



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

**SUBJECT: JUNE BUDGET MESSAGE FOR
FISCAL YEAR 2017-2018**

DATE: June 2, 2017

Approved:

Date:

6-2-17

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 2017-2018.
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Manager's Budget Addenda and incorporate them in the Adopted Budget, except in cases where the Addenda are amended or superseded by the contents of this Budget Message.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	Homeless Response Team Park Rangers Extension
MBA #4	Mayor's Gang Prevention Task Force and San Jose Bringing Everyone's Strengths Together Resource Allocation Plan
MBA #5	Office of Equality Assurance Software Solution
MBA #11	Recommendation on the 2018-2022 Proposed Capital Improvement Program
MBA #12	Proposed 2017-2018 Transient Occupancy Tax Funded Arts and Cultural Development Grants
MBA #14	Team San Jose 2017-2018 Performance Measures
MBA #17	Finance Department Reorganization Proposal
MBA #19	Integrated Waste Management Fund Update
MBA #21	Grace Community Center
MBA #22	Camera 3 Theater – Capital Infrastructure Improvement Plan
MBA #23	Amendments to the 2017-2018 Proposed Fees & Charges Report
MBA #24	Sales Tax Independent Citizens Oversight Committee Report
MBA #25	Sale of Hayes Mansion – Implications of Agreement Termination
MBA #26	Recommended Amendments to the 2017-2018 Proposed Operating and Capital Budgets

INTRODUCTION

Pursuant to Section 1204 of the San Jose City Charter, I present my Fiscal Year 2017-2018 June Budget Message for consideration by the City Council and the community.

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. I thank Jennifer Maguire, Margaret McCahan, Jim Shannon, Bonny Duong, Enrique De Anda, Selena Ubando, Tresha Grant, Chris Petak, Alice Vurich, Jonathan Paul, Maggie Le, Bryce Ball, Anne Ortiz, Kathy Pool, David Lisenbee, Mario Rosas, Tess Hoang, Kristie Resendez, Lisa Estrada, Sarah Wood, and Nicole Altamirano for their dedication and perseverance in developing this year’s budget. Closing a \$10 million shortfall, transitioning to a program-based budgeting system, and implementing new budget software required long hours and stoic patience. The many long nights we saw them working on the 17th floor in recent months testify to their dedication to our City.

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Following the Great Recession and a decade of budget deficits totaling \$670 million, we have begun restoring key services. In FY 2015-2016 and FY 2016-2017, the City Council added police officers and firefighters, restored library hours to six days a week, increased pavement maintenance, and boosted rehousing efforts to combat homelessness.

With this budget, we can build on that progress with some targeted investments, particularly for public safety, disaster preparedness, and street pavement maintenance. We face challenging years ahead, however (Table 1) and must remain judicious as we prepare for larger deficits in years after this one:

**Table 1 - 2018-2022 General Fund Forecast
Incremental General Fund Surplus / (Shortfall) \$ in Millions**

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
(\$10.0 M)	(\$34.8 M)	(\$11.5 M)	(\$17.4 M)	(\$12.8 M)

Source: 2017-2018 City of San Jose Proposed Operating Budget

I thank my Council colleagues for their thoughtful input to the budgetary process over the past several weeks. Councilmembers submitted 73 Budget Documents totaling \$37.9 million. All of these proposals would have restored valuable services to our residents; however, budget-balancing requires narrowing priorities, particularly given our long-term fiscal projections.

A prudent and strategic approach to spending requires that we heed the Guiding Principles for Restoring City Service Levels, approved by Council, to “ensure services that are restored can be sustained over the long-run to avoid future service disruption.” As the General Fund Forecast

illustrates, any ongoing commitments we make this year will likely land on the chopping block next year. Boom-and-bust budgeting breeds mistrust among our residents and our employees.

Rather, we must budget in a manner that anticipates the belt-tightening of the future, by having the discipline to forebear committing ongoing dollars to add staff. By doing so, we can dampen the disruption to our workforce and neighborhoods with the turn of the economic cycle, and lessen the burden of the task we face in resolving projected deficits in FY 2018-2019 and beyond.

For that reason, I have persisted in a pattern of declining requests for funding commitments of an ongoing nature, and focusing on targeted, “one-time” investments that can be discontinued when deficits approach. Those ongoing funding requests will be more timely after we resolve our future deficits with spending cuts or supplemental revenues (Table 2):

Table 2 – Ongoing Budget Document Proposals

Budget Document #	Subject	Ongoing Amount
2	Rose Garden Maintenance	\$127,675
15	San Jose Arena Authority Staffing	\$31,500
23	San Jose Fire Department Safety Officer	\$96,543
33 & 72	Senior Programming	\$78,381
41 & 53	Viva Calle & Parks	\$769,778
48	Edenvale Community Center Expanded Hours	\$116,211
54	Responsible Landlord Engagement Initiative	\$250,000
57	Additional Staffing for Fire Department Safety Officer	\$226,400
68	Additional Staffing for Homeless Intervention	\$69,088
69	Additional Staffing for Office of Immigrant Affairs	\$85,704

Source: FY 2017-2018 Proposed Budget Documents

SPENDING PROPOSALS

I propose that we focus our attention on those expenditures that improve safety and make the most impactful investments in our quality of life, with the following changes to the City Manager’s 2017-2018 Proposed Operating and Capital Budgets for Council adoption:

1. Emergency Preparedness & Flood Recovery

- a. Emergency Preparedness, Training and Communication:** The FY 2017-2018 Proposed Operating Budget recommends one-time funding of \$265,000 for developing disaster response protocols between City departments, City Council offices, partner agencies, and non-profit organizations. These funds will hasten the development of multi-language message and testing delivery methods, including the County alert system. Portable mass warning systems—directed by my Budget Message last year—are on their way, and will help support these efforts. Finally, as outlined in Manager’s Budget Addendum #9 and directed by our prior Budget Message, we will re-introduce the Community Emergency Response Team (CERT) training program. The FY 2017-2018 Proposed Budget also includes an additional \$130,000 to increase training sessions and communication. I recommend the City Manager utilize this funding to assist with additional CERT trainings and disaster drills.

