

*Five-Year Economic Forecast
and
Revenue Projections*

2013-2017

Appendix A

City of San José Budget Principles
and Baseline Services as of January 1, 2011

CITY OF SAN JOSE BUDGET PRINCIPLES

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

1) STRUCTURALLY BALANCED BUDGET

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

2) PROPOSED BUDGET REVISIONS

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

3) USE OF ONE-TIME RESOURCES

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

4) BUDGET REQUESTS DURING THE YEAR

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

5) RESERVES

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

CITY OF SAN JOSE BUDGET PRINCIPLES

6) DEBT ISSUANCE

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

7) EMPLOYEE COMPENSATION

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

8) CAPITAL IMPROVEMENT PROJECTS

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

9) FEES AND CHARGES

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

10) GRANTS

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

11) GENERAL PLAN

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

12) PERFORMANCE MEASURES

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

13) FIRE STATION CLOSURE, SALE OR RELOCATION

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

APPENDIX C – BASELINE SERVICE LEVELS

BASELINE SERVICES AS OF JANUARY 1, 2011

In May 2011, the City's Fiscal Reform Plan determined that the City's acceptable baseline for providing services would be measured by the level of services being provided by the City as of January 1, 2011.¹⁴⁴ Service level metrics were determined by using either actual data or the level approved in the 2010-2011 Adopted Budget. For example, response times for Fire and Police services are based on performance data whereas hours of operation for the Library or Neighborhood Services are based on the service levels approved as part of the 2010-2011 Adopted Budget. Additionally, in order for the City to support these baseline service levels, strategic support services will need to be funded at an adequate level.

FIRE DEPARTMENT

- 33 Fire Stations open;
- On average, City-wide, 82.6% of time, the initial responding fire unit arrives within 8 minutes after an emergency 9-1-1 call is received;
- On average, City-wide, 85.2% of time, the second response fire unit arrives within 10 minutes after an emergency 9-1-1 call is received.

POLICE

- On average, City-wide, 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, City-wide, 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%).

¹⁴⁴ Depending on the service provided, the metrics reflect actual 2010 Calendar Year-End performance data (e.g., Fire and Police response times) or the service level as approved as part of the 2010-2011 Adopted Budget (e.g., Library Hours).

LIBRARY

- 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):
 - 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.

PARK, RECREATION, AND NEIGHBORHOOD SERVICES

- 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

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

- South San José Police Substation
- Bascom Community Center and Branch Library
- Calabazas Branch Library
- Educational Park Branch Library
- Seven Trees Branch Library