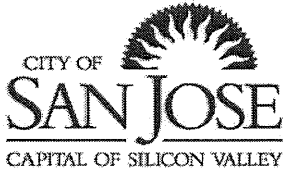


2012-2013

OPERATING BUDGET



**MAYOR'S JUNE
BUDGET MESSAGE**



Memorandum

TO: CITY COUNCIL
**SUBJECT: JUNE BUDGET MESSAGE FOR
FISCAL YEAR 2012-2013**

FROM: Mayor Chuck Reed
DATE: June 1, 2012

Approved: *Chuck Reed*

Date: *6/1/12*

RECOMMENDATION

I recommend that the City Council:

1. Approve the direction outlined in this memorandum for purposes of adopting a final budget for Fiscal Year 2012-2013.
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.
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following Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where the Addenda are superseded by the contents of this Budget Message.

MBA#	TITLE
MBA #3:	Recommendation on the 2013-2017 Proposed Capital Improvement Program
MBA #5:	City Auditor Staffing
MBA #6:	Team San Jose 2012-2013 Performance Measures
MBA #9:	Arena Authority Funding
MBA #10:	Special Events on Downtown Private Parking Lots
MBA #11:	Sharks Ice at San Jose 2012-2013 Proposed Capital Budget
MBA #12:	Cultural Facilities Capital Maintenance Cost Sharing
MBA #13:	HP Pavilion at San Jose Capital Budget Recommendations
MBA #18:	Phase 1 – Homeless Encampment Program
MBA #21:	Envision 2040 General Plan Implementation
MBA #24:	Crime Prevention Performance Measures
MBA #28:	San Jose BEST Program Funding Recommendations
MBA #30:	Neighborhood Engagement Team Reorganization
MBA #31:	New Park Development Projects
MBA #33:	Development Services Staffing
MBA #36:	Annual Retirement Costs Reconciliation
MBA #38:	Environmental Services Funding for City Auditor Services

- MBA #42: Special Premium Pays and Other Benefit Changes for Employees in Unit 99 and Units 81/82
- MBA #46: Recommended Amendments to the 2012-2013 Proposed Operating and Capital Budgets & Attachments

INTRODUCTION

The City administration is projecting a \$9 million “surplus” for next fiscal year. This cushion will allow us to do some positive things such as:

- Opening the City’s four newly-constructed libraries (Bascom, Calabazas, Seven Trees, Educational Park) and the new Bascom Community Center, all of which have remained closed due to recent budget deficits.
- Allocating \$2 million in additional funding for gang prevention programs.
- Investing additional money to fully fund street maintenance and repair within a 400-mile priority network of San José’s most heavily used roads.
- Setting aside all of the surplus funds to partially address the 2013-2014 ongoing projected deficit.

While this is a vast improvement over the last year’s \$115 million deficit, it doesn’t mean our fiscal problems have been solved. The City Council has been forced to make many difficult decisions over the past several budgets in order to resolve the persistent shortfalls with as much ongoing dollars possible. This includes the most recent decisions that had to be made with the approval of the 2011-2012 Adopted Budget that eliminated over 400 jobs in the General Fund, cut total compensation by 10%, and reduced many vital services to our community. The modest surplus for 2012-2013 is the result of these difficult previous actions combined with a slight improvement in revenues and a one year relief from retirement cost increases.

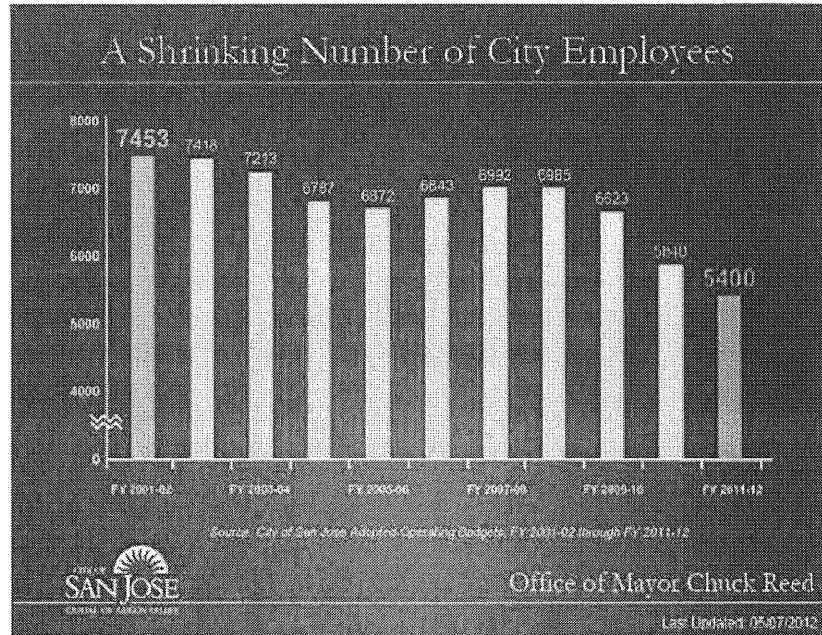
As detailed in the City Manager’s 5-Year Forecast, this year’s small “surplus” is only a one-year reprieve. As we prepare for Fiscal Year 2013-2014, we are facing another \$22 million gap that is caused primarily by rising retirement costs.

2013-2017 General Fund Surplus/(Shortfall)* (\$ in Millions)					
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Projected Revenues	\$9.0	(\$22.5)	(\$1.3)	\$19.0	\$10.7