Lastly, I request the City Manager formally inform the Council of the status of efforts to recruit Spanish- and Vietnamese- speakers into the Police and Fire departments, particularly in light of our recent enhancements to bilingual pay. (BD #22 & #23 Nguyen)

- b. Coyote Creek Vegetation Removal:** In preparation for future storms, we must dedicate resources to mitigating the risk of flooding along the perilous Coyote Creek corridor as soon as possible. We have learned through our recent joint meeting with the Santa Clara Valley Water District (“Water District”) board that the Water District has no plans for substantial maintenance of the Coyote this year to mitigate flooding risk among our flood-devastated neighborhoods. The week after the floods, a Water District spokesperson repeatedly pointed to obstructions in the creek as the likely cause of discrepancies between the flooding and the water levels projected by the Water District’s charts, maps, and models. As the flood control agency for our County, the Water District would seem to have responsibility for clearing the fallen trees and other vegetation from the creek channel near the flooded neighborhoods. In their apparent absence, the City will seek to do so until the Water District invests in flood control projects along the creek in future years. The City’s task requires obtaining permits from several agencies—including the Water District—for the removal of dead and invasive vegetation that exacerbate high water flows, and we must work proactively and earnestly to get this done prior to next season’s rains. I recommend the City Manager allocate \$100,000 in one-time funding from the General Fund to support the removal of dead, fallen, and invasive vegetation along Coyote Creek. In addition, I recommend the City Manager allocate \$50,000 one-time funding from the Essential Service Reserve to support South Bay Clean Creeks Coalition and Keep Coyote Creek Beautiful for debris and trash removal from Coyote Creek. (BD #21 Nguyen)
- c. Rock Springs Landlord Incentive:** The flood immediately displaced 14,000 residents. Despite the extraordinary efforts of City staff and more than 4,000 volunteers to help afflicted neighbors get back on their feet, the flood destroyed the entire neighborhood of Rock Springs, comprised mostly of low income renters. Portions of the Olinder and Brookwood Terrace communities also suffered devastation. Since the flood, the extraordinary work of our Housing Department staff and community partners such as Catholic Charities and Sacred Heart has enabled 350 people to become permanently housed. However, recovery for those hardest hit by this disaster still requires significant investment to provide stable housing for 158 of our most vulnerable families. In consultation with Housing staff, I propose a landlord incentive that provides a signing bonus of \$2,000 for the first lease, and \$1,000 for additional leases provided in a safe and suitable apartment building for residents who have found it difficult to resettle since the flood. I recommend the City Manager allocate \$300,000 in one-time HUD Settlement funding for this program.

2. Safety

- a. Traffic Calming and Safety:** The safety of pedestrians, cyclists, and motorists poses a central concern in many neighborhoods, as evidenced by several Budget Documents from my Council colleagues:
- 1. Automated Radar Enforcement:** Continue to work with San Jose and San Francisco delegations in the State Capitol to support the passage of AB342 (Chiu), to

enable automated enforcement of speed in corridors with excessive rates of injury-accidents.

2. **Mobile Radar Trailers:** Radar trailers offer a low-cost way to deter speeding throughout the city. I recommend the City allocate \$17,000 in one-time Essential Service Reserve funding for the purchase of two additional Radar Feedback Trailers. I further recommend the City Manager report to the Transportation and Environment Committee on the number of mobile units in operation, locations used in the last year, and their effectiveness. (BD #4 Davis)
 3. **Radar Signs:** Foxworthy Ave has suffered from poor maintenance until we paved the street last year, and now traffic has accelerated, causing several speed-related accidents near the Kirk Community Center. I recommend the City Manager allocate \$30,000 in one-time Essential Service Reserve funding for the installation of two electronic radar signs, which will be deployed along that corridor. (BD #35 Rocha)
 4. **District 4 Traffic and Pedestrian Safety:** We see many locations in North San Jose needing traffic calming and enforcement (Budget Document #74). Future development of Top Golf will require development of traffic calming at the locations in the Alviso neighborhood, with Vision Zero: Citywide Pedestrian Safety and Traffic Calming funding focused on other locations south of Alviso. (BD #74 Diep)
 5. **Ponoma Avenue and Cottage Grove:** Students walking to school frequently encounter cars failing to adhere to posted stop signs. According to the Department of Transportation, creating a bulb-out and placing three-way stop signs directly in the driver's line of sight will improve compliance and safety. I recommend the City Manager allocate \$20,000 in one-time Construction Excise Tax Fund funding for this improvement. (BD #24 Nguyen)
 6. **Hedding Complete Street and Safety Project:** The Hedding Complete Street and Safety Project leverages annual pavement maintenance work to fund street re-design to improve safety, livability, and multimodal transportation. I recommend the City Manager allocate \$50,000 in one-time Construction Excise Tax Fund funding. (BD #47 Davis)
 7. **Branham Widening:** The City has a long term goal of improving Branham Lane adjacent to Martial Cottle Park to improve access to the park and enhance safety through the Branham corridor by developing a consistent roadway configuration. Councilmember Khamis and City staff have been working with the County of Santa Clara to acquire property along Branham Lane to develop the project, including a recent proposal by the City for a park land swap. I recommend the City Manager continue to work with Councilmember Khamis and County Officials to acquire the property needed for the roadway improvements. The Proposed Capital Budget includes a \$2 million allocation for future design work once the City acquires the property. Depending on the final scope of the project, we will need to find an additional \$12-\$19 million for construction. After land is secured, staff is encouraged to explore potential funding options to complete the project. (BD #63 Khamis)
- b. **Mayor's Gang Prevention Task Force:** The Bringing Everyone's Strengths Together (BEST) grants support non-profits that address the needs of high-risk and gang-involved youth and their families with a coordinated continuum of prevention, intervention, and suppression efforts. Our non-profit partners have not received a cost-of-living adjustment or funding increase in nearly a decade, however, and the impact of funding allocations have

