relief Fund Use of Funds</b>	<b>0</b>

**Mayor's June Budget Message for Fiscal Year 2020-2021**  
**City Source and Use of Funds**

<b>HOUSING TRUST FUND</b>		<b>2020-2021</b>
<b>Source of Funds</b>		
	NONE	
	<b>Total Housing Trust Fund Source of Funds</b>	<u>0</u>
<b>Use of Funds</b>		
Page 9	Supporting Residents in Need: WVCS	50,000
	Unrestricted Ending Fund Balance	<u>(50,000)</u>
	<b>Total Housing Trust Fund Use of Funds</b>	<b>0</b>
<b>LOW AND MODERATE INCOME HOUSING ASSET FUND</b>		<b>2020-2021</b>
<b>Source of Funds</b>		
	NONE	
	<b>Total Low And Moderate Income Housing Asset Fund Source of Funds</b>	<u>0</u>
<b>Use of Funds</b>		
Page 16	Blighted Properties	170,000
	Ending Fund Balance	<u>(170,000)</u>
	<b>Total Low And Moderate Income Housing Asset Fund Use of Funds</b>	<b>0</b>

**PAGE IS INTENTIONALLY LEFT BLANK**





# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jim Shannon

**SUBJECT:** SEE BELOW

**DATE:** June 11, 2020

---

Approved

Date:

**6/12/2020**

---

**SUBJECT: ADOPTION OF A RESOLUTION IN COMPLIANCE WITH ARTICLE XIII B OF THE CONSTITUTION OF THE STATE OF CALIFORNIA AND AS MODIFIED BY PROPOSITION 111 AND SB 88 ELECTING THE POPULATION AND INFLATION FACTORS AND ESTABLISHING THE FISCAL YEAR 2020-2021 APPROPRIATION LIMIT**

## RECOMMENDATION

Adopt a resolution taking the following actions with respect to the City's 2020-2021 "Gann Limit":

1. Elect the per capita income index as the inflation factor for 2020-2021 on a provisional basis, with the option to adjust the Limit, if necessary, once the non-residential assessment data is available from the County Assessor;
2. Elect the County of Santa Clara population growth index as the population factor for 2020-2021; and
3. Establish the Fiscal Year 2020-2021 Appropriation Limit at \$1,250,242,221 in compliance with Article XIII B of the State Constitution.

## OUTCOME

The establishment of the 2020-2021 Appropriation Limit ("Gann Limit") is necessary to comply with Article XIII B of the State Constitution.

## **BACKGROUND**

California voters approved an initiative on November 6, 1979 that added Article XIII B to the State Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriation Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors.

The original legislation implementing the provisions of Article XIII B became effective January 1, 1981. In accordance with that legislation, the governing body of each government jurisdiction must, by resolution, establish its annual Appropriation Limit for the coming year (prior to July 1) at a regularly scheduled meeting or noticed special meeting.

The original Article XIII B (Proposition 4) and its implementing legislation Chapter 1205/80 were modified by Proposition 111 and SB 88 (Chapter 60/90). Significant changes imposed by Proposition 111 include the following:

- The provision of a choice in methodologies for determining the annual inflation factor between (1) growth in California per capita income, or (2) growth in non-residential assessed valuation due to new construction within the City.
- The provision of a choice in methodologies for determining the annual population growth factor between (1) City population growth, or (2) County population growth.
- Regulations allowing the exclusion of “qualified capital outlay” expenditures from the calculation of the Limit.
- Provision of a process for avoiding tax refunds if a city falls sufficiently below the Limit in the next fiscal year. The revised language provides two years, beyond the second year, to refund any remaining excess during which jurisdictions can seek to obtain a successful override vote.

## **ANALYSIS**

The State Constitution (Article XIII B) specifies that the Appropriation Limit restricts the amount of revenue that can be appropriated. Not all revenues are restricted by the Limit, only those that are “proceeds of taxes”. The majority of the major General Fund revenue sources (Sales Tax, Property Tax, Utility Taxes, Business Taxes, Real Property Transfer Tax) are classified as proceeds of taxes, and are, therefore, subject to the Limit. A number of special fund and capital fund revenue sources are also subject to the Limit, such as local construction tax and conveyance tax revenues. Each revenue source is reviewed annually for classification as subject to, or exempt from, this Limit.

Appropriation Limit Adjustment Factors

In addition, proceeds of taxes may be spent on several types of appropriations that do not count against the Limit. The law allows a city to spend tax proceeds on voter-approved debt, costs of complying with court orders and federal mandates, with certain restrictions, and expenditures for qualified capital outlay. Appropriations for these excludable categories do not count against the Limit.

As a result of Proposition 111, the City is required to choose between two annual inflation factors and two population growth factors.

The choice offered for the annual inflation factor is the greater of (1) the growth in California per capita income or (2) the growth in non-residential assessed valuation due to new construction within the City. The data necessary to calculate the increase in non-residential assessed valuation is not currently available from the County Assessor. Until such information is available, it is recommended that the City approve the 2020-2021 Appropriation Limit on a provisional basis using the inflation factor of California per capita income.

The choice offered for the annual population growth factor is the greater of the growth in City or County population. The California State Department of Finance provided the 2020 population growth rates for both the City of San José and County of Santa Clara at 0.13% and 0.37%, respectively. Based on these growth rates, it is recommended that the City Council approve the 2020-2021 Appropriation Limit using the County's population growth factor.

Calculation of the 2020-2021 Appropriation Limit

The application of the annual growth factors to the 2019-2020 Limit result in a 2020-2021 Limit of \$1,250,242,221:

2019-2020 Appropriation Limit	\$1,200,841,972
Inflation factor	X 1.0373
Population factor	<u>X 1.00370</u>
2020-2021 Appropriation Limit	<u>\$1,250,242,221</u>

Based on these calculations, the City Attorney, as required by the State Constitution, has prepared a resolution for City Council consideration that would establish the 2020-2021 Appropriation Limit for the City of San José at \$1,250,242,221.



Appropriations Subject to the Limit

The amounts in the City's 2020-2021 Proposed Budget subject to the Limit (net proceeds of taxes) total \$904,782,292, which represent 72% of the Appropriation Limit. This amount is approximately \$345.5 million below the required Limit:

2020-2021 Appropriation Limit	\$ 1,250,242,221
2020-2021 Appropriations Subject to Limit	<u>(904,782,292)</u>
Amount Under Limit	<u>\$ 345,459,929</u>

When the annual budget is prepared each year for the City of San José, the appropriations subject to the Appropriation Limit are typically well below the Appropriation Limit as shown below:

<b>Fiscal Year</b>	<b>Appropriation Limit</b>	<b>Appropriations Subject to the Limit*</b>	<b>Amount Under Limit</b>
2019-2020	\$1.20 billion	\$902 million	\$299 million
2018-2019	\$1.15 billion	\$826 million	\$326 million
2017-2018	\$1.10 billion	\$745 million	\$356 million
2016-2017	\$1.05 billion	\$699 million	\$353 million
2015-2016	\$986 million	\$664 million	\$322 million

\* Actual data used for 2015-2016 through 2018-2019; Proposed Budget data used for 2019-2020.

Over the last five years, and including 2019-2020, the City's appropriations subject to the Appropriation Limit have remained well below the Appropriation Limit, with these appropriations totaling between 66% and 75% of the Appropriation Limit. Given the size of this gap, it is unlikely that the City will exceed the Appropriation Limit in the upcoming years without significant changes to the City's tax structure.

**CONCLUSION**

California voters approved an initiative on November 6, 1979 that added Article XIII B to the State Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriation Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors. The amounts in the City's 2020-2021 Proposed Budget subject to the Limit (net proceeds of taxes) total \$904,782,292, which represent 72% of the Appropriation Limit. This amount is approximately \$345.5 million below the required Limit.

**EVALUATION AND FOLLOW-UP**

At the end of the 2020-2021 fiscal year, the Finance Department will reconcile actual revenues and expenditures to ensure compliance with the Gann Limit.

**CLIMATE SMART SAN JOSE**

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

**PUBLIC OUTREACH**

This memorandum is posted on the City’s website for the June 23, 2020 Council Agenda.

**COORDINATION**

This memorandum was coordinated with the City Attorney’s Office.

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation is associated with this action.

**CEQA**

Not a project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

  
JIM SHANNON  
Budget Director

For questions, please contact Selena Ubando, City Manager’s Budget Office, at (408) 535-8138.

**PAGE IS INTENTIONALLY LEFT BLANK**

**RESOLUTION NO. 79606**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE ELECTING THE POPULATION AND INFLATION ADJUSTMENT FACTORS AND ESTABLISHING THE 2020-2021 APPROPRIATIONS LIMIT OF THE CITY OF SAN JOSE PURSUANT TO CALIFORNIA CONSTITUTION ARTICLE XIII B, AND SECTION 7900 ET SEQ. OF THE CALIFORNIA GOVERNMENT CODE**

**WHEREAS**, pursuant to Article XIII B of the California Constitution, and Section 7900 *et seq.* of the California Government Code, the City of San José is responsible for determination of the appropriation limit for the 2020-2021 fiscal year; and

**WHEREAS**, pursuant to amendments to Article XIII B enacted in 1990, the City Council is required to elect the population and inflation adjustment factors used to calculate the appropriations limit; and

**WHEREAS**, the percentage change in the local assessment roll due to the addition of local nonresidential construction will not be available from the County Assessor's Office until after July 1, 2020; and

**WHEREAS**, the City Council has considered the matter at a regularly scheduled Council meeting; and

**WHEREAS**, for fifteen (15) days prior to said regular meeting, documentation used in the determination of the appropriations limit has been available to the public in the City Manager's Budget Office, City of San José;



**NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE:**

**SECTION 1.** Subject to SECTION 3 of this Resolution, for the calculation of the appropriations limit for the 2020-2021 fiscal year, the Council elects the following annual adjustment factors: (1) the inflation adjustment factor of the California Per Capita Income; and (2) the population adjustment factor of the County of Santa Clara population growth.

**SECTION 2.** Subject to SECTION 3 of this Resolution, it is hereby determined that the appropriations limit for the 2020-2021 fiscal year for the City of San José is One Billion Two Hundred Fifty Million Two Hundred Forty-Two Thousand Two Hundred Twenty-One Dollars (\$1,250,242,221).

**SECTION 3.** The City Council hereby reserves the right to reelect the annual adjustment factor and to reestablish the Fiscal Year 2020-2021 appropriations limit at such time as the percentage change in the local assessment roll due to the addition of local nonresidential construction is available from the County Assessor's Office.

ADOPTED this 23<sup>rd</sup> day of June, 2020, by the following vote:

AYES: ARENAS, CARRASCO, DAVIS, DIEP, FOLEY, JONES,  
JIMENEZ, KHAMIS, PERALEZ, LICCARDO.

NOES: NONE.

ABSENT: ESPARZA.

DISQUALIFIED: NONE.



---

SAM LICCARDO  
Mayor

ATTEST:



---

TONI J. TABER, CMC  
City Clerk

**PAGE IS INTENTIONALLY LEFT BLANK**



# Memorandum

**TO: Board of Administration for the Federated Retirement System**

**FROM: Benjie Chua Foy**

**SUBJECT: Consideration of Proposed Budget for Fiscal Year 2020-2021**

**DATE: April 6, 2020**

---

Approved

Date

---

## **RECOMMENDATION**

Discussion and action on the proposed budget for fiscal year 2020-2021.

## **BACKGROUND**

The Board approves the contribution rates recommended by the actuary which is made by the City. The Board also approves the administrative expense budget for reporting on the Source and Use Statements submitted for inclusion in the City's operating budget. The amounts approved by the Board are the total category amounts and not the individual line items. If the individual line item goes over budget, no approval is required from the Board, as long as the total category amount remains under budget. This proposed budget is provided to the Board for discussion and approval, and if necessary, a revised and final budget will be prepared for approval at the next meeting. Highlights of the proposed budget are as follows:

## **ANALYSIS**

### ***SOURCES OF FUNDS***

#### **CITY CONTRIBUTIONS**

The City contribution for the retirement and health benefit plan for the coming fiscal year is estimated to be \$211,926,000.

The actual contribution amount is based on the City contribution rates recommended by the actuary and adopted by the Board, applied as a factor against the City's total covered payroll. The FY21 contribution amounts assume the Board's adoption in April/May, as shown in the June 30, 2019 actuarial reports for pension and healthcare, using the middle of the year amounts and no prefunding.