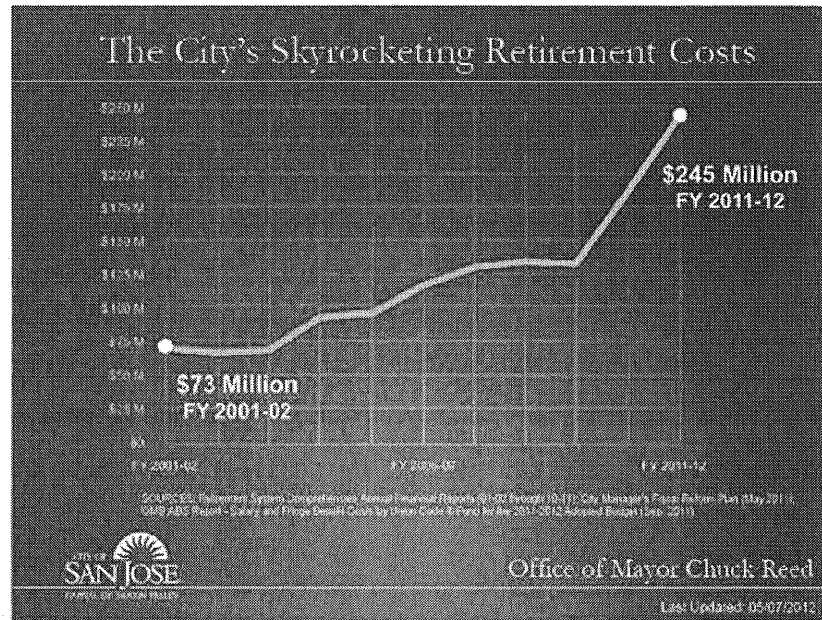
* Does not incorporate salary increases, with the exception of salary steps for eligible non-management employees and management performance pay; costs associated with fully funding the annual required contributions for police and fire retiree health care; impacts associated with the implementation of the Fiscal Reform Plan; costs associated with restoration of key services funded on a one-time basis in 2011-2012; costs associated with unmet/deferred infrastructure and maintenance needs; or one-time revenues/expenses.

This year's cushion and the forecast do not factor in all of the challenges that lie ahead. Fully funding our share for Police and Fire retiree health care would add \$20 million in costs over the later years of the forecast period. It does not include any unmet deferred infrastructure maintenance needs, which includes \$100 million just for road maintenance alone.

The forecast also does not include the cost of restoring services to the community. Over the last decade of budget shortfalls, we have had to significantly reduce community services and cut more than 2,000 jobs from our workforce (as detailed in this chart). These jobs mean services to our community. We have fewer officers on patrol, our library hours have been reduced, and we operate fewer community centers. It will cost \$33 million just to restore key services to January 2011 levels. This is why we cannot consider this year's \$9 million cushion a surplus.



To begin to restore services and fund core services at the level our residents deserve, we must continue to confront our ongoing fiscal challenges. Over the last 10 years, retirement costs have grown from \$73 million in Fiscal Year 2001-2002 to \$245 million in Fiscal Year 2011-2012. For Fiscal Year 2012-2013, retirement costs are expected to stay relatively flat, due primarily to eliminating jobs and cutting pay. This is not something we want to do again. By 2016-2017, City retirement contributions for all funds are forecasted by the independent retirement boards'



actuaries to grow about 27% compared to 2012-2013. Controlling the growth in retirement costs must remain a priority for the City in order to achieve financial stability and ensure appropriate levels of service to the community. It is also important to note that we have \$2.9 billion of unfunded retirement liabilities that must be paid off in the future, and those unfunded liabilities grew by \$145 million in the last round of valuations.

Unfortunately, the City's actual retirement costs could grow even higher if there is another recession or if the independent retirement boards adopt more realistic assumptions. The retirement boards have been advised by their actuaries and their professional staff to lower their assumed rate of return. According to data provided by the boards' actuaries, reducing the assumed rate of return from 7.5% to 7.25% would drive retirement costs up by about \$20 million per year.¹

Other Challenges

Successor Agency

The forecast does not include additional impacts from the State actions eliminating the Redevelopment Agency. In Fiscal Year 2012-2013, property tax increment will be \$16.9 million short of what we need to pay all enforceable obligations of the former Redevelopment Agency. After reducing Successor Agency Administrative costs by \$500,000, this results in an \$11.0 million transfer from the General Fund, with the Parking Fund and Community Development Block Grant Fund paying for the remaining obligations. The process for dissolving the former Redevelopment Agency is very complex and there are many ambiguities of current law and uncertainties with current legislation. There still may be impacts in Fiscal Year 2012-2013 as well as in future budgets.

Recent Litigation

Recently, a \$6 million verdict was rendered against the City. As this decision makes its way through the appellate process, we need to ensure adequate funds exist in our litigation appropriation to cover this and other cases that are pending. The City Manager is directed to prioritize the use of any ending fund balance to increase the litigation appropriation.

Library Ballot Measure

Signature-gathering is currently underway for a proposed ballot measure that would carve out a dedicated portion of the General Fund budget for the City's Library Department. According to a preliminary analysis by the City Manager, this initiative would increase library funding by \$15.7 million *without providing a new source of revenue to offset this increase*. As a result, the City would be forced to divert \$15.7 million per year from other vital services in order to meet the proposed set-aside.

While our libraries are valuable community resources, they should not be guaranteed funding over all other City services. Even as City revenues slowly begin to grow, the ballot measure would make it virtually impossible to achieve the City Council's goal to restore other critical services (police, fire, community centers) to January 2011 levels in the coming years.

The City Manager has outlined the following potential services that may have to be reduced in order to provide extra money to the libraries.

¹Cheiron's June 30, 2011 OPEB Valuations: March 1, 2012 Presentation to the Police and Fire Retirement Board (http://www.sjretirement.com/uploads/PF/3_2itemPFMar12.pdf see p.6) & January 19, 2012 Presentation to the Federated Employees Retirement Board (http://www.sjretirement.com/uploads/FED/4_1itemFedJan12.pdf see p. 4)

Potential Service Reductions in Other Areas as Presented by the Administration

- Eliminate Proposed Ongoing Additions (e.g., infrastructure/technology investments, Safe Schools Campus Initiative, Police Horse Mounted Unit, senior wellness, landscape watering).
- Reduce 20-25 Police Officer positions.
- Eliminate One Fire Engine Company.
- Close 25% of Community Centers/Re-Use Centers.
- Reduce Park Rangers.
- Reduce Pavement Maintenance.
- Reduce Children's Health Initiative (50%).
- Reduce San José BEST (50%).
- Reduce Strategic Support Functions (e.g., Finance, Information Technology, Human Resources, Public Works).

These substantial ongoing funding uncertainties mean we have to be cautious about new ongoing commitments and to maintain funds in reserve. That's why recommendations for funding contained in this Message are primarily one-time in nature.

Restoring Services

The City Council already took a significant step forward in restoring services when it approved placing a pension reform ballot measure before the voters during the upcoming June election. But we must continue implementing the other elements of our City's Fiscal Reform Plan. This includes:

- Implementing a lower cost medical plan that will reduce healthcare costs for both the City and employees (approximately \$8.2 million in General Fund savings).
- Ending sick leave cash payouts (approximately \$6.2 million in General Fund savings).
- Eliminating overtime pay for management employees exempt under the Fair Labor Standards Act (approximately \$1.2 million in General Fund savings).