deteriorated over time. I recommend the City Manager allocate \$87,000 in funding as a one-time increase for BEST agencies from the Essential Service Reserve. (BD #55 Jimenez)

- c. **Project Hope:** Project Hope leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, poverty, and blight. Originally, Project Hope was projected to end its initial assignment in District 1's Cadillac Neighborhood in December of this year. The FY 2017-2018 Proposed Operating Budget includes \$108,263 to continue Project Hope through June 30, 2018. I recommend the City Manager allocate the Reserve to ensure Project Hope remains funded through June 30, 2018. Project Hope's model focuses on catalyzing community engagement to sustain lasting change, not on committing to long-term staffing. Therefore, after June 30, 2018 Project Hope will move to new neighborhoods. To ensure the transition happens smoothly, the City Manager is directed to begin initial work with District 2 starting January 1, 2018. Additional funding may be brought forward or recommended during the FY 2018-2019 budget process. (BD #51 Jimenez)

3. Infrastructure

- a. **Street Pavement Maintenance:** In FY 2016-2017, the Council committed \$34.8 million to the Pavement Maintenance Program, paving more than 109 miles, a 36% increase over the prior year. In this year's Proposed Budget, we'll extend the paving to 250 miles, a 213% increase from FY 2015-2016. Some have asserted that the General Fund does not (but should) provide a source of funding for pavement maintenance, overlooking the fact that the \$26.3 million in Construction Excise Tax revenues are unrestricted and have flowed to the General Fund in prior years. Although we have prior Council direction to allocate additional Construction Excise Tax funding to pavement maintenance, this direction is set to sunset in 2019, which partially explains the projected decline in the Pavement Maintenance Program in those future years in the City Manager's Five-Year Forecast (See Attachment A). Given the severe fiscal costs and safety implications of neglecting road maintenance, we must establish a long-term pattern of committing General Fund dollars to pavement maintenance. I recommend the City Manager allocate \$1 million in one-time General Fund funding to the Pavement Maintenance Program and extend Council direction to allocate any additional Construction Excise Tax funding through 2022. In addition, we will continue our existing policy of dedicating any additional ending fund balance identified as part of the Annual Report in the Fall to street repair and maintenance.
- b. **Park Maintenance:** Persistent vacancies on our maintenance crews and funding cuts over the last decade have left too many of our parks in a deteriorating condition. For many, our City parks represent their only access to green space and recreation. We need to invest more, and through the FY 2017-2018 budget, our parks will benefit from millions in new investment that could—if we can successfully hire and retain staff in our maintenance positions—add dozens of new members to our stretched crews:

Program	FTEs	Funding
Neighborhood Park Maintenance	9	\$860,000
Park Rehabilitation Strike Team (Vacant in FY 2016-2017)	8.5	\$1,000,000
Park Maintenance (Vacant in FY 2016-2017)	24	\$1,540,000
TOTAL	41.5	\$3,400,000

I have declined to act, however, on Manager’s Budget Addendum #13, which responds to the Council request to explore how to identify additional funding allocated from cuts in other critical areas. The budget cuts of the last decade have taken a severe toll on many of the strategic support functions and technology resources essential to improving services, management, and cost-effectiveness across the organization. I’m not eager to cut those core functions in order to pay for additional budgeted positions at a time when we already have dozens of vacancies on our maintenance crews. That trade-off might seem more attractive when we have actually filled our budgeted positions, but not now.

The biggest improvement to park maintenance will come when we fill our budgeted vacancies with employees. I recommend the City Manager report to the Neighborhood Services and Education Committee bi-monthly regarding the status of hiring the 41.5 FTEs until all positions have been filled. In addition, consistent with Council direction, I recommend the City Manager identify categories of park infrastructure that are in such disrepair they require wholesale replacement with those investments--such as installing “smart” irrigation systems and supplanting grass with artificial turf—that will ultimately reduce maintenance costs in the long run. Should Council ultimately approve putting a park bond before the votes, these capital replacement needs can be prioritized with other community needs, and reduce the strain on our maintenance crews.

c. Park Improvements:

- 1. District 4 Park Improvements:** I recommend the City Manager allocate \$35,000 in one-time District 4 Construction and Conveyance Tax funding for Flickinger, Penitencia Creek, and Brooktree parks and coordinate with Councilmember Diep on the prioritization of these funds for investment to enhance park experience and reduce maintenance. (BD #70 Diep)
- 2. Welch Park Improvements:** Welch Park has faced years of underfunding, under-maintenance, and under-utilization. The Tully Ocala King Neighborhood needs help to reclaim and rehabilitate their park. I recommend the City Manager allocate \$200,000 in one-time Council District 8 Construction and Conveyance Tax Fund funding to Welch Park capital improvements. (BD #46 Arenas)
- 3. Viet Heritage Garden Amenities:** The Viet Heritage Garden needs some basic amenities before it can similarly attract community events, such as a stage that can accommodate more programming, festivals, and fundraisers. I recommend the City Manager allocate \$350,000 in one-time District 7 Construction and Conveyance Tax funding for these improvements. (BD #20 Nguyen)

- d. **San Jose Animal Care Services:** We can attribute Animal Services' success in boosting our Live Release Rate (LRR) to targeted investments in low-cost spay and neuter services, and to capital upgrades that increase operational efficiencies. The water system and washer/dryer need replacement, and I recommend the City allocate \$144,000 in one-time Essential Service Reserve funds for these capital upgrades. (BD #5, 6 Davis)
- e. **Workplace Equity:** Currently, in employee restroom facilities at City Hall, women pay \$0.25 for each tampon, which helps with the cost-recovery for the procurement of these items. Employees don't pay for soap or toilet paper, however, and the revenue recaptured amounts to \$1,000 annually. I appreciate Councilmember Peralez's gracious offer to cover these costs; however, I recommend the City Manager absorb this cost in the Public Works non-personal/equipment budget. (BD #29 Peralez)
- f. **History San Jose (HSJ):** HSJ began in 1949 following the centennial celebration of the California Gold Rush and has grown to include three sites: History Park, the Peralta Adobe-Fallon House, and the Collection Center/Research Library and Achieves. Like many of our external partners, HSJ struggles with operating revenues. HSJ leadership has identified possible solutions to gain better cost-savings and increase revenue and we should support this effort. First, I recommend the City Manager work with HSJ on the installation of solar panels at History Park, which has the potential to save up to \$100,000 annually in electrical costs. Second, I recommend the City allocate \$25,000 in one-time funding from the Cultural Facilities and Capital Maintenance Reserve to offset exploration of expanding indoor programming. Currently, HSJ is in the process of starting a feasibility study looking at an additional building location. The County of Santa Clara is matching this contribution.

4. BeautifySJ

- a. **Blighted Street Medians, Gateways, and Roadside Areas:** With the recent launch of BeautifySJ, we've empowered our community to reclaim our public spaces, and we're seeing early signs of progress in cleaning and beautification. Still, the appearance of our median islands, roadside parcels, and City "gateways" remains poor, and a common source of complaints among the community. The Department of Transportation (DOT) has stretched its resources by consolidating work crews, and contracting some of the work, but we need more resources. I recommend the City Manager allocate \$500,000 from the Construction Excise Tax Fund pavement maintenance appropriation, \$300,000 from the Storm Sewer Operating Fund, and \$200,000 from the General Purpose Parking Fund in the FY 2017-18 and FY 2018-19 budgets to clean and improve landscaping on major corridors and gateways to San Jose. For two years, this funding would allow DOT contractors to remove debris and litter, abate weeds, install mulch, and plant and trim trees on over 30 major corridors. To ensure quality contractual performance I recommend this funding authorize a two-year limited Associate Construction Inspector (1.0 FTE). Cleaning will occur quarterly, and more frequently in problem areas, over an area of 125 acres, or 50% of the City's medians and gateways. In addition, I recommend the City Manager allocate \$29,000 in one-time funding from the Essential Services Reserve for additional focus for Bird Avenue between Minnesota Avenue to Santa Clara Street. (BD #3 Davis). I further recommend the City Manager allocate \$50,000 in one-time General Fund funding to Our City Forest to assist with tree-planting and tree care efforts connected with this initiative. (BD #32 Rocha).

- b. San Jose Streets Team:** Formerly Downtown Streets Team, the City has partnered with San Jose Streets Team (SJST) on important projects in Downtown, Monterey Highway, and through “San Jose Gateways” program at key entrances to our City. BeautifySJ, and the item above, aggressively tackle blight and anti-litter in our public spaces. To enhance this effort, I recommend the City allocate \$135,000 in one-time General Fund funding to SJST focusing on litter and trash removal in Central San Jose’s highest traffic corridors.
- c. West Evergreen Neighborhood No Parking Signs:** The West Evergreen Neighborhood suffers from a lack of street cleaning, due to residents failing to know to move their cars to accommodate sweepers. Residents seek four miles of additional “no parking” signs to facilitate street sweeping. I recommend the City Manager allocate \$15,000 one-time from the Storm Sewer Operating Fund for “no parking” signage. (BD #18 Nguyen)
- d. District 4 Green Spaces and Public Art:** Public art can revitalize dark spaces, and enable communities to reclaim blighted areas. The Neighborhood Gateway Galleries Project reinvigorates pedestrian underpasses with murals created by local artists in partnership with the community. Given Councilmember Diep’s interest in reimagining forbidding public spaces at underpasses in District 4, I recommend the City Manager allocate \$50,000 in one-time funding from the “Transient Occupancy Tax Cultural Development Grants – San Jose Creates and Connects” for the commissioning of an underpass mural through the Office of Cultural Affairs (OCA). OCA staff will work with the District 4 Office to determine the most impactful site for this public art project. (BD #66 Diep)