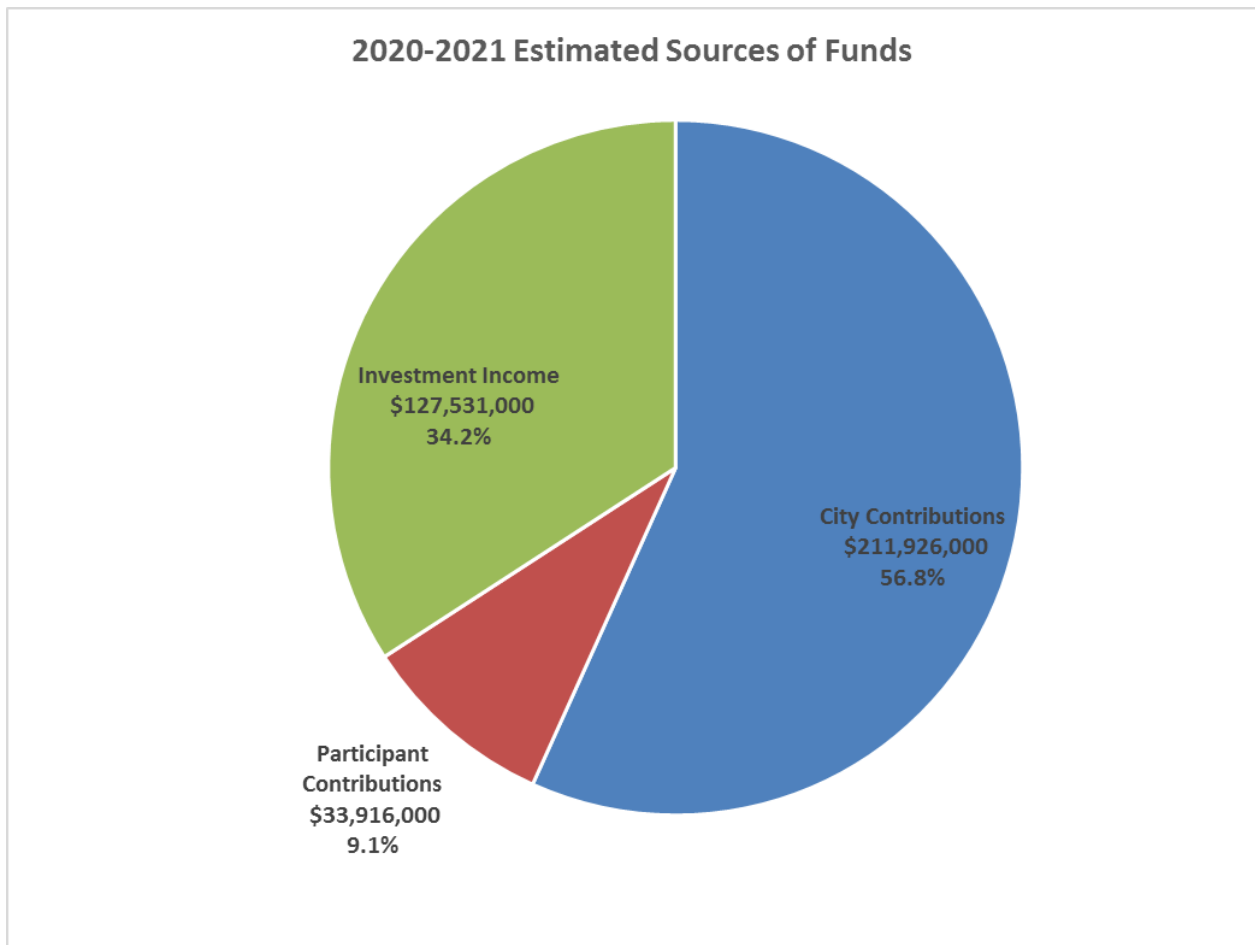
#### **PARTICIPANT CONTRIBUTIONS**

Total member contributions are estimated at \$33,916,000, a 0.6% increase from the 2019-2020 adopted amount. Member contributions are calculated based on the contribution rate for each tier. Tier 1 contribution rates for pension increased from 7.06% to 7.22% while their covered payroll decreased from \$149.3 million to \$142.1 million. Tier 2 contribution rates for pension decreased from 8.33% to 7.92% while covered payroll increased from \$159.4 million to \$180.6 million. Healthcare contribution rates remain at 7.5% per the Municipal Code for Tier 1 and some Tier 2 members, while the City's contribution is a flat dollar amount of approximately \$21 million.



## INVESTMENT INCOME

Investment earnings are calculated based on the actuarial assumed rate of return of 6.75%. The beginning fund balance, along with the City’s contributions and member contributions offset with the expenditures are expected to earn less than the full rate since these amounts will occur throughout the year.



## ***USES OF FUNDS***

### PENSION BENEFITS AND HEALTH INSURANCE

The pension benefits budget increased to \$220,198,000, an increase of \$10,021,000, or 4.77%, which is the average increase for the past five years. Pension benefits include service pensions, disability and survivorship pensions, death benefits and refunds of contributions.

The health insurance budget increased to \$30,608,000, an increase of \$177,000, or 0.58%, which is the average increase for the past five years. Health insurance includes health and dental insurance subsidies, as well as Medicare reimbursements.

VEBA withdrawals represent the funds taken out of the healthcare plan by Tier 1 and eligible Tier 2 members who opted out of the healthcare plan. Fiscal year 2017-2018 had the largest amount since it was the first year of the opt-in to the VEBA and will continue through calendar year 2022 for rehired employees with healthcare contributions. There was only one VEBA withdrawal in fiscal year 2018-2019 and future withdrawals are expected to be minimal, if any.

### *ADMINISTRATIVE EXPENSE BUDGET*

The proposed administrative expenses budget of \$5,697,000 is a net decrease of 1.71% or \$99,000 from the prior year proposed budget of \$5,796,000.

### PERSONNEL SERVICES

The budget for personnel services was increased to \$3,560,000, an increase of \$71,000, or 2.03% over the prior year adopted budget of \$3,489,000. The Budget Office's labor distribution report drives the personnel budget, which covers all the staff in Retirement Services. The salaries and benefits of all staff, except for investment staff, is split 50/50 between the System and the Police and Fire Department Retirement Plan (Plan). The investment staff is split 40/60 between the System and the Plan, which is roughly based on asset size. The number of positions in Retirement Services will remain at 39.75 due to the proposals. The limited-date position for Information Systems Analyst that expires on June 30, 2020 will not be renewed. The other proposed personnel changes for fiscal year 2020-2021 are to add a Senior Investment Officer and to convert a Benefits Staff Specialist into a Benefits Disability Analyst. Besides the proposed changes, the other reasons for the increase in personnel services is due to the increased benefit rates, as well as having two reemployed retirees for the maximum time allowed per the Municipal Code.

### NON-PERSONNEL / EQUIPMENT

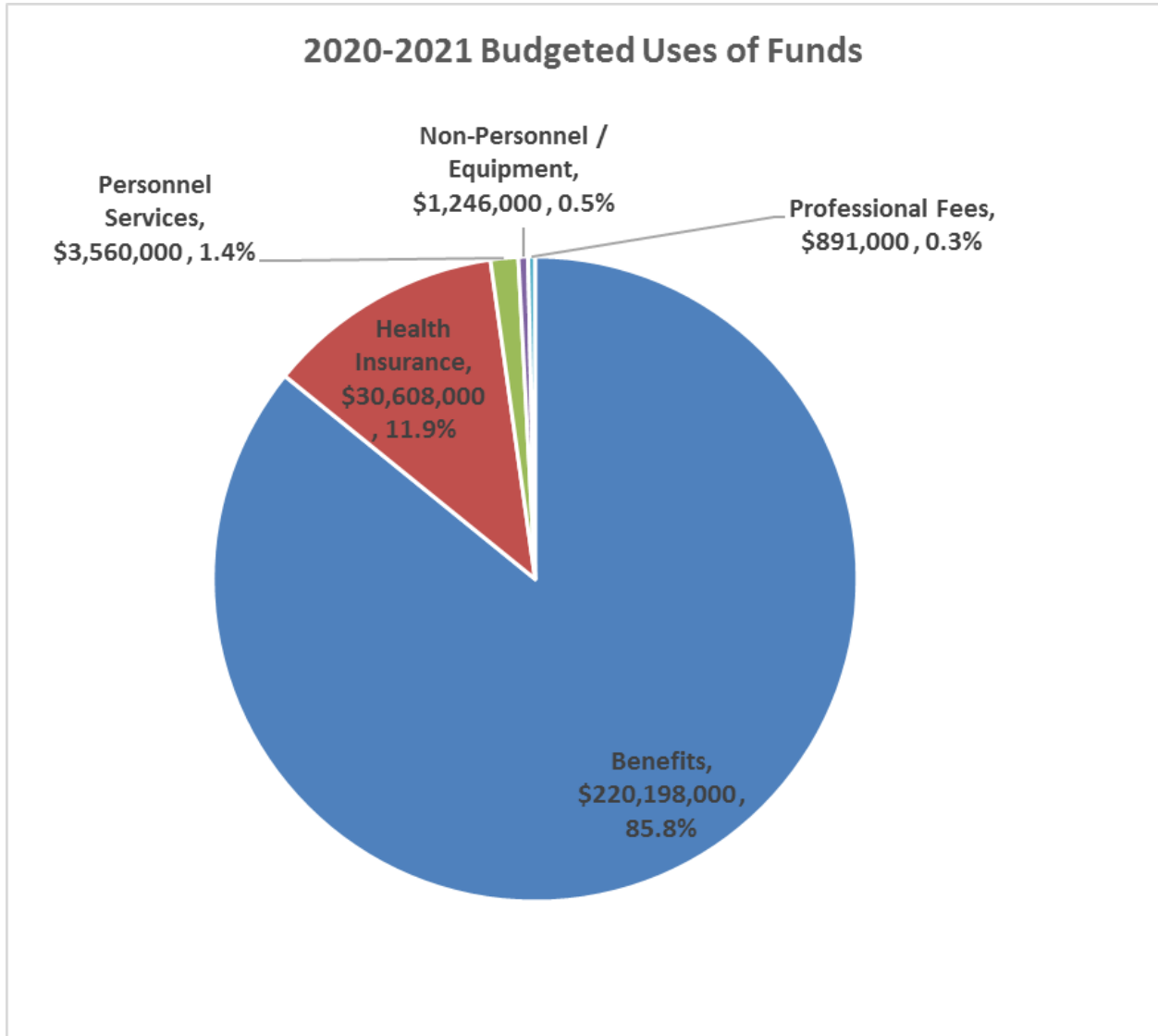
The budget for non-personnel / equipment was decreased to \$1,246,000, a decrease of \$162,000, or 11.5% from the prior year adopted budget of \$1,408,000. This category includes data processing costs for investments, rent, insurance, information technology hardware/software, pension administration annual maintenance fee, postage and printing, training, travel, and other office expenses. The decrease was mainly due to a decrease of \$134,000 in the investment analytics and research budget and a decrease of \$62,000 in the pension administration annual maintenance fee, offset by an increase in IT hardware/software of \$26,000. The decrease of \$134,000 was due to a reclassification of the services provided by State Street, the custodian bank, to align with how the expenses are recorded in the Comprehensive Annual Financial Report. The decrease of \$62,000 was due to the implementation of the new pension administration system, which had a lower annual maintenance fee. The increase of \$26,000 in IT hardware/software was due to the social media and phone center projects that are planned for the fiscal year.

### PROFESSIONAL SERVICES

The budget for professional services was reduced to \$752,000, a slight decrease of \$10,000, or 1.3% from the prior year adopted budget of \$762,000. Core professional services comprise of actuarial services, financial audit services, legal services, and temporary staffing services. Decreases in budgetary amounts for core professional services resulted from reducing actuarial services due to an experience study that is being conducted in FY19-20 and not FY20-21 offset by an increase in temporary staffing services due to increased workload in the Benefits division.

### MEDICAL SERVICES

The budget for medical services increased to \$139,000, a slight increase of \$2,000, or 1.5% over the prior year adopted budget of \$137,000. This category is for expenses related to the processing of disability applicants, which include costs for a medical advisor and medical services from independent medical examiners (IME).