Because we have yet to solve our ongoing fiscal challenges and the deficit that lies ahead, we must be restrained in our temptation to add ongoing additions until savings from fiscal reforms and other measures are realized. Taking into consideration the Council Budget Documents, comments from District Budget Meetings, neighborhood priority setting sessions, and the Community Budget Survey, I have recommended a limited number of additions in this year's budget.

As savings from the Fiscal Reform Plan and ballot measure are realized in Fiscal Year 2012-2013, the City Manager is directed to use the following table as a guide to restore services as detailed by the Fiscal Reform Plan approved by the Council in 2011.

Service Restorations Previously Identified by City Council	
Fire Department	<ul style="list-style-type: none"> • 33 Fire Stations open; • On average, Citywide, 82.6% of time, the initial responding fire unit arrives within 8 minutes after an emergency 9-1-1 call is received; • On average, Citywide, 85.2% of time, the second response fire unit arrives within 10 minutes after an emergency 9-1-1 call is received.
Police	<ul style="list-style-type: none"> • On average, Citywide, average response time for Priority One police calls for service (present or imminent danger to life or major damage/loss of property) is 6.04 minutes; • On average, Citywide, average response time for Priority Two police calls for service (injury or property damage or potential for either to occur) is 12.74 minutes; • On average, overall, the clearance rate (number cleared / total cases) for Part 1 crimes is as follows: Homicide (65.00%), Rape (19.37%), Robbery (26.54%), Aggravated Assault (39.93%), Burglary (5.58%), Larceny (18.90%), and Vehicle Theft (8.85%).
Library	<ul style="list-style-type: none"> • On average, 18 library branches are open 39 hours per week; • On average, King Library (subject to future contractual arrangements with San José State University): <ul style="list-style-type: none"> • Hours open: 72 hours per week per academic semester; 58 hours per week otherwise; • Children's Room: 50 hours per week; • Third Floor General Collection and Reference Desks: 64 hours per week; • California Room: 20 hours per week; • Access Services: 72 hours per week; • Periodicals: 72 hours per week; • Second Floor Reference Desk: 72 hours per week.
Parks, Recreation and Neighborhood Services	<ul style="list-style-type: none"> • On average, 10 Hub Community Centers are open 63 hours per week; • On average, 9 Satellite Community Centers are open 40 hours per week; • On average, 8 Neighborhood Centers are open for 15 hours of programming per week.
Street Maintenance	<ul style="list-style-type: none"> • 72 miles of residential and arterial streets resealed and 6 miles of residential and arterial streets resurfaced with various Capital and Grant funds (no General Fund allocation). Maintaining this street maintenance level will be contingent upon receiving commensurate levels of regional, state, and federal funds annually.
Facilities Built or Under Construction/ Opening Deferred	<ul style="list-style-type: none"> • South San José Police Substation.

BACKGROUND

Through our community budgeting process, we have made a commitment to hear directly from our residents, communities, and neighborhoods about their priorities so that when the budget is adopted it reflects the values of the community. We have done that by conducting community surveys, neighborhood priority setting sessions, and budget meetings in each of the City Council Districts.

Community Budget Survey/Infrastructure General Obligation Bond and Sales Tax Survey

This year, a budget priority survey of more than 900 residents was conducted, and residents gave their input on their budget priorities. The results of this survey led to the following conclusions:

- Overall, the survey reaffirms previous years' results that residents favor reducing employee compensation and benefits rather than reducing City services or raising additional revenue.
- A substantial majority of voters would rather limit cuts to public safety services at the expense of making larger cuts for other City services.
- Residents also seem to be more open than in previous years in supporting a revenue measure, such as a one-quarter/one-half percent sales tax and adjusting the City's business tax rate.

Because of a willingness to consider revenue measures that could ease some budget constraints, a follow up poll was completed in May. This poll further explored a General Obligation Bond for infrastructure and a one-quarter/one-half percent sales tax.

General Obligation Bond for Infrastructure

A bond for infrastructure would be a special tax that requires a 2/3's vote for approval. The survey results indicate that approximately 64% of likely voters would support a \$395 million general obligation bond measure. The support for the bond increases to 66% when the amount of the bond decreases to \$295 million and to 68% when the bond amount decreases to \$195 million.

Positive and negative arguments for and against a potential bond measure do not appear to affect support. Although the level of support does increase to 67% after positive messages, it drops back down to the base level of about 64% after negative messages. This indicates relatively consistent support at about 64%. Broadening the scope of the measure from transportation to include other infrastructure projects increases support from 64% to 67%, indicating a modest increase in level of support, but within the survey's margin of error.

In terms of which improvements were most important, likely voters appear to prioritize fixing potholes, repaving deteriorating streets, improving pedestrian safety, and improving sidewalks and curb ramps for seniors and the disabled. In addition, while expanding the City's network of bike lanes, bike trails, and repairing pedestrian bridges was of lower importance, a very high percentage of voters support improving traffic flow and safety for drivers, bicyclists, and pedestrians on local streets and intersections.

Sales Tax Increase

The survey results indicate that 58% of likely voters would support a ½ percent sales tax increase while 63% would support a ¼ percent sales tax increase. Although the level of support has decreased slightly since the Community Budget survey conducted earlier this year, potentially due to changes to the potential ballot language tested in the survey, it still remains above the 50% majority support required for passage of a general purpose tax measure.

Given that the Sales Tax measure has a greater margin of support over the required percentage needed than the General Obligation Bond Measure, the City Manager is directed to allocate \$50,000 from the Fiscal Reform Implementation Reserve for additional polling in July and bring a resolution to place the tax measure on November ballot for City Council consideration at the August 7th City Council meeting. Now that there is more certainty as to what else will be on the November ballot, the polling should test the impact of these other measures on a potential sales tax measure.

Neighborhood Association and Youth Commission Priority Setting Session

At the Sixth Annual Neighborhood Association and Youth Commission Priority Setting Session, 87 residents prioritized City services. Participants were comprised of members of neighborhood associations, neighborhood commissions, and the Youth Commission.