5. Broadening Opportunity, Equity, & Access

- a. Office of Immigrant Affairs (OIA):** With every news flash from Washington, the community’s demands on our small but mighty Office of Immigrant Affairs have grown. Fortunately, the team appears to be making substantial progress. For example, on March 20-23, 2017, the OIA hosted a well-received language access and cultural responsiveness training for 150 City staff representing 12 departments. Partner non-profit organizations have sought additional help and resources in improving communication in our diverse community about immigrants’ rights, creating plans for schools to address the needs of children whose parents face arrest and deportation, building out a digital tool for alerts and other information, and training private attorneys to provide pro bono immigration services, and similar needs. I recommend the City Manager allocate \$75,000 in one-time Essential Service Reserve funding to support partner organizations for these needs, and to support additional trainings and education. (BD #69 Diep)
- b. Hunger at Home (HH):** HH engages the business community and non-profit partners to facilitate the efficient and safe donation of excess food and other surplus items to the homeless and the hungry. HH wishes to collaborate with the City of San Jose to help alleviate food insecurity, food waste, and homelessness by creating an innovative and comprehensive public-private partnership. I recommend the City Manager allocate \$100,000 in one-time General Fund funds to launch this pilot program.

- c. Family College Success Center:** A 2013 study revealed sixty-two percent of students entering high school in one of San Jose's three high school districts failed to graduate with the requisite coursework to satisfy the minimum requirements for admission in a California State University. In 2016, the Hispanic Foundation of Silicon Valley opened the Family College Success Center (FCSC) aimed at improving college readiness among low-income students. Last year, the City contributed \$75,000 to FCSC. I recommend the City Manager allocate \$50,000 in one-time General Fund funding to FCSC. These funds will be leveraged by several other partners including the County of Santa Clara and Santa Clara County Office of Education. (BD #10 Carrasco)
- d. After-School Program for Underserved Students:** Alviso has a significantly underserved population with forty percent of households having earned \$50,000 or less and eleven percent of families below the poverty line in 2015. The Boys and Girls Club operate the Alviso Youth Center, offering after-school programs for elementary school students. I commend Councilmember Diep for his support of these services, and recommend the City Clerk grant \$10,000 in one-time Council District 4 SAP Grants to the Boys and Girls Club offering 200 scholarships for low-income youth. (BD #67 Diep)
- e. Alum Rock Youth Center:** The area immediately surrounding the Alum Rock Youth Center has been recognized as a "hotspot" area by the Mayor's Gang Prevention Task Force. Previous one-time investments focused on activation and expanded hours have proven to be popular by local residents. I recommend the City Manager allocate \$19,500 in one-time Essential Services Reserve funding for the Alum Rock Youth Center for Midnight Basketball and other summer programming that engage at-risk youth. (BD #11 Carrasco)
- f. Participatory Budgeting:** I commend Councilmember Peralez and Vice Mayor Carrasco and their staff for piloting this innovative approach to civic engagement. Success breeds success, and I welcome Councilmember Jones to the participatory budgeting arena. I recommend the City Manager allocate \$200,000 in one-time Essential Service Reserve funding to "D1Decides," \$200,000 in one-time Essential Service Reserve funding to "D3Decides," and \$100,000 in one-time Essential Service Reserve funding to "D5Decides."
- g. Mayfair Community Center:** The Mayfair Community Center is one of our busiest community centers, serving a uniquely high-need neighborhood. I thank Vice Mayor Carrasco for her team's efforts to lift this vulnerable community, and I join her in recommending \$8,400 in one-time Council District 5 Office Budget funds to be reallocated to the Parks, Recreation, and Neighborhood Services Department to support recreational swim, movie nights, and scholarships for summer camp. (BD #13 Carrasco)
- h. Amigos de Guadalupe:** Amigos de Guadalupe's "Under the Sun" Program provides youth with summer classes related to STEM, reading comprehension, and writing. Due to the recent displacement of the Amigos office, the program faces a shortfall this summer. I recommend the City Manager allocate \$25,000 in one-time Essential Service Reserve funding to support this program. (BD #14 Carrasco)
- i. Santee Late Night Gym:** Catholic Charities, in partnership with local schools, operates many after-school programs in struggling neighborhoods, and we are grateful for their efforts through the Santee Late Night Gym, providing District 7 youth a safe space to play and

socialize. To keep this program running, and to leverage external funding, I recommend the City Manager allocate \$9,735 in one-time Essential Service Reserve funding to this program. (BD #17 Nguyen)