Attachment: Proposed Budget for Fiscal Year 2020-2021

**PROPOSED BUDGET**

**FISCAL YEAR 2020-2021**

**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

April 16, 2020



**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

**Proposed Budget for Fiscal Year 2020-2021**

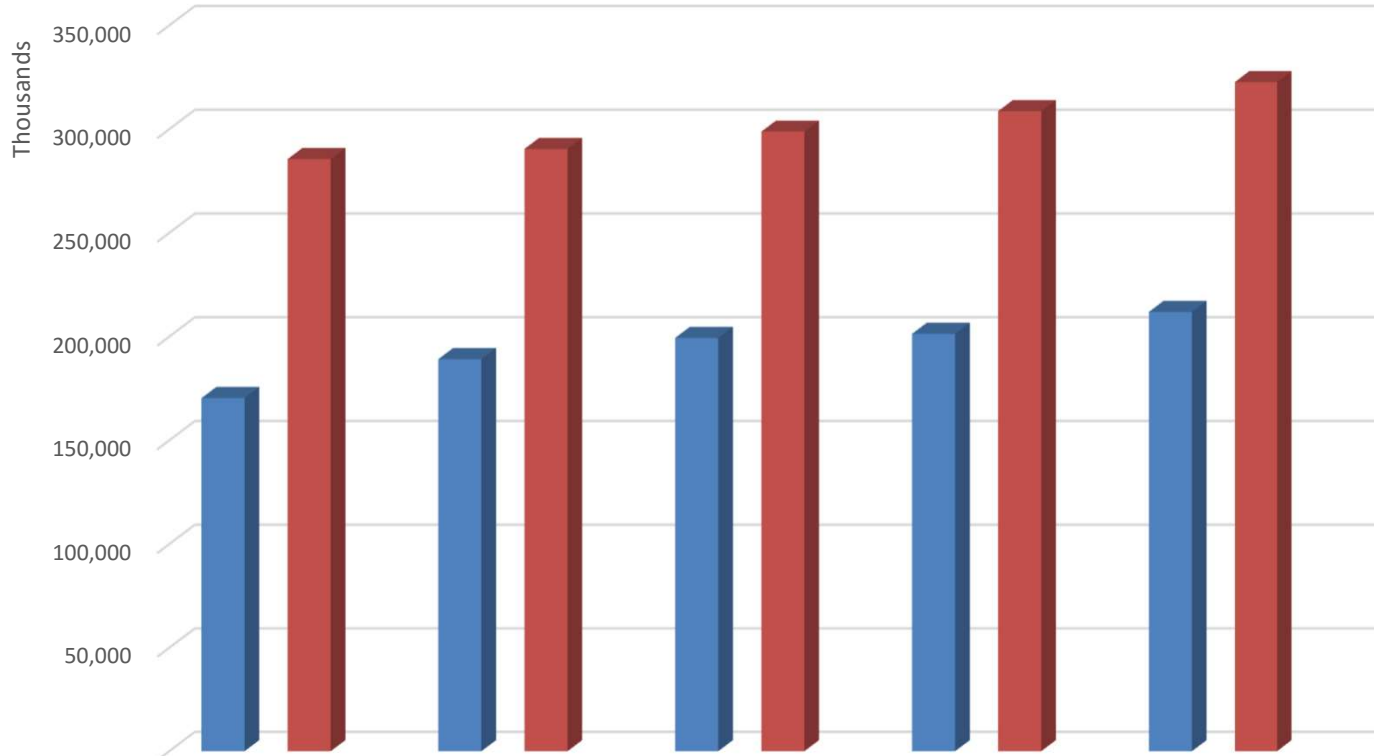
	(A) 2018-2019 Actual	(B) 2019-2020 Modified	(C) 2019-2020 Forecast	(D) 2020-2021 Proposed	(A) to (B) Increase (Decrease)	(B) - (C) Increase (Decrease)	(C) - (D) Increase (Decrease)
<b>SOURCE OF FUNDS</b>							
Beginning Fund Balance							
Claims Reserve	2,346,590,000	2,426,640,000	2,426,640,000	<b>2,534,166,900</b>	80,050,000	0	107,526,900
Total Beginning Fund Balance	2,346,590,000	2,426,640,000	2,426,640,000	<b>2,534,166,900</b>	80,050,000	0	107,526,900
Transfers							
COLAs	25,588	26,845	23,133	<b>23,000</b>	1,257	(3,712)	(133)
City Contributions	199,416,000	201,348,000	201,347,711	<b>211,926,000</b>	1,932,000	(289)	10,578,289
Total Transfers	199,441,588	201,374,845	201,370,844	<b>211,949,000</b>	1,933,257	(4,001)	10,578,156
Revenue							
Participant Contributions	33,184,000	33,708,600	33,878,746	<b>33,916,000</b>	524,600	170,146	37,254
Investment Income	86,327,000	124,070,431	121,461,973	<b>127,531,000</b>	37,743,431	(2,608,458)	6,069,027
Total Revenue	119,511,000	157,779,031	155,340,719	<b>161,447,000</b>	38,268,031	(2,438,312)	6,106,281
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,665,542,588</b>	<b>2,785,793,876</b>	<b>2,783,351,563</b>	<b>2,907,562,900</b>	<b>120,251,288</b>	<b>(2,442,313)</b>	<b>124,211,337</b>
<b>USE OF FUNDS</b>							
Expenditures							
COLAs	25,588	26,845	23,133	<b>23,000</b>	1,257	(3,712)	(133)
Benefits	205,066,000	210,176,903	213,443,355	<b>220,198,000</b>	5,110,903	3,266,452	6,754,645
Health Insurance	28,826,000	30,431,277	30,701,990	<b>30,608,000</b>	1,605,277	270,713	(93,990)
VEBA Transfers	19,000	0	18,900	<b>0</b>	(19,000)	18,900	(18,900)
Personnel Services	2,961,017	3,489,000	3,195,380	<b>3,560,000</b>	527,983	(293,620)	364,620
Non-Personnel/Equipment <sup>(1)</sup>	1,174,744	1,408,000	1,082,747	<b>1,246,000</b>	233,256	(325,253)	163,253
Professional Fees	830,239	899,000	719,158	<b>891,000</b>	68,761	(179,842)	171,842
Total Expenditures	238,902,588	246,431,025	249,184,663	<b>256,526,000</b>	7,528,437	2,753,638	7,341,337
Ending Fund Balance							
Claims Reserve	2,426,640,000	2,539,362,851	2,534,166,900	<b>2,651,036,900</b>	112,722,851	(5,195,951)	116,870,000
Total Ending Fund Balance	2,426,640,000	2,539,362,851	2,534,166,900	<b>2,651,036,900</b>	112,722,851	(5,195,951)	116,870,000
<b>TOTAL USE OF FUNDS</b>	<b>2,665,542,588</b>	<b>2,785,793,876</b>	<b>2,783,351,563</b>	<b>2,907,562,900</b>	<b>120,251,288</b>	<b>(2,442,313)</b>	<b>124,211,337</b>

Amount not included in budget since no cash outlay:

Amortization expense for PG3	\$ 133,809	\$ 390,007	\$ 396,998	\$ 396,998
------------------------------	------------	------------	------------	------------

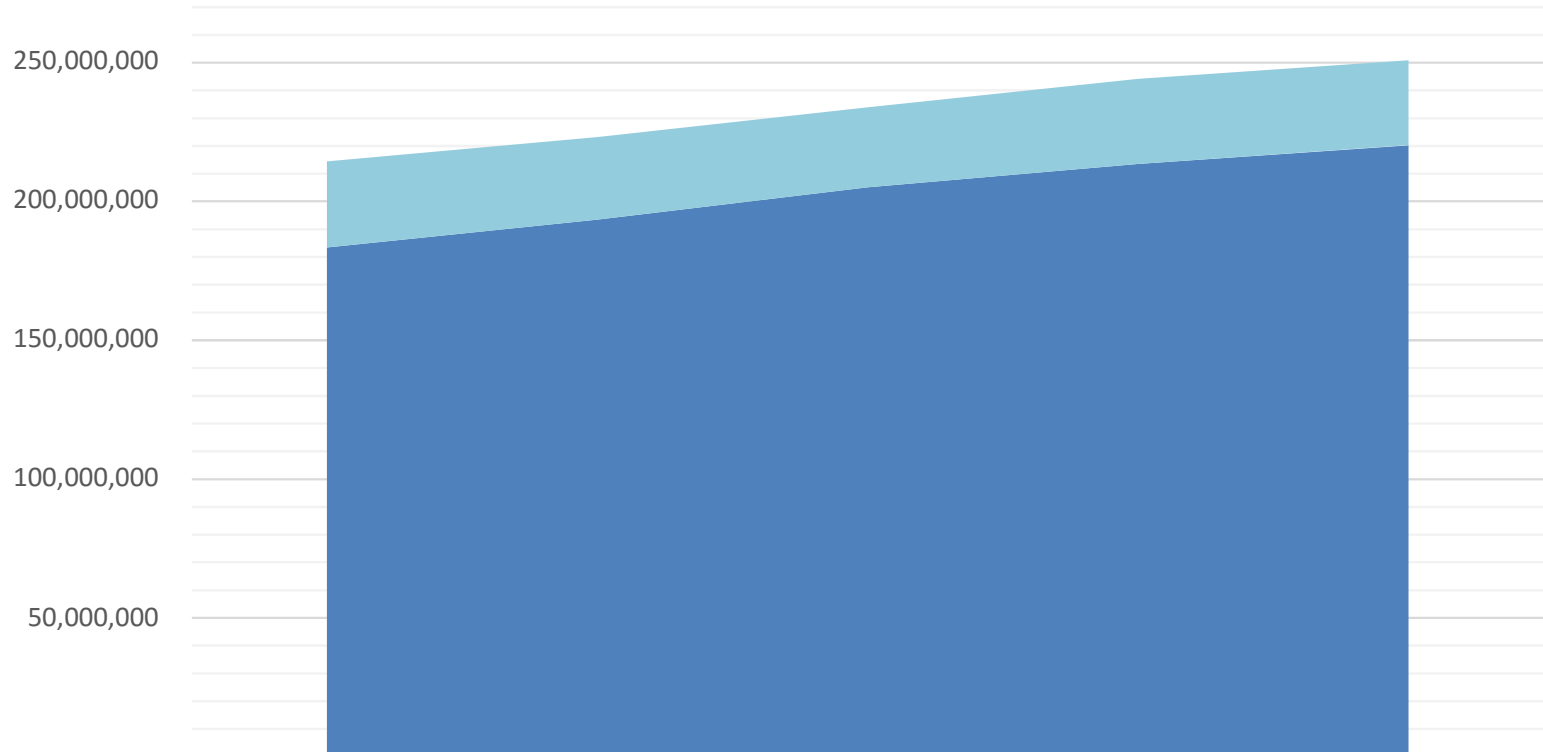
<sup>(1)</sup> Non-personnel equipment FY18-19	\$ 1,174,744
Rounding in CAFR	110
Amortization expense	(133,809)
As shown in Administrative Expenses	<b>\$ 1,041,045</b>

### FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM Total City Contributions & Covered Payroll



	FY 16-17	FY 17-18	FY 18-19	FY 19-20 (Forecast)	FY 20-21 (Proposed)
<span style="color: blue;">■</span> Total City Contributions	170,388,000	189,167,000	199,416,000	201,347,711	211,926,000
Total City Contribution % Change	6.5%	11.0%	5.4%	1.0%	5.3%
<span style="color: red;">■</span> Total Covered Payroll	285,595,469	290,504,000	298,824,000	308,702,000	322,709,000
Total Covered Payroll % Change	18.3%	1.7%	2.9%	3.3%	4.5%

## FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM Pension Benefits and Health Insurance



	FY 2017 - Actual	FY 2018 - Actual	FY 2019 - Actual	FY 2020 - Forecast	FY 2021 - Proposed
Total Benefits	214,437,000	223,124,000	233,892,000	244,145,345	250,806,000
Health Insurance % Change	4.8%	-4.1%	-3.0%	6.5%	-0.3%
Health Insurance	31,007,000	29,724,000	28,826,000	30,701,990	30,608,000
Pension Benefits % Change	5.8%	5.4%	6.0%	4.1%	3.2%
Pension Benefits	183,430,000	193,400,000	205,066,000	213,443,355	220,198,000

## FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

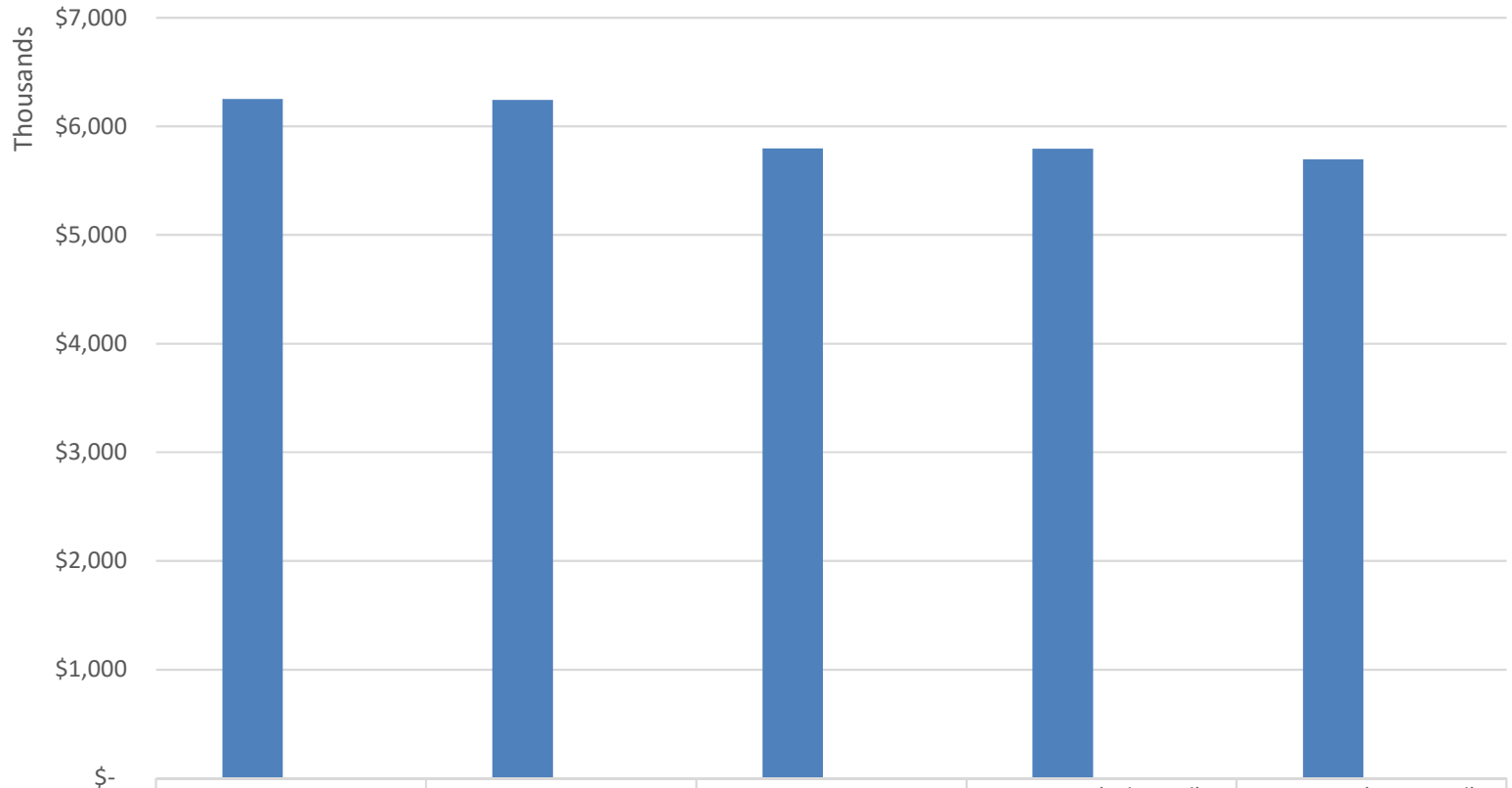
### Administrative Expenses: FY 2020-2021

	(A) 2018-2019 Actual	(B) 2019-2020 Adopted	(C) 2019-2020 Forecast	(D) 2020-2021 Proposed	(A) to (B) Increase (Decrease)	(B) - (C) Increase (Decrease)	(C) - (D) Increase (Decrease)
<b>PERSONNEL SERVICES</b>							
Salaries and employee benefits	2,961,017	3,489,000	3,195,380	3,560,000	527,983	(293,620)	364,620
Total Personnel Services	2,961,017	3,489,000	3,195,380	3,560,000	527,983	(293,620)	364,620
<b>NON-PERSONNEL / EQUIPMENT</b>							
Investment analytics and research	399,297	569,000	409,811	435,000	169,703	(159,189)	25,189
Insurance	185,810	193,000	186,772	193,000	7,190	(6,228)	6,228
IT hardware / software	81,738	97,000	94,744	123,000	15,262	(2,256)	28,256
LRS - annual maintenance fee	49,476	110,000	45,540	48,000	60,524	(64,460)	2,460
Postage and printing	52,521	90,000	67,117	90,000	37,479	(22,883)	22,883
Rent	201,092	210,000	205,061	212,000	8,908	(4,939)	6,939
Training and travel	28,165	63,500	28,345	65,000	35,335	(35,155)	36,655
Office supplies and board meeting expense	15,589	30,000	17,053	30,000	14,411	(12,947)	12,947
Other non-personnel / equipment	27,357	45,500	28,304	50,000	18,143	(17,196)	21,696
Total Non-personnel / Equipment	1,041,045	1,408,000	1,082,747	1,246,000	366,955	(325,253)	163,253
<b>PROFESSIONAL SERVICES</b>							
Actuary	209,491	217,000	251,927	210,000	7,509	34,927	(41,927)
External auditor	101,343	80,000	55,427	83,000	(21,343)	(24,573)	27,573
Legal	183,156	295,000	197,439	282,000	111,844	(97,561)	84,561
Pension administration system	28,211	36,500	9,244	21,000	8,289	(27,256)	11,756
Temporary staffing agencies	185,687	44,000	70,922	77,000	(141,687)	26,922	6,078
Other professional services	45,363	89,500	52,232	79,000	44,137	(37,268)	26,768
Total Professional Services	753,251	762,000	637,191	752,000	8,749	(124,809)	114,809
<b>MEDICAL SERVICES</b>							
Independent medical examiners	21,950	66,000	27,098	54,000	44,050	(38,902)	26,902
Medical consultant	55,038	71,000	54,869	85,000	15,962	(16,131)	30,131
Total Medical Services	76,988	137,000	81,967	139,000	60,012	(55,033)	57,033
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>4,832,301</b>	<b>5,796,000</b>	<b>4,997,285</b>	<b>5,697,000</b>	<b>963,699</b>	<b>(798,715)</b>	<b>699,715</b>

A - 61



### FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM Administrative Expense Budget



	FY 16-17	FY 17-18	FY 18-19	FY 19-20 (Adopted)	FY 20-21 (Proposed)
Admin Exp Budget*	\$6,251,200	\$6,244,800	\$5,799,000	\$5,796,000	\$5,697,000
% Change	9.4%	-0.1%	-7.1%	-0.1%	-1.7%

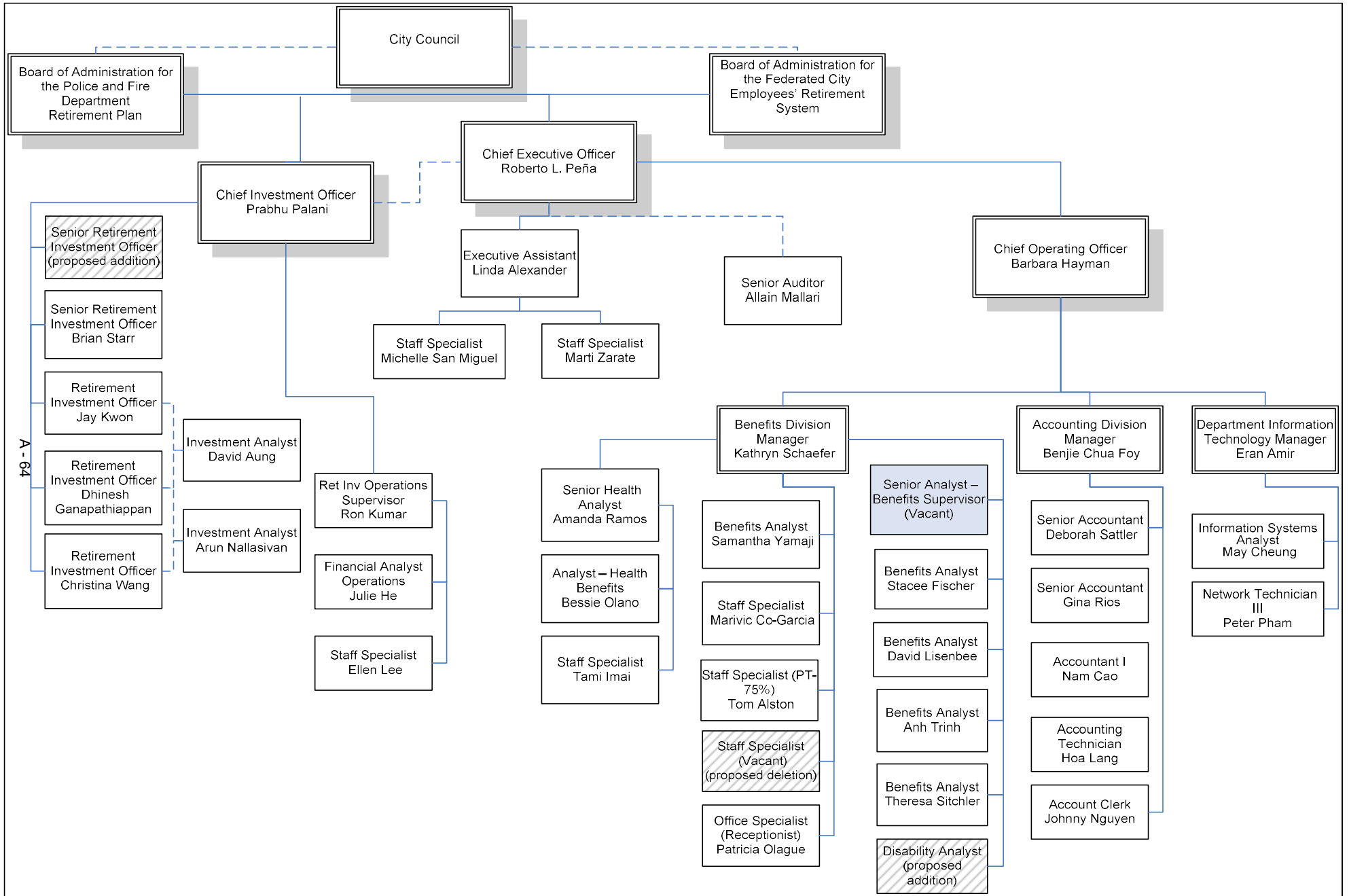
\* Amount includes budget for operations only.

**OFFICE OF RETIREMENT SERVICES**

**Departmental Position Detail**

<b>Position</b>	<b>2018-2019 Adopted (1)</b>	<b>2019-2020 Adopted (2)</b>	<b>2019-2020 Forecast (3)</b>	<b>2020-2021 Proposed (4)</b>	<b>Increase / (Decrease) (2 to 4)</b>	<b>Increase / (Decrease) (3 to 4)</b>	<b>Explanation</b>
Account Clerk II	1.00	1.00	1.00	1.00	-	-	
Accountant I	0.00	1.00	1.00	1.00	-	-	
Accounting Technician	1.00	1.00	1.00	1.00	-	-	
Analyst I/II	6.00	6.00	6.00	7.00	1.00	1.00	Add-delete staff specialist to a Disability Analyst
Assistant Director and Chief Investment Officer	1.00	1.00	1.00	1.00	-	-	
Department Information Technology Manager	1.00	1.00	1.00	1.00	-	-	
Deputy Director	1.00	1.00	1.00	1.00	-	-	
Director of Retirement Services	1.00	1.00	1.00	1.00	-	-	
Division Manager	2.00	2.00	2.00	2.00	-	-	
Executive Assistant	0.00	1.00	1.00	1.00	-	-	
Financial Analyst	1.00	1.00	1.00	1.00	-	-	
Investments Operations Supervisor	1.00	1.00	1.00	1.00	-	-	
Information Systems Analyst	2.00	2.00	2.00	1.00	(1.00)	(1.00)	Limited Date position expires June 30, 2020
Network Technician I/II/III	1.00	1.00	1.00	1.00	-	-	
Office Specialist II	1.00	1.00	1.00	1.00	-	-	
Retirement Investment Analyst I/II	2.00	2.00	2.00	2.00	-	-	
Retirement Investment Officer	3.00	3.00	3.00	3.00	-	-	
Senior Account Clerk	1.00	0.00	0.00	0.00	-	-	
Senior Accountant	2.00	2.00	2.00	2.00	-	-	
Senior Analyst	2.00	2.00	2.00	2.00	-	-	
Senior Auditor	1.00	1.00	1.00	1.00	-	-	
Senior Retirement Investment Officer	1.00	1.00	1.00	2.00	1.00	1.00	Proposed addition
Staff Specialist	7.00	6.00	6.00	5.00	(1.00)	(1.00)	Add-delete staff specialist to a Disability Analyst
Staff Specialist PT	0.75	0.75	0.75	0.75	-	-	
<b>Total Positions</b>	<b>39.75</b>	<b>39.75</b>	<b>39.75</b>	<b>39.75</b>	<b>0.00</b>	<b>0.00</b>	

**OFFICE OF RETIREMENT SERVICES  
PROPOSED ORGANIZATIONAL CHART  
FY 20-21**





# Memorandum

**TO: Board of Administration for the Police and Fire Plan**

**FROM: Benjie Chua Foy**

**SUBJECT: Consideration of Proposed Budget for Fiscal Year 2020-2021 - REVISED**

**DATE: March 25, 2020**

---

Approved

Date

---

## **RECOMMENDATION**

Discussion and action on the proposed budget for fiscal year 2020-2021.