Residents indicated that gang prevention and other forms of “non-police” intervention to increase safety and livability of the City were top priorities. Other top proposals for funding included general code enforcement, restoring the park ranger program, neighborhood and school traffic safety, and increasing library hours. Residents also showed a desire to increase revenues (raise taxes) to improve pavement conditions. The top revenue generating proposals were a ¼ cent sales tax and the business tax adjustment.

2012 District Budget Meeting Summary

As part of the City of San José’s Community Based Budget Process, a series of 11 meetings were held in April and May in each City Council District to present information on the City budget and engage residents. Hundreds of residents attended these meetings and shared their perspectives and advice. After listening to hundreds of comments and questions in all 10 City Council Districts, several themes emerged from residents:

- Fiscal Soundness – the City should wisely manage tax dollars and control costs, though opinions on how best to do that vary widely.
- Basic Service Delivery – the City should work toward restoring levels of service that have been reduced in recent years.
- Infrastructure Maintenance – the backlog of maintenance on infrastructure was a source of concern for many, especially the maintenance of City streets that affect them on a daily basis.
- Innovation – there was a strong positive reaction to innovations in service delivery and the use of technology to improve the delivery of City Services.

- Volunteers – many participants expressed a willingness to volunteer to be part of the solution and suggested many possibilities for volunteerism in the City.

After each meeting participants expressed their appreciation for the opportunity to have their voices heard and to learn more about the City budget. Overall it is clear that the residents of the City of San José want their services to be both effective and affordable. While they are sympathetic of the difficulty and complexity of the City's budget, in the end they expect the City to move forward and begin taking the steps needed to restore service levels, rehabilitate aging infrastructure, and maintain an effective and efficient City workforce.

INVESTMENT AND REDUCTION STRATEGIES

1. Neighborhood Services and Public Safety

- Civilianization:** To ensure that San José continues to be one of the safest large cities in the country, we need to find ways to keep Police Officers on the streets. Civilianization is another way to put Officers on the streets if recruiting falls short of our needs. Two years ago an audit was completed to review the possibilities of civilianization opportunities in the Police Department. While I am pleased that some efforts have been made, more needs to be done to implement the Auditor's recommendations. Staff should seek to increase the number of positions allowed for civilianization in the Memorandum of Agreement with the SJPOA, consider how Community Service Officers and Investigative Aides might be used in the future, as well as meet and confer with the SJPOA regarding this provision. The City Manager is directed to aggressively pursue those additional opportunities identified in MBA #34.
- New Park Developments:** As outlined in MBA #31, the City Manager is directed to release the hold which was placed on new park development for parks where the annual operating and maintenance costs are less than \$100,000. This will allow the City to proceed with the development of 11 new parks. Although the hold is recommended for immediate release, only three projects are ready to enter the construction phase for Fiscal Year 2012-2013. These three projects are: Antonio Balermينو, Del Monte and West Evergreen Parks. The remaining projects will enter the design and construction phase as soon as their funding has been secured and/or their planning phases have been completed. These projects include: Pellier Park, Montecito Vista Park, Noble Dog Park, River View Park, Martin Park, North San Pedro Park, Tamien Park, and Essex Park. (BD #3 Nguyen)
- Safe Summer Initiative:** For the past five years, the Safe Summer Initiative has been a resounding success. Approximately 2,232 children participated in over 7,000 hours of activities funded by the Safe Summer Initiative in summer 2011. From the summers of 2007 to 2011, there has been an 87 percent decrease in overall gang crimes and a 40 percent decrease in violent gang crimes. This program has raised \$209,280 this year of the \$325,000 needed. It is a program that has proven results and I recommend that the Mayor's Office rebudget be reduced by \$100,000 to help fund this program for the next fiscal year.

- d. **Crossing Guards:** The safety of our school children remains a top priority for San José residents, as well as the City Council. During meetings with Superintendents at the Schools/City Collaborative, the Superintendents stated that this was the most important service the City provides for the schools. Transportation Index studies and traffic counts don't always tell the full story about safety at intersections. The City Manager is directed to allocate \$75,000 in ongoing funds to staff additional priority intersections. The City Administration should work with and seek input from Council Offices on highest priority locations. (BD #19 Rocha, BD #34 Liccardo)
- e. **Silver Creek Aquatics Program:** Councilmember Herrera has requested funding to support the 2012 summer recreational swim program for Evergreen Youth. The City Manager is directed to pursue an agreement with East Side Union High School District to lease the use of Silver Creek High School Swimming Pool to support a summer swim program for the Evergreen Community. The City Manager is directed to allocate \$25,000 in one-time funds for this effort. (BD #45 Herrera)
- f. **Spartan Keyes/McKinley Centers:** The McKinley Center currently lacks full-time City staff, and it serves one of the neighborhoods identified as a hot spot by the Mayor's Gang Prevention Task Force. The Spartan Keyes Center has been staffed by part-time Recreation Leaders through AmeriCorps, however, funding is set to expire in August. The City Manager is directed to allocate 1.0 Recreation Specialist at Spartan/Keyes (\$86,000) and associated non-personal (\$8,000) to ensure stable operations for the remainder of the fiscal year. The staff member in conjunction with the reuse team would create a reuse plan to phase the site into a reuse model for Fiscal Year 2013-2014. The City Manager is further directed to provide a .5 part-time Recreation Leader (\$22,000) in one-time funds to support the current provider at McKinley Center. The proposed Recreation Leaders would coordinate afterschool activities for youth in grades 5-8. Staff is further directed to explore partnerships with City Year and other non-profits to provide additional support and minimize costs. (BD #33 Liccardo)
- g. **Redistribution of Almaden Lake Park Swim Program Funds:** Councilmember Pyle had previously raised funds to support the Swim program at Almaden Lake Park. The open water swim program has been eliminated due to bacteria and algae blooms at the site, which created unhealthy swimming conditions. Councilmember Pyle is requesting that approximately \$47,000 of the funds raised instead be designated to provide the funding toward parks and trails within District 10. The City Manager is directed to work with the Parks Foundation and Council District 10 to reallocate these funds to the Parks, Recreation and Neighborhood Services Department for other District 10 parks and trail programs as early in the fiscal year as possible. (BD#21 Pyle)
- h. **Senior Services and Transportation**
 - a. **Partnership Alternatives/Volunteer Management:** Senior wellness programs and services provided at our community centers ensure that our seniors remain active and engaged. Staff has been working to provide seniors alternative forms of transportation by establishing partnerships with VTA and Outreach. The partnership with VTA and Outreach continues to be the most cost-effective senior transportation solution. In addition, increased volunteerism is needed to ensure the success and stability of the