- j. San Jose Youth Commission:** The Youth Commission provides a crucial voice for the younger people in local government. For example, at this year's Budget Games, the Youth Commission assisted in the development of BeautifySJ by offering a youth perspective to engaging youth. I recommend the City Manager allocate \$5,000 in one-time Essential Service Reserve funding to the Youth Commission budget. (BD #31 Rocha)
- k. Health Trust Meals on Wheels - Senior Food Assistance:** According to the Health Trust study "Food for Everyone," approximately 30,000 seniors in San Jose live below the federal poverty line. They and many other financially struggling and homebound seniors benefit from nutritional support provided by the Health Trust's Meals on Wheels program. In Central San Jose and Cambrian, changes to VTA bus service will impact the ability of seniors in Central San Jose to get to senior nutrition programs, and Meals on Wheels Program can help. I recommend the City Manager allocate \$150,000 (\$75,000 for Central San Jose and \$75,000 for North San Jose) in one-time Essential Service Reserve funding to the Health Trust to cover initial start-up costs to increase capacity. (BD #40 Rocha & BD #72 Diep)
- l. Ethnic and Minority-Led Small Business:** Our ethnic and minority-owned small businesses have a rich history in San Jose and play an integral part in our local economy. For some time, concerns have risen that these businesses are not able to successfully compete for City contracts through the procurement process. Given the vacuum that exists to help these small businesses, I recommend the City Manager reallocate \$50,000 in one-time funding from the Storefront Activation Grant Program to create a grant program for the Hispanic Chamber of Commerce Silicon Valley, the Silicon Valley Black Chamber of Commerce, or other ethnic chambers that operate proven programs to assist businesses build capacity to engage successfully in procurement processes. I further recommend that the City Manager's Office report to the Community and Economic Development Committee in November 2017 on the outcomes of the program. (BD # 34 Rocha & BD #51 Jones)
- m. Via Services:** Via Services is a 13-acre residential camp admitting those with severe impairments from autism spectrum disorder, cerebral palsy, down syndrome, traumatic brain injury and epilepsy that require a seasoned counselor by their side. Many of these individuals come to Via with significant diabetes management, seizure management, respiratory treatments and cardiac monitoring. I recommend the City Manager allocate \$20,000 in one-time Essential Service Reserve funding to Via Services to fund 50 children and adults this year.
- n. Silicon Valley Initiative to Drive Economic Advancement (IDEA):** IDEA is a partnership between the City's Office of Economic Development and the Silicon Valley Organization. Together IDEA has begun to convene regional branding solutions team to help locate a regional innovation center in San Jose. In addition, a global talent solutions team to receive international delegations bringing businesses to San Jose. I recommend the City Manager allocate \$50,000 in one-time General Fund funding to support this effort.

- o. Children’s Musical Theater 50-Year Anniversary:** Children’s Musical Theater San Jose (CMT) celebrates their fifty-year anniversary this year. CMT fosters a lifelong love of the theater and arts in participants, the audience and San Jose community. Many of our youth who starred in the “Rising Star” program have gone on to star in major theatrical productions, and thousands benefit from their educational approach to the arts. I recommend the City Manager work with the Arts Commission to support CMT’s 50-year anniversary.
- p. Airport Marketing:** The growth of our airport has supported jobs of many who struggle in our high-cost economy, including employees of our hotels, airport, restaurants, and taxis. Recent data demonstrates that some of our outbound international routes actually suffer from lower load factors from San Jose than the inbound flights to SJC from the same international cities. This irony suggests a weakness in our local marketing strategy. Our inability to boost locally-sourced ridership on these international flights puts their continued operations here in peril. The City Manager is directed to re-assess our marketing strategy and resources—in collaboration with our international airlines and their domestic partners—to ensure that we have a robust program to the Bay Area that clearly announces to Silicon Valley that we share an international airport at SJC.

6. Parks & Public Space Activation

- a. Cultural Events:** San Jose is home to a broad array of festivals and cultural events such as the San Jose Jazz Festival, San Jose Dia de los Muertos, Pride Parade, and Christmas in the Park. As the City continues to attract more people to these events, these non-profit organizations are often unable to afford the increased costs of policing the events through secondary employment. Those “fully loaded” costs include, for example, the rising burden of paying for the City’s unfunded pension and retiree healthcare liability. Given the economic and fiscal impacts of these events, I recommend the City Manager (a) work with key stakeholders, OCA, and SJPD to explore ways to safely reduce the City’s police staffing requirements at major events, and (b) transfer \$150,000 in one-time funding from the General Purpose Parking Fund to the General Fund to help alleviate some of the increased overtime costs of secondary employment for cultural events and festivals. (BD #26 Peralez)
- b. Viva Calle & Viva Parks:** Through a series of partnerships, our Parks, Recreation and Neighborhood Services (PRNS) Department has delivered a significant number of events in Downtown, East San Jose and Blossom Valley. Viva Park events drew over 40,000 people last year and continues to be popular with many of my colleagues proposing neighborhood events this year. Many of the parks that benefited from this activation suffered from perceptions of high crime and poor safety. Viva Parks has created momentum for neighborhoods to reclaim their parks. Currently the FY 2017-2018 Proposed Budget includes funding through October 31, 2017 for most positions, leaving a funding gap of \$280,000 to ensure the program continues through June 30, 2018. PRNS staff have hustled to gather support from community partners, including commitments from AARP and the County of Santa Clara to help bridge the gap. I recommend the City Manager recognize these revenues in the amount of \$115,000 and allocate the full amount in one-time General Fund funding to ensure funding through June 30, 2018. Any ongoing commitments can be taken up in next year’s budget, as we assess the progress of fundraising. (BD #41 Arenas & BD #53 Jimenez). I further recommend that the aforementioned review of City requirements

for police staffing include Viva Calle, to determine how we can safely mitigate costs of the event.