## **BACKGROUND**

The Board approves the contribution rates recommended by the actuary which is made by the City. The Board also approves the administrative expense budget for reporting on the Source and Use Statements submitted for inclusion in the City’s operating budget. The amounts approved by the Board are the total category amounts and not the individual line items. If the individual line item goes over budget, no approval is required from the Board as long as the total category amount remains under budget. This proposed budget is provided to the Board for discussion and approval, and if necessary, a revised and final budget will be prepared for approval at the next meeting. Highlights of the proposed budget are as follows:

## **ANALYSIS**

### ***SOURCES OF FUNDS***

#### **CITY CONTRIBUTIONS**

The City contribution for the retirement and health benefit plan for the coming fiscal year is estimated to be \$231,282,000.

The actual contribution amount is based on the City contribution rates recommended by the actuary and adopted by the Board, applied as a factor against the City’s total covered payroll. The FY21 contribution amounts assume the Board’s adoption in April/May, as shown in the June 30, 2019 actuarial reports for pension and healthcare, using the middle of the year amounts and no prefunding.

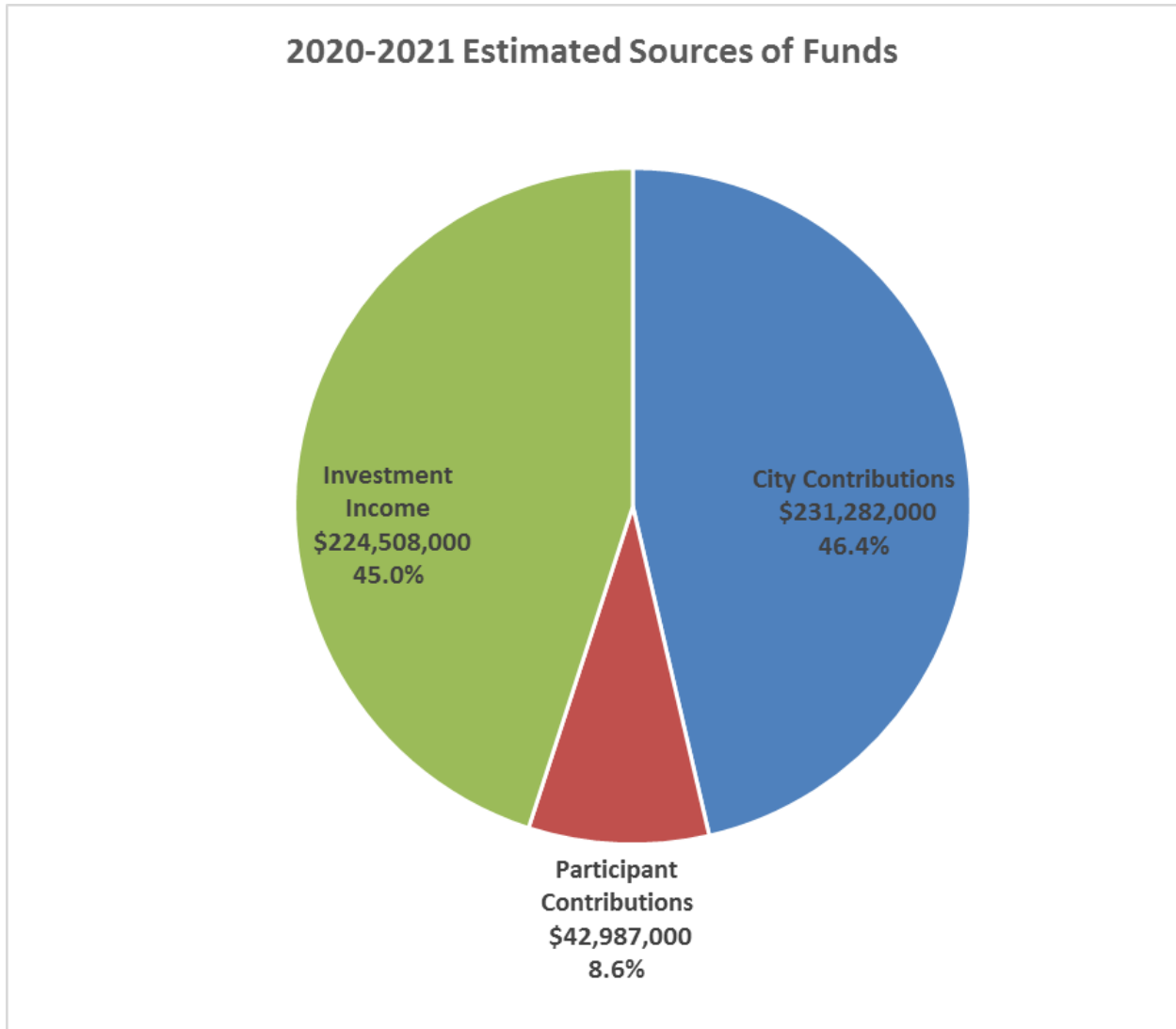
#### **PARTICIPANT CONTRIBUTIONS**

Total member contributions are estimated at \$42,987,000, a 3.90% increase from the 2019-2020 adopted amount. Member contributions are calculated based on the contribution rate for each tier. Police Tier 1 contribution rates for pension remained fairly steady going from 10.70% to 10.72% while their covered payroll increased from \$92.4 million to \$93.3 million. Fire Tier 1 contribution rates for pension increased slightly from 11.46% to 11.72% while covered payroll decreased slightly from \$72.7 million to \$71.2 million. Police Tier 2 contribution rates for pension increased from 14.06% to 14.18% and covered payroll increased from \$43.7 million to \$58.4 million, while Fire Tier 2 contribution rates for pension

increased from 15.39% to 15.53% while covered payroll increased from \$16.7 million to \$20.6 million. Healthcare contribution rates remain at 8.0% per the Municipal Code for Tier 1 members, while Tier 2 are required to go into the VEBA.

#### INVESTMENT INCOME

Investment earnings are calculated based on the actuarial assumed rate of return of 6.75%. The beginning fund balance, along with the City’s contributions and member contributions offset with the expenditures are expected to earn less than the full rate since these amounts will occur throughout the year.



#### ***USES OF FUNDS***

##### PENSION BENEFITS AND HEALTH INSURANCE

The pension benefits budget increased to \$234,580,000, an increase of \$10,927,000, or 4.89%, which is the average increase for the past five years. Pension benefits include service pensions, disability and survivorship pensions, death benefits and refunds of contributions.



The health insurance budget increased to \$26,703,000, an increase of \$472,000, or 1.80%, which is the average increase for the past five years. Health insurance includes health and dental insurance subsidies, as well as Medicare reimbursements.

VEBA withdrawals represent the funds taken out of the healthcare plan by Tier 1 members who opted out and the mandatory movement of Tier 2 members out of the healthcare plan. Fiscal year 2017-2018 had the largest amount since it was the first year of the opt-in to the VEBA and will continue through calendar year 2022 for rehired employees with healthcare contributions. There were no VEBA withdrawals in fiscal year 2018-2019 and future withdrawals are expected to be minimal, if any.

#### *ADMINISTRATIVE EXPENSE BUDGET*

The proposed administrative expenses budget of \$6,485,000 is a net increase of \$116,000 or 1.82% from the prior year proposed budget of \$6,369,000.

#### PERSONNEL SERVICES

The budget for personnel services was increased to \$4,071,000, an increase of \$173,000, or 4.44% over the prior year adopted budget of \$3,898,000. The Budget Office's labor distribution report drives the personnel budget, which covers all the staff in Retirement Services. The salaries and benefits of all staff, except for investment staff, is split 50/50 between the Plan and the Federated City Employees' Retirement System (System). The investment staff is split 60/40 between the Plan and the System, which is roughly based on asset size. The number of positions in Retirement Services will remain at 39.75 due to the proposals. The limited-date position for Information Systems Analyst that expires on June 30, 2020 will not be renewed. The other proposed personnel changes for FY20-21 are to add a Senior Investment Officer and to convert a Benefits Staff Specialist into a Benefits Disability Analyst. Besides the proposed changes, the other reasons for the increase in personnel services is due to the increased benefit rates, as well as having two reemployed retirees for the maximum time allowed per the Municipal Code.

#### NON-PERSONNEL / EQUIPMENT

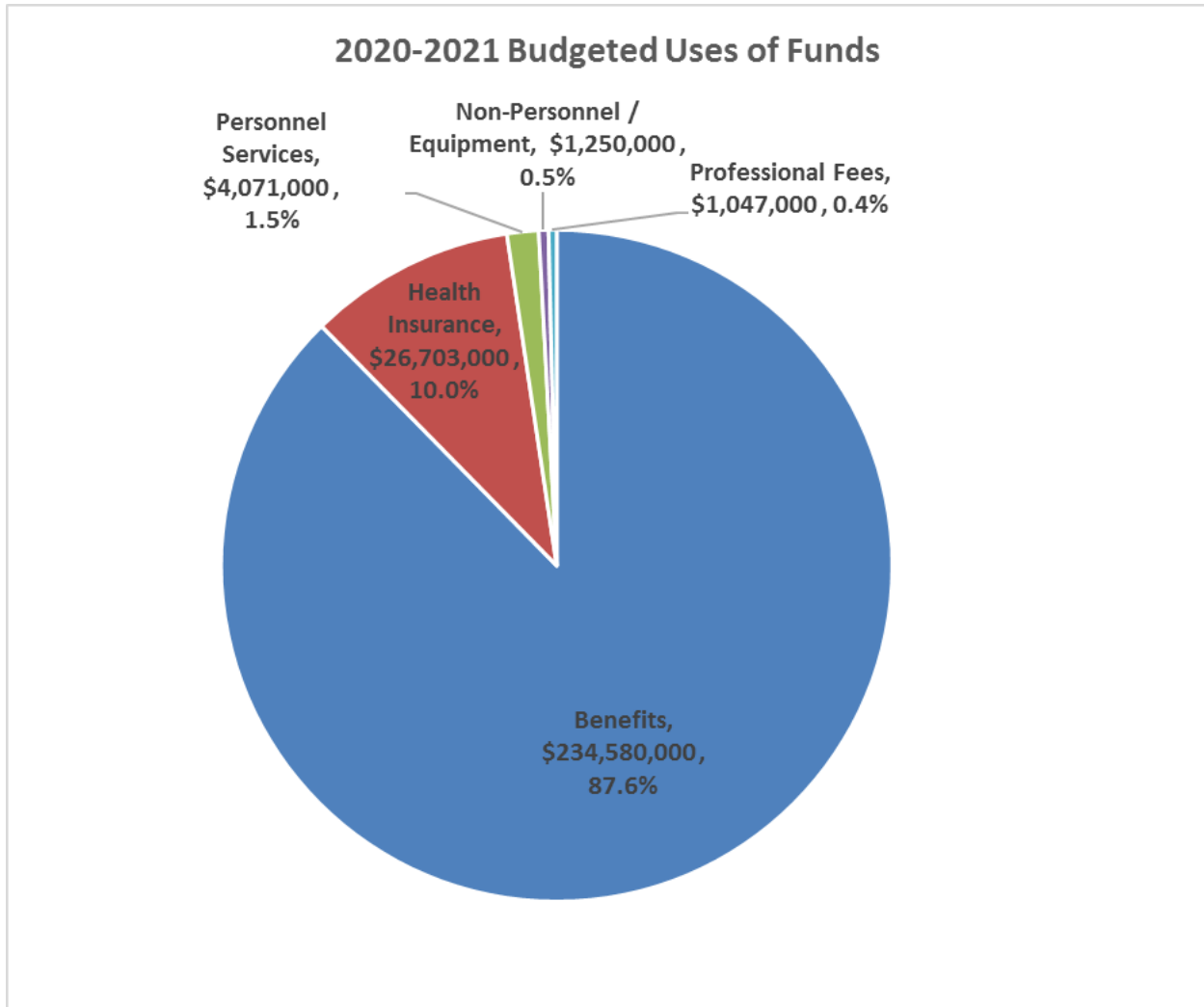
The budget for non-personnel / equipment was decreased to \$1,250,000, a decrease of \$158,000, or 11.22% from the prior year adopted budget of \$1,408,000. This category includes data processing costs for investments, rent, insurance, information technology hardware/software, pension administration annual maintenance fee, postage and printing, training, travel, and other office expenses. The decrease was mainly due to a decrease of \$134,000 in the investment analytics and research budget and a decrease of \$62,000 in the pension administration annual maintenance fee, offset by an increase in IT hardware/software of \$26,000. The decrease of \$134,000 was due to a reclassification of the services provided by State Street, the custodian bank, to align with how the expenses are recorded in the Comprehensive Annual Financial Report. The decrease of \$62,000 was due to the implementation of the new pension administration system, which had a lower annual maintenance fee. The increase of \$26,000 in IT hardware/software was due to the social media and phone center projects that are planned for the fiscal year.