Senior Nutrition and Transportation Program. The City Manager is directed to allocate \$111,000 one-time funding to:

- Fund \$25,000 in additional Outreach and VTA transportation services to offer Paratransit, emergency taxi, carpool incentives, and subsidized bus passes. The \$25,000 additional funding for the partnership alternatives is in addition to a \$125,000 proposed allocation in Fiscal Year 2012-2013. In total, \$150,000 is proposed for partnership alternatives with Outreach and VTA and will assist up to 250 participants per week.
 - Fund \$86,000 for 1.0 Recreation Program Specialist to increase volunteer efforts for senior nutrition and connect senior participants to the array of transportation alternatives.
- b. Interim Van Transportation: While alternative transportation efforts are being developed and implemented with Outreach and VTA, interim van or other point-to-point transportation will be provided for senior participants directly impacted by the loss of van service in Fiscal Year 2010-2011. The City Manager is directed to allocate one-time funding in the amount of \$150,000 to offer limited van transportation through Outreach and Escort, Inc. at the previously serviced seven sites (Cypress, Southside, Gardner, Mayfair, Willow Glen, Seven Trees, and Alma). Staff is directed to conduct outreach with senior participants in order to assess their respective site-by-site transportation needs. This interim service will stabilize Senior Nutrition Program participation and allow adequate time to implement the mobility management model and to connect eligible participants to Outreach Paratransit services, public transportation options, and other mobility alternatives.

The following chart details revised funding for the Senior Services and Transportation program.

City Senior Services and Transportation Funding (General Fund)		
	2012-2013	Ongoing
Transportation Services	\$225,000	\$50,000
Mobility Manager Recreation Program Specialist	\$86,000	\$0
CBO/Administration	\$550,000	\$350,000
Total City Senior Services and Transportation Funding	\$861,000	\$400,000
County Transportation Funding		
	2012-2013	Ongoing
Transportation Services*	\$75,000	\$75,000
Total County Transportation Funding	\$75,000	\$75,000

*Increase of \$13,000 from 2011-2012, funding assumed to be ongoing but subject to future County appropriations.

TOTAL

City and County Funding		
	2012-2013	Ongoing
GRAND TOTAL	\$936,000	\$475,000

- i. Homeless Encampment Program:** While the homeless population in San José has declined in recent years due to coordinated efforts, the number of people who have been homeless for more than one year has increased. About two-thirds of the homeless population is unsheltered, and many find refuge along City waterways. Under State law, local governments are required to inventory and store possessions of residents removed from homeless encampments on public property for at least 90 days following the cleanup. The most effective strategy to remove encampment residents is to identify better living alternatives for them as part of a timely and comprehensive solution. As outlined in MBA #18, the City Manager is directed to allocate \$150,000 in one-time funding to conduct Phase 1 cleanups this summer to evaluate the most effective and efficient way to manage encampment cleanups, while ensuring that cleanup procedures meet State requirements and provide more targeted housing support. The \$150,000 of funds from the Integrated Waste Management Fund (unrestricted Recycle Plus Late Fees) recommended would pay costs for noticing and providing other outreach to the homeless.
- j. Volunteer Engagement:** Our ability to facilitate volunteers has lessened as we have reduced resources. Given the City's budget limitations, it's more important than ever to engage San José's neighborhoods in a meaningful way as was identified by our neighborhoods during our community budget process. Enhancements to our current program and an additional staff member dedicated to these efforts will assist us in meeting the challenge of identifying and managing volunteers, and engaging the talents of our community. The City Manager is directed to allocate \$88,300 in one-time funds which would increase the volunteer coordinator from .75 to 1.0 and add two .5 part-time unbenefitted Recreation Leaders to this effort. (BD #38 Liccardo)
- k. Smart Start Program:** The Smart Start Family Child Care Training Program provides a 10-month business start-up and retention training program to help low-to-moderate income residents establish or retain a state licensed home-based child care business. The program has been in operation for 12 years and housed within the Library Department since 2005. The Community Development Block Grant (CDBG) monies that have funded the program were redirected for other priorities in 2012-2013. Therefore, no additional classes will be offered. To help continue this service in the future under a revised model, the City Manager is directed to work with potential community partners such as FIRST 5 Santa Clara County, Silicon Valley Community Foundation, and United Way Silicon Valley during the next few months in order to develop a new strategy and related funding.
- l. San José Municipal Stadium:** The San José Municipal Stadium is home to over 140 events every year providing fun and affordable entertainment to over 325,000 people annually. Traditionally, their capital improvement budget is derived from a percentage of Muni revenues. These funds are modest in size and are not of the scale and scope necessary to handle significant stadium safety and improvement needs. There are some immediate capital improvements necessary such as sealing the stadium bowl seating area and restriping the parking lot. The City Manager is directed to allocate \$85,000 in one-time funds to be used towards the San José Municipal Stadium improvements. (BD#6 Nguyen)

- m. Independent Police Auditor's Office (IPA):** The Independent Police Auditor's Office has seen a 26% increase in the number of misconduct complaints filed by members of the public over 2010 due to increased outreach efforts. Given the increased workload, it's appropriate to ensure the IPA has appropriate staffing to meet mandated functions under the charter. The City Manager is directed to allocate \$107,200 in one-time funding to fund a full-time Analyst II position in the Independent Police Auditor's Office.

2. Community and Economic Development Services

- a. Business Outreach Program:** The retention and recruitment of large driving industry companies and emerging growth companies is one of the Top 5 priorities of the Economic Strategy Workplan. The Office of Economic Development (OED) has conducted 245 business outreach meetings this year. Councilmembers and I have also done numerous outreach meetings throughout the course of the year. To capture more of Silicon Valley's growth in the year ahead, we must significantly step up our outreach and business appreciation efforts and actively promote the prime R&D/Office space that is available for lease in the Downtown, North San José and Edenvale employment centers.

The City Manager is directed to appoint an OED lead to be a single point of contact for implementing a comprehensive and coordinated business outreach, retention and recruitment program that is aligned with our economic development priorities and reported to City Council on a bi-annual basis.