- c. **District 2 & District 8 Park and Open Street Activation:** Building on the success of Viva Calle and Viva Parks, Councilmembers Arenas and Jimenez have proposed several park activations, movie night and open street events in their Districts. I recommend the City Manager allocate \$250,000 (\$125,000 per district) in one-time General Fund funding and work with the Council Offices to prioritize, plan and carryout these events. In addition, my own office will offer communications support to engage volunteers and encourage community participation. (BD #43, 44, 45 Arenas & BD #49, 50, 52 Jimenez)
- d. **San Jose Sports Authority (SJSA):** SJSA should take its share of credit for contributing to the strong growth of the City's Transient Occupancy Tax (TOT). With the expansion of the Convention Center, Avaya Stadium and Levi's Stadium, SJSA has continued to be the City's lead partner for a number of high-profile events in the last three years, and our future includes a number more to come. In FY 2010-2011, due to chronic and severe General Fund deficits, the City sharply reduced SJSA's ongoing funding allocation, yet their work, the number of events, and the City's benefits continue to increase. I recommend the City Manager allocate \$125,000 in one-time funding from the Cultural Facilities and Capital Maintenance Reserve for SJSA in FY 2017-2018. (BD #30 Rocha)

7. Administrative

- a. **Mayoral Fellows:** Over the last couple of years, my Office of Strategic Partnerships has successfully leveraged outside funding for several initiatives on behalf on the City, and we're using those dollars to hire staff to support this work. This year alone, we'll hire a Chief Service Officer that will help develop a strategy to cast City of San Jose as a national "City of Service" leader, to engage more young adults and retirees in service year (e.g., AmeriCorps and Senior Corps) opportunities, promote community volunteerism, and better engage our community in the work of the City. I recommend the City recognize and accept a grant in the amount of \$200,000 from Service Year and the Knight Foundation focusing to carry out this work over a two-year period. In addition, Cities of Service will engage volunteers in initiatives that better prepare the City for natural disasters, working in partnership with BeautifySJ, to focus on tree planting and help mitigate storm water runoff. I recommend the City Manager recognize and accept a grant in the amount of \$25,000. We are also grateful for the investment of Harvard University Business School to offer a Harvard Business Fellow. I recommend the City Manager recognize and accept a grant in the amount of \$45,000 from the Harvard Business School. The grant allocation will be matched by \$45,000 in funding from the Mayor's Office focusing on smart city policies and implementation.
- b. **City Manager's Office Capacity:** Like every City department, the City Manager's Office shrank through the Great Recession, and new responsibilities have stretched thin the existing staff and managerial scope. Due to the City's chronically low staffing—we have the most thinly staffed City Hall of any major U.S. city, at a ratio of 5.7 employees to every 1,000 residents—the City Manager's Office plays a greater, "hands-on", role in many of the day-to-day operations and critically important initiatives, such as emergency medical response,

smart city strategies, intergovernmental affairs, negotiations with external partners, and recently, flood recovery management. In addition, new challenges—such the need to backfill department heads on an interim basis, and the implementation of new technology in development services—will tax the City Manager’s Office. I recommend the City Manager analyze staffing levels and capacity against current Council priorities and future workplans and bring forward adjustments during the FY 2017-2018 Mid-Year Budget Review or other time, as appropriate.

- c. **Finance Department Reorganization Savings:** Facing significant challenges in filling key senior management and analyst positions, the Finance Department evaluated several options for addressing key vacancies and retaining employees and submitted recommendations in Manager’s Budget Addendum #17. The Finance Department believes the reorganization will improve service delivery and generate a small ongoing savings to the General Fund. I thank Director Julia Cooper for her extraordinary work and her innovative approach, and I recommend the City Manager allocate \$61,235 as identified in Manager’s Budget Addendum #17 to items recognized in this message and the ongoing General Fund savings will be allocated to reduce the FY 2018-2019 deficit.
- d. **Essential Services Reserve:** The total available Essential Service Reserve of \$3.0 million is directed to be allocated to fund the General Fund items in this Message.
- e. **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	Total Net Rebudget
Mayor’s Office	\$819,000	\$72,000	\$891,000
Council General			\$1,000
District 1	\$115,000	\$1,400	\$116,400
District 2	\$21,000	\$2,800	\$23,800
District 3	\$92,000	\$1,400	\$93,400
District 4	\$222,000	\$0	\$222,000
District 5	\$400,000	\$0	\$400,000
District 6	\$61,000	\$0	\$61,000
District 7	\$61,000	\$0	\$61,000
District 8	\$222,000	\$4,000	\$226,000
District 9	\$326,000	\$0	\$326,000
District 10	\$12,000	\$3,000	\$15,000

COORDINATION

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

For more information on this memorandum, please contact Lee Wilcox, Budget Director, at 408-535-4814.

Attachments:

Attachment A – Pavement Maintenance Funding (*2018-2022 Proposed Capital Improvement Program*)

Attachment B - City Source and Use of Funds

Pavement Maintenance Funding

(2018-2022 Proposed Capital Improvement Program)

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total 2018-2022 Proposed CIP
Pavement Maintenance – City ¹	\$26,300,000 ³	\$8,300,000 ²	\$4,00,000	\$4,000,000	\$4,000,000	\$46,600,000
Pavement Maintenance – Federal (One Bay Area Grant 2)		\$14,597,000				\$14,597,000
Pavement Maintenance – Measure B ³	\$5,900,000	\$5,900,000	\$5,900,000	\$5,900,000	\$5,900,000	\$29,500,000
Pavement Maintenance – State Gas Tax ⁴	\$10,624,000	\$22,933,000	\$21,692,000	\$20,500,000	\$20,500,000	\$96,249,000
Pavement Maintenance – State Route Relinquishment ⁵	\$3,753,000					\$3,753,000
Transfer to General Fund: Pavement Maintenance – State Gas Tax ⁶	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$3,750,000
Pavement Maintenance – VTA Measure B 2016 ⁷	\$23,750,000	\$19,000,000	\$19,000,000	\$19,000,000	\$19,000,000	\$99,750,000
Total Pavement Maintenance Funding	\$71,077,000	\$71,480,000	\$51,342,000	\$50,150,000	\$50,150,000	\$294,199,000

¹ This allocation is funded by Construction Excise Tax revenues.