#### PROFESSIONAL SERVICES

The budget for professional services was reduced to \$811,000, a slight decrease of \$34,000, or 4.02% from the prior year adopted budget of \$845,000. Core professional services comprise of actuarial services, financial audit services, legal services, and temporary staffing services. Decreases in budgetary amounts for core professional services resulted mainly from reducing the actuarial services by \$35,000, the approximate amount of the experience study that is being conducted in FY19-20 and not FY20-21.

**MEDICAL SERVICES**

The budget for medical services was increased to \$236,000, a slight increase of \$18,000, or 8.26% over the prior year adopted budget of \$218,000. This category is for expenses related to the processing of disability applicants, which include costs for a medical advisor and medical services from independent medical examiners (IME). The main reason for the increase is due to an increase in the hourly rate of the medical advisor and the built-in contingency amount for special cases that cost more than the average amount.



Attachment: Proposed Budget for Fiscal Year 2020-2021

**PROPOSED BUDGET**

**FISCAL YEAR 2020-2021**

**POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

REVISED April 2, 2020

**POLICE & FIRE DEPARTMENT RETIREMENT PLAN**

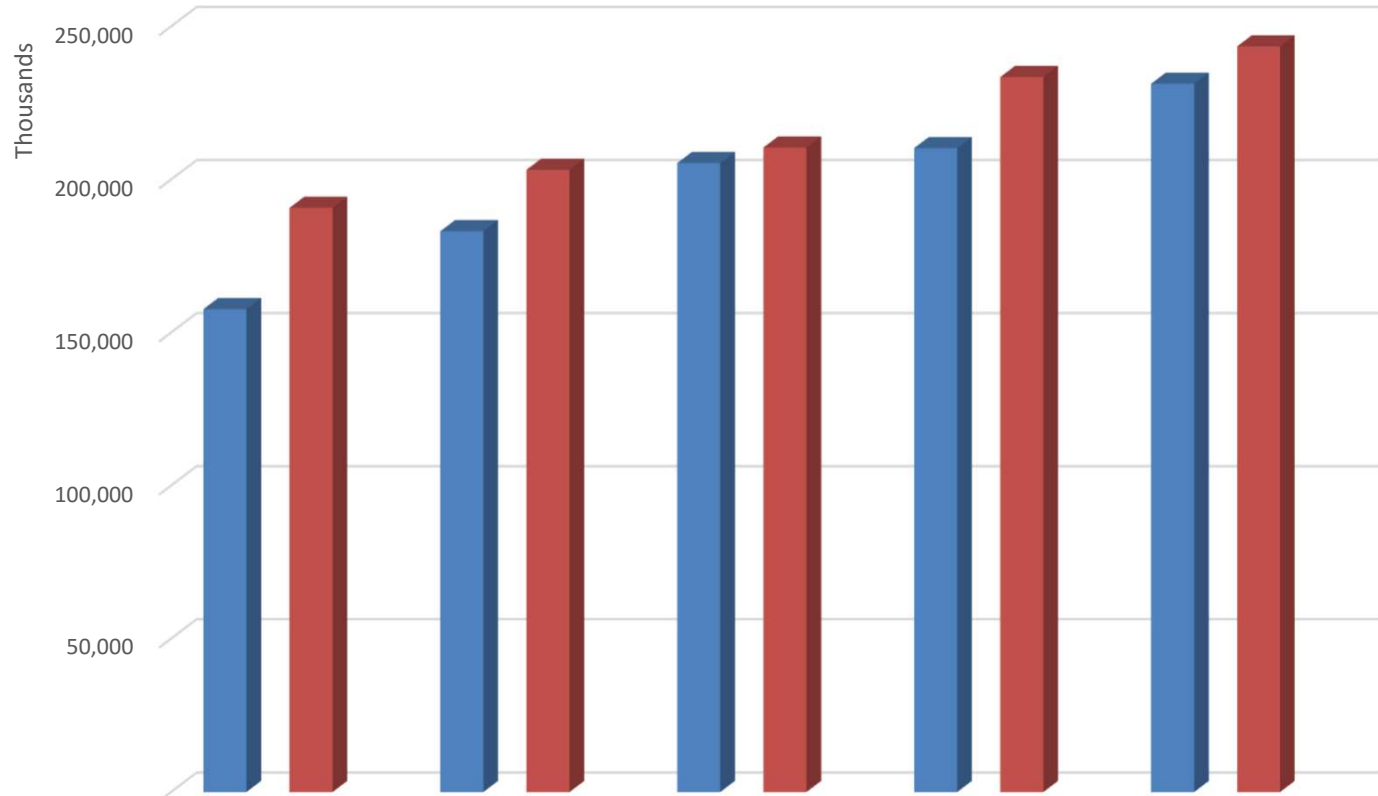
**Statement of Source and Use of Funds**

	<b>(A)</b> <b>2018-2019</b> <b>Actual</b>	<b>(B)</b> <b>2019-2020</b> <b>Modified</b>	<b>(C)</b> <b>2019-2020</b> <b>Forecast</b>	<b>(D)</b> <b>2020-2021</b> <b>Proposed</b>	<b>(A) to (B)</b> <b>Increase</b> <b>(Decrease)</b>	<b>(B) - (C)</b> <b>Increase</b> <b>(Decrease)</b>	<b>(C) - (D)</b> <b>Increase</b> <b>(Decrease)</b>
<b>SOURCE OF FUNDS</b>							
Beginning Fund Balance							
Claims Reserve	3,658,711,000	3,774,379,000	3,774,379,000	<b>3,979,238,351</b>	115,668,000	0	204,859,351
Total Beginning Fund Balance	3,658,711,000	3,774,379,000	3,774,379,000	<b>3,979,238,351</b>	115,668,000	0	204,859,351
Transfers							
City Contributions	205,362,000	198,036,966	210,261,515	<b>231,282,000</b>	(7,325,034)	12,224,549	21,020,485
1970 COLA	534	535	534	<b>1,000</b>	1	(1)	466
1980 COLA	8,385	8,820	7,470	<b>9,000</b>	435	(1,350)	1,530
1990 COLA	3,801	3,800	3,801	<b>4,000</b>	(1)	1	199
Total Transfers	205,374,720	198,050,121	210,273,320	<b>231,296,000</b>	(7,324,599)	12,223,199	21,022,680
Revenue							
Participant Income	38,126,000	41,372,366	40,144,335	<b>42,987,000</b>	3,246,366	(1,228,031)	2,842,665
Investment Income, net of expenses	122,086,000	230,138,204	211,428,811	<b>224,508,000</b>	108,052,204	(18,709,393)	13,079,189
Total Revenue	160,212,000	271,510,570	251,573,146	<b>267,495,000</b>	111,298,570	(19,937,424)	15,921,854
<b>TOTAL SOURCE OF FUNDS</b>	<b>4,024,297,720</b>	<b>4,243,939,691</b>	<b>4,236,225,466</b>	<b>4,478,029,351</b>	<b>219,641,971</b>	<b>(7,714,225)</b>	<b>241,803,885</b>
<b>USE OF FUNDS</b>							
Expenditures							
Benefits	218,008,000	223,653,000	226,769,000	<b>234,580,000</b>	5,645,000	3,116,000	7,811,000
Health Insurance	26,403,000	26,231,000	24,702,000	<b>26,703,000</b>	(172,000)	(1,529,000)	2,001,000
VEBA withdrawals	0	0	0	<b>0</b>	0	0	0
Personnel Services (Ret.)	3,334,302	3,898,000	3,608,216	<b>4,071,000</b>	563,698	(289,784)	462,784
Non-Personnel/Equipment <sup>(1)</sup>	1,159,922	1,408,000	1,068,509	<b>1,250,000</b>	248,078	(339,491)	181,491
Professional Fees	1,000,776	1,063,000	827,585	<b>1,047,000</b>	62,224	(235,415)	219,415
1970 COLA	534	535	534	<b>1,000</b>	1	(1)	466
1980 COLA	8,385	8,820	7,470	<b>9,000</b>	435	(1,350)	1,530
1990 COLA	3,801	3,800	3,801	<b>4,000</b>	(1)	1	199
Total Expenditures	249,918,720	256,266,155	256,987,115	<b>267,665,000</b>	6,347,435	720,960	10,677,885
Ending Fund Balance							
Claims Reserve	3,774,379,000	3,987,673,536	3,979,238,351	<b>4,210,364,351</b>	213,294,536	(8,435,185)	231,126,000
Total Ending Fund Balance	3,774,379,000	3,987,673,536	3,979,238,351	<b>4,210,364,351</b>	213,294,536	(8,435,185)	231,126,000
<b>TOTAL USE OF FUNDS</b>	<b>4,024,297,720</b>	<b>4,243,939,691</b>	<b>4,236,225,466</b>	<b>4,478,029,351</b>	<b>219,641,971</b>	<b>(7,714,225)</b>	<b>241,803,885</b>

Amount not included in budget since no cash outlay:

Amortization expense for PG3	\$ 133,809	\$ 390,007	\$ 396,998	\$ 396,998
<sup>(1)</sup> Non-personnel equipment FY18-19	\$ 1,159,922			
Rounding in CAFR	268			
Amortization expense	(133,809)			
As shown in Administrative Expenses	\$ <b>1,026,381</b>			

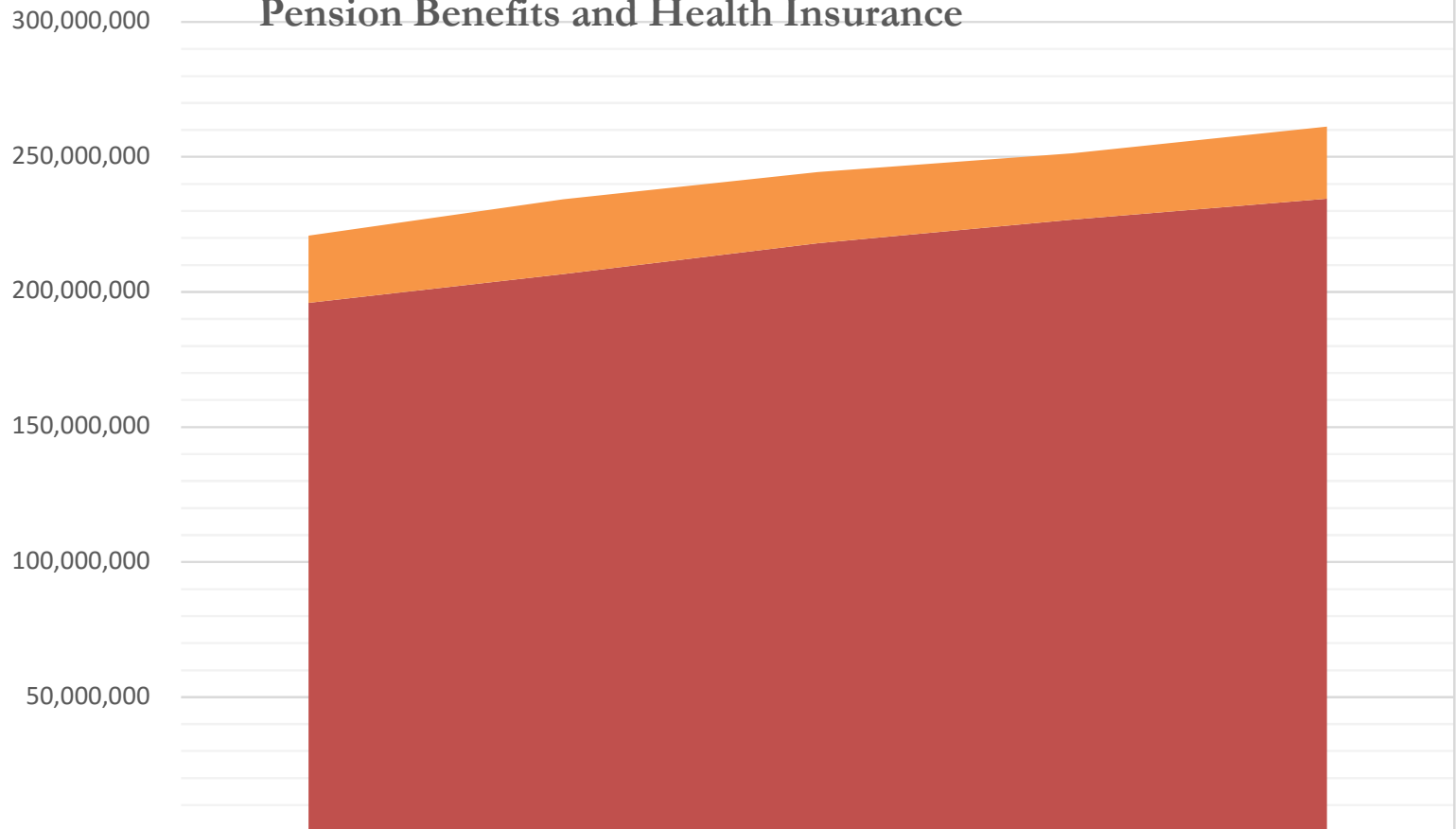
## POLICE & FIRE DEPARTMENT RETIREMENT PLAN Total City Contributions & Covered Payroll