- b. Telecommunications User's Tax Cap Program:** The City Manager and City Attorney are directed to present to City Council in September 2012, an amendment to the Telecommunications User's Tax Ordinance, to continue in its current form, increasing the tax cap at 2% per year and extending the program beyond the December 31, 2012 sunset date for another five years through December 31, 2017.
- c. Neighborhood Business Districts:** The Neighborhood Business Districts provide important resources for small business. They also organize important community and cultural events. The City Manager is directed to allocate \$45,000 in one-time funding to the Neighborhood Business Districts. This would provide \$5,000 for each Neighborhood Business District.

3. Strategic Support

- a. Performance Based Increases:** Even with savings achieved as the Fiscal Reform Plan is implemented, it is unlikely that the City will be able to grant annual across the board wage increases anytime soon. However, it is important to be able to reward excellent performance and provide pay raises based on merit. The City Manager is directed to continue moving towards a merit based system which would (1) require a current positive performance appraisal before implementing any pay increase (including step and general wage increases), (2) eliminate the automatic step increase process or establish minimum performance thresholds for receiving step increases and/or (3) implement a process for rewarding excellent performance with additional compensation. It is recognized that the current management pay plan already provides for performance based pay and therefore,

can be used to reward excellent performance as resources allow. This plan has been in effect for many years and may need to be modified to reflect best practices moving forward. A fully merit based pay system for represented employees should be proactively explored through the meet and confer process with our bargaining units.

- b. City Clerk's Office:** One of the functions of the City Clerk's Office is to provide support for the Mayor and Council Offices and for Council Committees. Recent budget actions have made it very difficult for the City Clerk's Office to continue to effectively complete their mandates. The City Manager is directed to use savings from Council General to fund an Analyst (\$121,000) and a Staff Technician (\$105,000) positions on a one-time basis. This proposal would create positions dedicated to compliance monitoring, review and audit functions, and restoration of service for the Mayor and Council Offices.
- c. Civic Center TV Upgrades:** City staff has been in discussion with our video service provider that will provide a number of solutions and savings for a variety of functions.

These include:

- Satisfy Council direction for a searchable database.
- Replace obsolete Granicus equipment in the Civic Center TV operation.
- Improve the signal and add mobile streaming of meetings.
- Improve efficiency of Clerk's Office agenda/document workflow.
- Significantly reduce Clerk printing costs.
- Address ADA accessibility issues for Council documents.

The City Manager is directed to allocate \$23,000 in funding to support these improvements.

- d. City Attorney's Office:** Handling litigation is a critical function of the City Attorney's Office and is key to protecting the City's interest. According to the City Attorney's Office, inadequate staffing has made it necessary for the City to increase reliance on outside Council at considerable cost. Adding a Chief Deputy City Attorney would enable the Attorney's Office to save on outside counsel fees. Because ongoing funds are not available in this budget, the City Manager is directed to fund the Chief Deputy City Attorney position ongoing (\$283,000) through an ongoing reduction of the City Attorney's non-personal/equipment budget (-\$283,000). Since it will likely take time for the expected non-personal/equipment savings to be realized from adding the Chief Deputy City Attorney position, the City Manager is directed to allocate \$283,000 in one-time funds to the City Attorney's Office non-personal/equipment budget. (BD#25 Rocha)
- e. TalentBridge Program:** Due to years of budget shortfalls, we have lost a lot of capacity for analysis and ability to initiate new projects that could save us money or make us more efficient. We have received many offers from the private sector to provide assistance on a temporary, no charge basis. We are now organizing these opportunities through the TalentBridge Program initiated by the Mayor's Office. Staff is directed to work with the Mayor's Office to identify a list of candidate projects to request private sector assistance

with the goal of initiating three projects in this fiscal year that could save us money or improve efficiency.

4. Transportation and Environment

a. **Traffic Safety:** Over the last two decades, San José has continually improved its street safety record and has an injury crash rate half the national average. A consistent focus and investment in engineering, education, and enforcement over that period has contributed to the safety record. Our efforts have been essential to keeping the community safe on the roads, and have the added benefit of reducing emergency responses by our Police and Fire Departments. To support these efforts, the City Manager is directed to allocate \$100,000 in one-time funding towards the purchase of radar speed feedback signs. To mitigate traffic safety issues with the Cambrian 36 annexation, the City Manager is also directed to allocate an additional \$61,000 in one-time funding to help improve pedestrian crossings in this area. (BD #42 Herrera, BD #28 Rocha)

b. **Martha Gardens Alleyways:** The Martha Gardens Alleyways, located between South 2nd and South 3rd Streets and Margaret and Martha Streets, provide the only access to adjacent resident garages and parking stalls. The alleyways have been neglected due to a lack of available funding causing them to fall into extreme disrepair with large potholes and little to no pavement. The Alleyways also lack storm drainage infrastructure causing severe ponding after winter storms. Staff developed two project alternatives to repair the alleyways.

The City Manager is directed to pursue \$945,000 in grant funds for the Green Alleyway Improvement Project as the preferred alternative and primary funding source. However, in the event the City does not receive the grant, the City Manager is directed to allocate and reserve \$800,000 from the Storm Sewer Capital and Operating Funds, and an additional \$345,000 from Council General savings to fund the \$1.145 Million Basic Alleyway Improvement Project.

c. **Alameda Beautiful Way Project:** The Alameda (Route 82) was relinquished from the State to the City in December 2011. The Alameda is adjacent to several neighborhoods, serves as a gateway to the Downtown, and as part of Envision 2040 was identified as a Grand Boulevard. The Alameda Beautiful Way project will implement various improvements along this business and neighborhood district corridor to enhance pedestrian mobility and safety. An allocation of \$300,000 in one-time funding will enable all of the elements that were collaboratively developed with the community to be implemented as part of this approximate \$4 million project that is primarily grant funded.

d. **Bucknall Road Project:** Bucknall Road provides direct access to Baker Elementary School. A majority of the north side, between Mayfield Avenue and the school, is lacking sidewalk. Approximately \$343,000 in Safe Route to School grant funds will be available for this project in Fiscal Year 2012-2013 for construction of the sidewalk. An allocation of \$200,000 in one-time funding will fully fund this project and help to provide safe access for neighborhood children walking to Baker Elementary.