	FY 16-17	FY 17-18	FY 18-19	FY 19-20 (Forecast)	FY 20-21 (Estimate)
<span style="color: blue;">■</span> Total City Contributions	157,624,000	183,094,000	205,362,000	210,261,515	231,282,000
Total City Contribution % Change	5.0%	16.2%	12.2%	2.4%	10.0%
<span style="color: red;">■</span> Total Covered Payroll	190,736,887	203,164,000	210,440,473	233,474,797	243,500,000
Total Covered Payroll % Change	1.3%	6.5%	3.6%	10.9%	4.3%



## POLICE & FIRE DEPARTMENT RETIREMENT PLAN Pension Benefits and Health Insurance



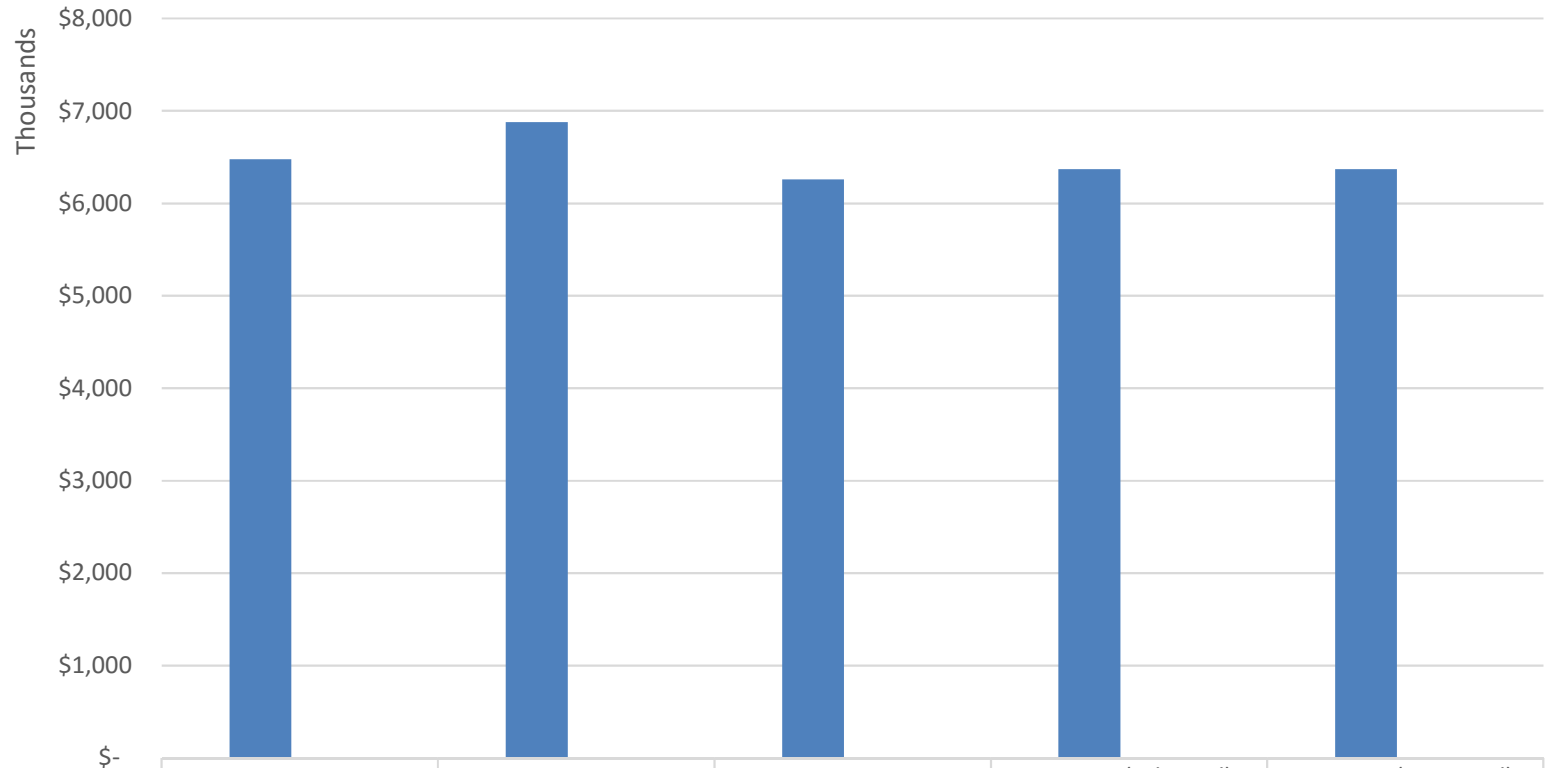
	FY 16-17 - Actual	FY 17-18 - Actual	FY 18-19 - Actual	FY 19-20 - Forecast	FY 20-21 - Proposed
Total Benefits	220,831,000	234,316,000	244,411,000	251,471,000	261,283,000
Health Insurance	24,799,000	27,686,000	26,403,000	24,702,000	26,703,000
Pension Benefits	196,032,000	206,630,000	218,008,000	226,769,000	234,580,000
Health Insurance % Change	5.8%	11.6%	-4.6%	-6.4%	8.1%
Pension Benefits % Change	4.9%	5.4%	5.5%	4.0%	3.4%

## POLICE & FIRE DEPARTMENT RETIREMENT PLAN

### Administrative Expenses: FY 2020-2021

	(A) 2018-2019 Actual	(B) 2019-2020 Adopted	(C) 2019-2020 Forecast	(D) 2020-2021 Proposed	(A) to (B) Increase (Decrease)	(B) - (C) Increase (Decrease)	(C) - (D) Increase (Decrease)
<b>PERSONNEL SERVICES</b>							
Salaries and employee benefits	3,334,302	3,898,000	3,608,216	<b>4,071,000</b>	563,698	(289,784)	462,784
Total Personnel Services	3,334,302	3,898,000	3,608,216	<b>4,071,000</b>	563,698	(289,784)	462,784
<b>NON-PERSONNEL / EQUIPMENT</b>							
Investment analytics and research	399,297	569,000	409,811	<b>435,000</b>	169,703	(159,189)	25,189
Rent	201,092	210,000	205,061	<b>212,000</b>	8,908	(4,939)	6,939
Insurance	169,141	193,000	170,622	<b>193,000</b>	23,859	(22,378)	22,378
IT hardware / software	81,738	97,000	94,744	<b>123,000</b>	15,262	(2,256)	28,256
Postage and printing	39,842	90,000	54,126	<b>90,000</b>	50,158	(35,874)	35,874
Training and travel	26,034	65,000	25,584	<b>65,000</b>	38,966	(39,416)	39,416
LRS - annual maintenance fee	49,476	110,000	45,540	<b>48,000</b>	60,524	(64,460)	2,460
Other non-personnel / equipment	33,141	44,000	34,187	<b>54,000</b>	10,859	(9,813)	19,813
Office supplies and board meeting expenses	26,620	30,000	28,834	<b>30,000</b>	3,380	(1,166)	1,166
Total Non-personnel / Equipment	1,026,381	1,408,000	1,068,509	<b>1,250,000</b>	381,619	(339,491)	181,491
<b>PROFESSIONAL SERVICES</b>							
Actuary	247,484	270,000	294,967	<b>235,000</b>	22,516	24,967	(59,967)
External auditor	101,343	80,000	55,427	<b>83,000</b>	(21,343)	(24,573)	27,573
Legal	221,633	326,000	208,413	<b>317,000</b>	104,367	(117,587)	108,587
Pension administration system	25,571	36,500	9,244	<b>21,000</b>	10,929	(27,256)	11,756
Temporary staffing agencies	185,687	44,000	70,922	<b>77,000</b>	(141,687)	26,922	6,078
Other professional services	38,269	88,500	45,973	<b>78,000</b>	50,231	(42,527)	32,027
Total Professional Services	819,987	845,000	684,946	<b>811,000</b>	25,013	(160,054)	126,054
<b>MEDICAL SERVICES</b>							
Independent medical examiners	58,325	112,000	50,588	<b>116,000</b>	53,675	(61,412)	65,412
Medical consultant	122,464	106,000	92,051	<b>120,000</b>	(16,464)	(13,949)	27,949
Total Medical Services	180,789	218,000	142,639	<b>236,000</b>	37,211	(75,361)	93,361
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>5,361,459</b>	<b>6,369,000</b>	<b>5,504,310</b>	<b>6,368,000</b>	<b>1,007,541</b>	<b>(864,690)</b>	<b>863,690</b>

**POLICE & FIRE DEPARTMENT RETIREMENT PLAN**  
**Administrative Expense Budget**  
**FY 2016-2017 to FY 2020-2021**



	FY 16-17	FY 17-18	FY 18-19	FY 19-20 (Adopted)	FY 20-21 (Proposed)
■ Admin Exp Budget*	\$6,479,200	\$6,876,800	\$6,259,000	\$6,369,000	\$6,368,000
■ % Change	12.3%	6.1%	-9.0%	1.8%	0.0%

A - 74

\* Amount includes budget for operations only.