5. Rebudget Proposals

For Mayor and Council Offices, I recommend the following rebudgets subject to final verification of accounts by the City Clerk's Office. I also recommend the Council General rebudget be reduced by \$724,157 to fund proposals contained in this message. Also Council District 1 has opted to forego their entire rebudget of \$40,540 to help fund the Neighborhood Business Improvement Districts. The Mayor's Office Rebudget will be reduced by \$110,000. \$100,000 will be used to fund the Safe Summer Initiative and \$10,000 will be used to fund the Mayor and City Council Travel appropriation.

	Office Rebudget	Constituent Outreach Rebudget	Special Events Revenue/ Reimbursements	Sub Total	Less Other Uses	Total Rebudget
Mayor's Office	\$566,061	\$24,500	\$525	\$591,086	\$110,000	\$481,086
Council General	\$986,404	\$0	\$0	\$986,404	\$724,157	\$262,247
District 1	\$38,302	\$2,238	\$4,000	\$44,540	\$40,540	\$4,000
District 2	\$72,547	\$0	\$9,931	\$82,748	\$0	\$82,478
District 3	\$55,880	\$5,041	\$0	\$60,921	\$0	\$60,921
District 4	\$67,237	\$0	\$3,361	\$70,598	\$0	\$70,598
District 5	\$104,343	\$21,086	\$0	\$125,429	\$0	\$125,429
District 6	\$93,030	\$0	\$0	\$93,030	\$0	\$93,030
District 7	\$97,901	\$23,002	\$12,000	\$132,903	\$0	\$132,903
District 8	\$63,865	\$4,826	\$21,593	\$90,284	\$0	\$90,284
District 9	\$87,064	\$26,935	\$12,300	\$126,299	\$0	\$126,299
District 10	\$97,375	\$17,126	\$830	\$115,331	\$0	\$115,331
Mayor and City Council Travel (from Mayor's Office)						\$10,000

COORDINATION

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

CITY SOURCE AND USE OF FUNDS

GENERAL FUND		2012-2013	Ongoing
SOURCE OF FUNDS			
Page 16	Beginning Fund Balance - Mayor and Council Offices Rebudgets	2,519,573	0
MBA #9	Revenue from the Use of Money/Property	60,000	0
MBA #12	Transfers and Reimbursements	69,500	69,500
MBA #38	Transfers and Reimbursements - Overhead Adjustments from ESD Funds	17,553	17,553
Total General Fund Source of Funds		2,666,626	87,053
USE OF FUNDS			
Pages 8-16	Essential Services Earmarked Reserve	(1,500,000)	0
Page 8	Revenue Measure Poll	50,000	0
Page 8	Fiscal Reform Implementation Earmarked Reserve	(50,000)	0
Page 9	Safe Summer Initiative	100,000	0
Page 10	Crossing Guards	75,000	75,000
Page 10	Silver Creek Aquatics Program	25,000	0
Page 10	Spartan Keyes/McKinley Centers Staffing - Add 1.0 Recreation Specialist and 0.5 Recreation Leader PT effective July 1, 2012 through June 30, 2013	116,000	0
Page 10	Senior Transportation Services - Add 1.0 Recreation Program Specialist effective July 1, 2012 through June 30, 2013	261,000	0
Page 12	Volunteer Engagement - Add 0.25 Volunteer Coordinator and 1.0 Recreation Leader PT (Unbenefitted) effective July 1, 2012 through June 30, 2013	88,300	0
Page 12	San José Municipal Stadium	85,000	0
Page 13	Independent Police Auditor Staffing - Add 1.0 Analyst II effective July 1, 2012 through June 30, 2013	107,200	0
Page 13	Neighborhood Business District Funding	45,000	0
Page 14	City Clerk Staffing - Add 1.0 Staff Technician and 1.0 Analyst II effective July 1, 2012 through June 30, 2013	226,000	0
Page 14	Civic Center TV Upgrades	23,000	0
Page 14	City Attorney's Office Staffing - Add 1.0 Chief Deputy City Attorney	283,000	283,000
Page 14	City Attorney's Office Non-Personal/Equipment Reduction	0	(283,000)
Page 15	Traffic Safety	161,000	0

ATTACHMENT

Page 15	Martha Gardens Alleyways Earmarked Reserve	345,000	0
Page 15	Alameda Beautiful Way Project	300,000	0
Page 15	Bucknall Road Project	200,000	0
Page 16	Mayor and Council Offices Rebudgets	2,519,573	0
Page 16	Mayor and Council Travel	10,000	0
Page 16	Council District 1 Rebudget Reduction	(40,540)	0
Page 16	Mayor's Office Rebudget Reduction	(110,000)	0
Page 16	Council General Rebudget Reduction	(724,157)	0
MBA #5	City Auditor Staffing - Eliminate 1.0 Supervising Auditor and 1.0 Senior Program Performance Auditor and add 3.0 Program Performance Auditor I	0	0
MBA #9	Arena Authority	60,000	0
MBA #12	Tech Museum of Innovation	(55,250)	(55,250)
MBA #12	Children's Discovery Museum	(14,250)	(14,250)
MBA #12	Cultural Facilities Capital Maintenance	139,000	139,000
MBA #21	General Plan Update Earmarked Reserve	(951,593)	0
MBA #21	Planning, Building, and Code Enforcement Personal Services - Add 2.0 Planner I/II effective July 1, 2012 through June 30, 2013	226,994	0
MBA #21	Planning, Building, and Code Enforcement Non/Personal/Equipment	590,871	0
MBA #21	Department of Transportation Personal Services - 1.0 Associate Transportation Specialist effective July 1, 2012 through June 30, 2013	133,728	0
MBA #28	2013-2014 San José BEST Program Earmarked Reserve	500,000	0
MBA #28	San José BEST Program	(500,000)	0
MBA #28	Parks, Recreation and Neighborhood Services Department - Add 3.0 Youth Outreach Worker I, 0.5 Youth Outreach Worker I PT, and 1.0 Analyst II effective July 1, 2012 through June 30, 2013	0	0
MBA #30	City Manager's Office Personal Services - Shift 3.75 Community Activity Worker PT to Parks, Recreation and Neighborhood Services Department and shift 1 Community Coordinator and 1 Community Services Supervisor to Housing Department	(462,100)	(462,100)
MBA #30	Housing Department Personal Services - Shift 1 Community Coordinator and 1 Community Services Supervisor from City Manager's Office	253,862	253,862
MBA #30	Parks, Recreation and Neighborhood Services Department Personal Services - Shift 3.75 Community Activity Worker PT from City Manager's Office	208,238	208,238
MBA #33	Building Development Fee Program Earmarked Reserve	(124,703)	(124,703)
MBA #33	Planning Development Fee Program Earmarked Reserve	(520,821)	(520,821)