**OFFICE OF RETIREMENT SERVICES**

**Departmental Position Detail**

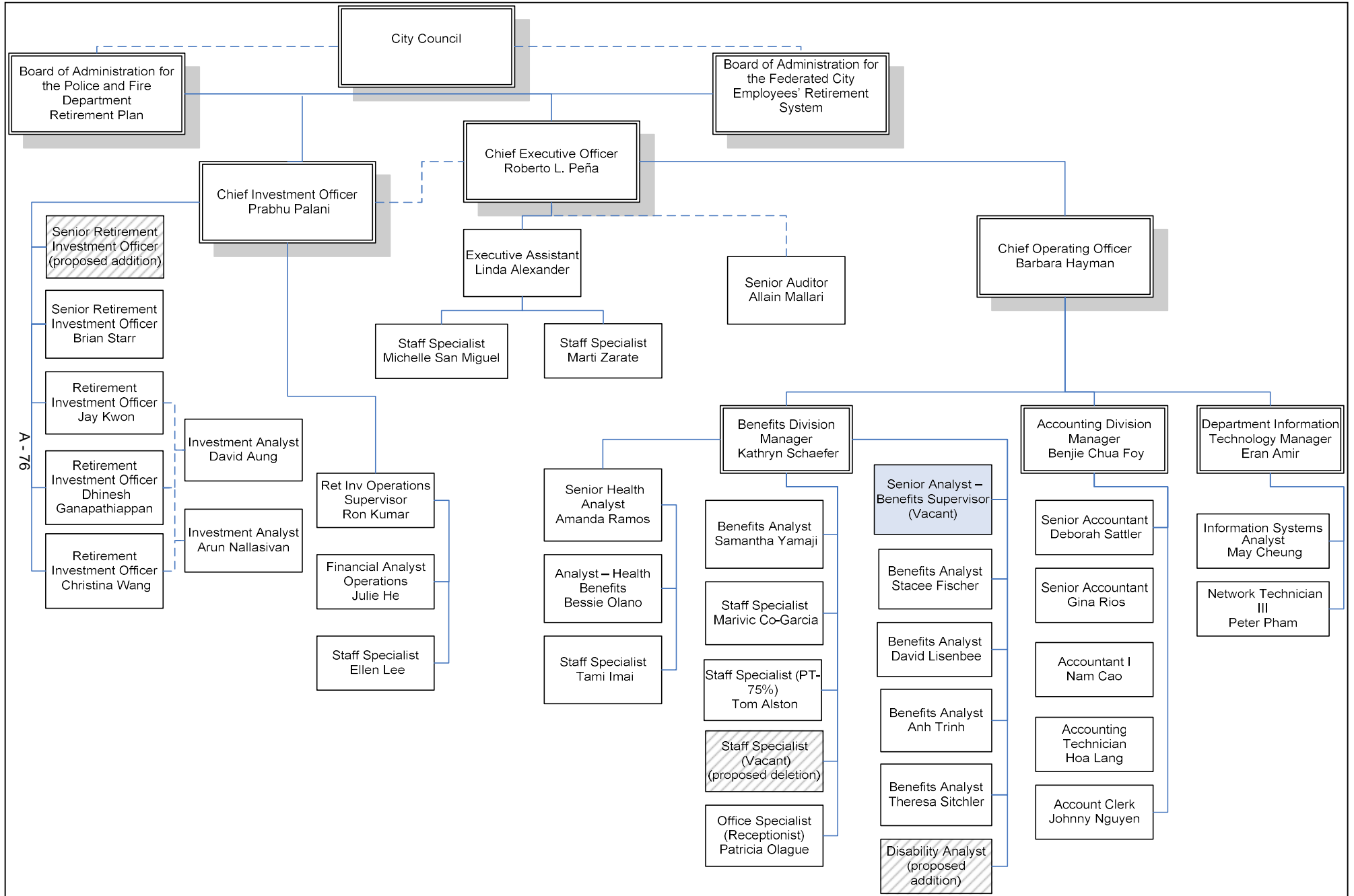
<b>Position</b>	<b>2018-2019 Adopted (1)</b>	<b>2019-2020 Adopted (2)</b>	<b>2019-2020 Forecast (3)</b>	<b>2020-2021 Proposed (4)</b>	<b>Increase / (Decrease) (2 to 4)</b>	<b>Increase / (Decrease) (3 to 4)</b>	<b>Explanation</b>
Account Clerk II	1.00	1.00	1.00	1.00	-	-	
Accountant I	0.00	1.00	1.00	1.00	-	-	
Accounting Technician	1.00	1.00	1.00	1.00	-	-	
Analyst I/II	6.00	6.00	6.00	7.00	1.00	1.00	Add-delete staff specialist to a Disability Analyst
Assistant Director and Chief Investment Officer	1.00	1.00	1.00	1.00	-	-	
Department Information Technology Manager	1.00	1.00	1.00	1.00	-	-	
Deputy Director	1.00	1.00	1.00	1.00	-	-	
Director of Retirement Services	1.00	1.00	1.00	1.00	-	-	
Division Manager	2.00	2.00	2.00	2.00	-	-	
Executive Assistant	0.00	1.00	1.00	1.00	-	-	
Financial Analyst	1.00	1.00	1.00	1.00	-	-	
Investments Operations Supervisor	1.00	1.00	1.00	1.00	-	-	
Information Systems Analyst	2.00	2.00	2.00	1.00	(1.00)	(1.00)	Limited Date position expires June 30, 2020
Network Technician I/II/III	1.00	1.00	1.00	1.00	-	-	
Office Specialist II	1.00	1.00	1.00	1.00	-	-	
Retirement Investment Analyst I/II	2.00	2.00	2.00	2.00	-	-	
Retirement Investment Officer	3.00	3.00	3.00	3.00	-	-	
Senior Account Clerk	1.00	0.00	0.00	0.00	-	-	
Senior Accountant	2.00	2.00	2.00	2.00	-	-	
Senior Analyst	2.00	2.00	2.00	2.00	-	-	
Senior Auditor	1.00	1.00	1.00	1.00	-	-	
Senior Retirement Investment Officer	1.00	1.00	1.00	2.00	1.00	1.00	Proposed addition
Staff Specialist	7.00	6.00	6.00	5.00	(1.00)	(1.00)	Add-delete staff specialist to a Disability Analyst
Staff Specialist PT	0.75	0.75	0.75	0.75	-	-	
<b>Total Positions</b>	<b>39.75</b>	<b>39.75</b>	<b>39.75</b>	<b>39.75</b>	<b>0.00</b>	<b>0.00</b>	

A - 75

OFFICE OF RETIREMENT SERVICES

Proposed Organizational Chart

FY20-21



A - 76



# Community Development Block Grant Fund

## 2020-2021 Funding Allocation

The Community Development Block Grant (CDBG) Fund accounts for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD). The national objectives of the program are to provide assistance to persons of low- and moderate- incomes, prevent or eliminate slums and blight, or meet an urgent community development need. The chart below summarizes the funding priorities in the following categories: Contractual Community Services (CCS – up to 15% of funding); Community Development Improvements (CDI), and Administration, Fair Housing and Planning (Admin – up to 20% of funding). The finalization of the CDBG allocations from HUD were presented in the “FY 2020-2021 Annual Action Plan” which was approved by the City Council on August 11, 2020. Details of each category contained in the “FY 2020-2021 Annual Action Plan” can be found at:

<https://sanjose.legistar.com/LegislationDetail.aspx?ID=4608551&GUID=07011A58-5A2E-4900-8EC8-1D20418DE36D&Options=&Search=>.

Actions to align the 2020-2021 Operating Budget with the approved “FY 2020-2021 Annual Action Plan” were approved by the City Council on August 11, 2020.

Funding Category	CDBG Activities	Sub-Grantee	Funding
CDI	Acquisition, rehabilitation and infrastructure for affordable housing sites and public facilities.	City - Housing Department	\$97,213
CDI	Independence and Oak Grove Community WiFi Broadband Access	City – Public Works Department	\$2,100,000
CDI	Enhanced Code Enforcement	City - Planning, Building and Code Enforcement Department	\$1,258,339
CDI	Job Training for Unhoused Individuals	San Jose Street Team	\$250,000
CDI	Job Training/Employment Development RFP	TBD	\$700,000
CDI	Minor Repair Services	Rebuilding Together Silicon Valley	\$1,100,000
CDI	Minor Repair Services	Habitat for Humanity	\$550,000

## Community Development Block Grant Fund

### 2020-2021 Funding Allocation

Funding Category	CDBG Activities	Sub-Grantee	Funding
CCS	Childcare Services	First Five of Santa Clara County	\$1,000,000
CCS	Tenant Protection Legal Services	Law Foundation	\$500,000
CCS	Services for Homeless and Unhoused Populations	HomeFirst	\$402,098
CCS	Senior Access & Health Support	Portuguese Organization for Social Services and Opportunities (POSSO)	\$75,000
CCS	Meals on Wheels	The Health Trust	\$125,000
CCS	Neighborhood Engagement	Somos Mayfair Inc.	\$150,000
CCS	Neighborhood Engagement	CommUniverCity	\$85,000
CCS	Fair Housing	Law Foundation	\$65,000
Administration			\$1,869,463
<b>Total CDBG Expenditures</b>			<b>\$10,327,113</b>

## Transient Occupancy Tax Fund

### 2020-2021 CULTURAL GRANT AWARDS

---

By Ordinance, the Transient Occupancy Tax (TOT) Fund provides funding for Convention Facilities Operations and Maintenance, Cultural Development, and the San José Convention and Visitors Bureau. TOT revenues allocated for Cultural Development provide funding for the cultural grant and Office of Cultural Affairs (OCA) programs. Each year, the OCA promotes grant opportunities and solicits applications. Applications for funding are evaluated based on guidelines and criteria approved by the City Council. Grant awards are made based on a competitive application-based peer review process and available funding.

The City Council-adopted *Cultural Connection: San José's Cultural Plan for 2011-2020* reflects the strategic goals and top priorities for cultural development in San José. A key strategy to advance the goals of *Cultural Connection* is through partnerships and grant agreements with community-based organizations across grant program areas aimed at promoting cultural vibrancy, cultural diversity, and economic development in San José, including:

- Operating Grants provide financial support for selected San José arts organizations of various disciplines, sizes and stages of development.
- Festival, Parade & Celebration Grants enable access for all City residents to a wide range of diverse cultural events, large and small. These events are often held in public spaces and are always open to the public.
- take pART Grants support arts activities offered by volunteer-driven arts organizations, community service organizations, and small semi-professional and professional arts organizations.
- Capitalization and Sustainability Grants support activities of nonprofit art organizations that will increase their working financial capital and promote fiscal soundness.
- Programmatic Partnerships advance the goals and recommendations outlined in *Cultural Connection*.

Grant awards are based on available funding and cultural development funding priorities. Initial recommendations are reviewed by a panel of Arts Commissioners, arts and culture professionals, and community representatives; forwarded to the Arts Commission for formal review; and then submitted for the City Council's approval in May of each year as part of the budget process.

Due to the impacts of the COVID-19 pandemic on both TOT revenues and the ability to deliver cultural programming due to physical distancing, OCA modified the approach to cultural grant recommendations for the 2020-2021 fiscal year to provide for a phased release of award recommendations. Priority was given to the Operating Grants Program as these unrestricted grants collectively serve a broad and diverse constituency throughout the City and produce the largest number of public programming and outreach/arts education initiatives that impact residents year-round. Because accumulated reserves were depleted to mitigate significant TOT shortfalls in 2019-2020, a total of \$1.2 million has been recommended for initial allocation in 2020-2021. As actual collected TOT amounts become clearer and more guidelines are issued about public gatherings as they impact the ability to safely deliver art projects and programs, recommendations on grants for specific arts projects and events such as *take pART* and FPC Program Grants will be considered next, likely in early fall 2020 when the Administration prepares the 2019-2020 Annual Report for the City Council, which will provide a more refined estimate of available TOT funding.

<b>Organization</b>	<b>Core Program</b>	<b>Funding</b>
Abhinaya Dance Company of San Jose	Operating Grants	\$13,499
Aimusic School	Operating Grants	\$21,081
Bay Area Glass Institute	Operating Grants	\$28,127
Cashion Cultural Legacy	Operating Grants	\$11,658
Children's Discovery Museum of San Jose	Operating Grants	\$95,100
Children's Musical Theater San Jose	Operating Grants	\$77,560
Chinese Performing Arts of America	Operating Grants	\$23,574
Cinequest Film Festival	Operating Grants	\$50,117
City Lights Theater Company of San Jose	Operating Grants	\$36,262
Kaisahan of San Jose Dance Company	Operating Grants	\$9,925
MACLA/Movimiento de Arte y Cultura Latino Americana	Operating Grants	\$37,312
Opera San Jose	Operating Grants	\$85,835
San Jose Chamber Orchestra	Operating Grants	\$19,713
San Jose Institute of Contemporary Art	Operating Grants	\$34,470
San Jose Jazz	Operating Grants	\$80,081
San Jose Multicultural Artists Guild	Operating Grants	\$7,771
San Jose Museum of Art	Operating Grants	\$82,928
San Jose Museum of Quilts & Textiles	Operating Grants	\$30,913
San Jose Stage Company	Operating Grants	\$36,170
San Jose Symphonic Choir	Operating Grants	\$8,045
San Jose Taiko	Operating Grants	\$27,424
San Jose Youth Symphony	Operating Grants	\$37,743
School of Arts and Culture at MHP	Operating Grants	\$77,849
Silicon Valley Shakespeare	Operating Grants	\$10,370
sjDANCEco	Operating Grants	\$9,088
Starting Arts	Operating Grants	\$54,984
Steinway Society - The Bay Area	Operating Grants	\$9,022
Symphony Silicon Valley	Operating Grants	\$85,017
Teatro Vision	Operating Grants	\$12,866
The New Ballet School	Operating Grants	\$45,012
The Tabard Theatre Company	Operating Grants	\$27,974
Vivace Youth Chorus	Operating Grants	\$12,510
<b>Total Cultural Development Grants for 2020-2021</b>		<b>\$1,200,000</b>