MBA #33	Building Development Fee Program Personal Services - Add 1.0 Planner I/II	113,497	113,497
MBA #33	Planning Development Fee Program Personal Services - Add 1.0 Planner I/II, 1.0 Senior Planner, 1.0 Division Manager, and 1.0 Permit Specialist	473,777	473,777

Total General Fund Use of Funds	2,666,626	86,250
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Additional Funding Available	0	803
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**CONSTRUCTION TAX AND PROPERTY CONVEYANCE TAX FUND: PARKS PURPOSES
COUNCIL DISTRICT 7**

2012-2013	Ongoing
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SOURCE OF FUNDS

Total Council District 7 Parks C&C Tax Fund Source of Funds	0	0
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USE OF FUNDS

MBA #31	West Evergreen Park Development	1,562,000	0
MBA #31	Reserve: West Evergreen Park	(1,562,000)	0

Total Council District 7 Parks C&C Tax Fund Use of Funds	0	0
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HOME INVESTMENT PARTNERSHIP PROGRAM TRUST FUND

2012-2013	Ongoing
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SOURCE OF FUNDS

Total Home Investment Partnership Program Trust Fund Source of Funds	0	0
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USE OF FUNDS

MBA #18	Tenant Based Rental Assistance	432,910	0
MBA #18	Housing Loans and Grants	(432,910)	0

Total Home Investment Partnership Program Trust Fund Use of Funds	0	0
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		2012-2013	Ongoing
ICE CENTRE REVENUE FUND			
SOURCE OF FUNDS			
Total Ice Centre Revenue Fund Source of Funds		<u>0</u>	<u>0</u>
USE OF FUNDS			
MBA #11	Ice Centre Repairs/Replacements	(35,000)	0
MBA #11	Ending Fund Balance	35,000	0
Total Ice Centre Revenue Fund Use of Funds		<u>0</u>	<u>0</u>
INTEGRATED WASTE MANAGEMENT FUND			
SOURCE OF FUNDS			
MBA #18	Beginning Fund Balance (Late Fees)	150,000	0
Total Integrated Waste Management Fund Source of Funds		<u>150,000</u>	<u>0</u>
USE OF FUNDS			
MBA #18	Homeless Encampment Cleanup (Late Fees)	150,000	0
MBA #38	City Auditor's Office Personal Services - Add 0.11 Program Performance Auditor I	11,748	11,748
MBA #38	Overhead	1,829	1,829
MBA #38	Ending Fund Balance	(13,577)	(13,577)
Total Integrated Waste Management Fund Use of Funds		<u>150,000</u>	<u>0</u>

SAN JOSE/SANTA CLARA TREATMENT PLANT OPERATING FUND		2012-2013	Ongoing
SOURCE OF FUNDS			
Total San José/Santa Clara Treatment Plant Operating Fund Source of Funds		0	0
USE OF FUNDS			
MBA #38	City Auditor's Office Personal Services - Add 0.65 Program Performance Auditor I	69,420	69,420
MBA #38	Overhead	9,996	9,996
MBA #38	Ending Fund Balance	(79,416)	(79,416)
Total San José/Santa Clara Treatment Plant Operating Fund Use of Funds		0	0
SEWER SERVICE AND USE CHARGE FUND		2012-2013	Ongoing
SOURCE OF FUNDS			
Total Sewer Service and Use Charge Fund Source of Funds		0	0
USE OF FUNDS			
MBA #38	City Auditor's Office Personal Services - Add 0.08 Program Performance Auditor I	8,544	8,544
MBA #38	Overhead	2,276	2,276
MBA #38	Ending Fund Balance	(10,820)	(10,820)
Total Sewer Service and Use Charge Fund Use of Funds		0	0

		2012-2013	Ongoing
STORM SEWER CAPITAL FUND			
SOURCE OF FUNDS			
Page 15	Transfer from the Storm Sewer Operating Fund	300,000	0
Total Storm Sewer Capital Fund Source of Funds		300,000	0
USE OF FUNDS			
Page 15	Martha Gardens Alleyways Storm Improvements Earmarked Reserve	800,000	0
Page 15	Ending Fund Balance	(500,000)	0
Total Storm Sewer Capital Fund Use of Funds		300,000	0
STORM SEWER OPERATING FUND			
SOURCE OF FUNDS			
Total Storm Sewer Operating Fund Source of Funds		0	0
USE OF FUNDS			
MBA #38	City Auditor's Office Personal Services - Add 0.10 Program Performance Auditor I	10,680	10,680
MBA #38	Overhead	2,032	2,032
Page 15	Transfer to the Storm Sewer Capital Fund	300,000	0
MBA #38	Ending Fund Balance	(312,712)	(12,712)
Total Storm Sewer Operating Fund Use of Funds		0	0

SUBDIVISION PARK TRUST FUND		2012-2013	Ongoing
SOURCE OF FUNDS			
Total Subdivision Park Trust Fund Source of Funds		<u>0</u>	<u>0</u>
USE OF FUNDS			
MBA #31	West Evergreen Park Development	353,000	0
MBA #31	Reserve: West Evergreen Park	(353,000)	0
MBA #31	Noble Park Dog Park	772,000	0
MBA #31	Reserve: Penitencia Creek Park Dog Park	(772,000)	0
Total Subdivision Park Trust Fund Use of Funds		<u>0</u>	<u>0</u>
WATER UTILITY FUND		2012-2013	Ongoing
SOURCE OF FUNDS			
Total Water Utility Fund Source of Funds		<u>0</u>	<u>0</u>
USE OF FUNDS			
MBA #38	City Auditor's Office Personal Services - Add 0.06 Program Performance Auditor I	6,408	6,408
MBA #38	Overhead	1,420	1,420
MBA #38	Ending Fund Balance	(7,828)	(7,828)
Total Water Utility Fund Use of Funds		<u>0</u>	<u>0</u>

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