² As directed in the Mayor's June Budget Message for Fiscal Year 2014-2015, any additional Construction Excise tax revenues collected above the projections will be allocated for pavement maintenance. It is projected that the revenue collections in 2016-2017 through 2018-2019 will exceed the budgeted estimate and the 2017-2018 and 2018-2019 allocations include an additional \$22 million and \$4 million, respectively.

³ This allocation is funded by Measure B, vehicle registration fees.

⁴ This allocation is funded by State Gas Tax revenues. Includes estimated revenue from State Senate Bill 1 which raises the State Gas Tax rate and is anticipated to be signed by the Governor. Revenue estimates are from the California Local Government Finance Almanac.

⁵ This allocation is funded by federal revenues to resurface and rehabilitate State Route 82 and 130, which were relinquished by the State of California to the City.

⁶ This allocation is also funded by State Gas Tax revenues. This amount is transferred to the General Fund to fund the operating expenses (staff and non-personal expenditures) for repairing potholes.

⁷ This allocation is funded by VTA 2016 Measure B Countywide half-cent sales tax revenue.

CITY SOURCE AND USE OF FUNDS

		GENERAL FUND	2017-2018	Ongoing
		SOURCE OF FUNDS		
Page 8	Beginning Fund Balance: Cultural Facilities Capital Maintenance Earmarked Reserve Rebudget - History San José		25,000	
Page 12	Transfer from the General Purpose Parking Fund - Cultural Events		150,000	
Page 12	Viva Calle & Viva Parks - AARP and County of Santa Clara		115,000	
Page 13	Beginning Fund Balance: Cultural Facilities Capital Maintenance Earmarked Reserve Rebudget - San Jose Sports Authority		125,000	
Page 13	Mayoral Fellows - Service Year and Knight Foundation		200,000	
Page 13	Mayoral Fellows - Cities of Service		25,000	
Page 13	Mayoral Fellows - Harvard Business School		45,000	
Page 13	Beginning Fund Balance: Mayor and City Council Rebudgets		2,436,600	
		Total General Fund Source of Funds	3,121,600	0
		USE OF FUNDS		
Page 4	Coyote Creek Vegetation Removal		100,000	
Page 4	South Bay Clean Creeks Coalition and Keep Coyote Creek Beautiful		50,000	
Page 4	Mobile Radar Trailers		17,000	
Page 4	Radar Signs		30,000	
Page 5	Mayor's Gang Prevention Task Force		87,000	
Page 6	Project Hope Program		108,263	
Page 6	Project Hope Pilot Program Reserve		(108,263)	
Page 6	Street Pavement Maintenance		1,000,000	
Page 7	San José Animal Care Services		144,000	
Page 8	History San José		25,000	
Page 8	Blighted Street Median, Gateways and Roadside Areas (Bird Avenue and Minnesota Avenue)		29,000	
Page 8	Our City Forest		50,000	
Page 8	San Jose Streets Team		135,000	
Page 9	Office of Immigrant Affairs		75,000	
Page 9	Hunger at Home		100,000	
Page 9	Family College Success Center		50,000	

ATTACHMENT B

Page 14	Council District 8 Rebudget	226,000	
Page 14	Council District 9 Rebudget	326,000	
Page 14	Council District 10 Rebudget	15,000	
Total General Fund Use of Funds		3,121,600	(61,235)
Additional Funding Available		0	61,235

CONSTRUCTION EXCISE TAX FUND		2017-2018	Ongoing
SOURCE OF FUNDS			
NONE			
Total Construction Excise Tax Fund Source of Funds		0	0
USE OF FUNDS			
Page 5	Ponoma Avenue and Cottage Grove	20,000	
Page 5	Hedding Complete Street and Safety Project	50,000	
Page 8	Blighted Street Median, Gateways and Roadside Areas (1.0 Associate Construction Inspector limit-dated through June 30, 2019)	500,000	
Page 8	2018-0219 Blighted Street Median, Gateways and Roadside Areas Reserve	500,000	
Page 8	Pavement Maintenance - City	(1,000,000)	
Unrestricted Ending Fund Balance		(70,000)	
Total Construction Excise Tax Fund Use of Funds		0	0

GENERAL PURPOSE PARKING FUND		2017-2018	Ongoing
SOURCE OF FUNDS			
NONE			
Total General Purpose Parking Fund Source of Funds		0	0
USE OF FUNDS			
Page 8	Blighted Street Median, Gateways and Roadside Areas	200,000	
Page 8	2018-0219 Blighted Street Median, Gateways and Roadside Areas Reserve	200,000	
Page 12	Transfer to the General Fund - Cultural Events	150,000	
Unrestricted Ending Fund Balance		(550,000)	

ATTACHMENT B

PARKS CONSTRUCTION AND CONVEYANCE TAX FUND: COUNCIL DISTRICT #8		2017-2018	Ongoing
SOURCE OF FUNDS			
NONE			
Total Parks Construction and Conveyance Tax Fund: Council District #8 Source of Funds		0	0
USE OF FUNDS			
Page 7	Welch Park Improvements	200,000	
	Unrestricted Ending Fund Balance	(200,000)	
Total Parks Construction and Conveyance Tax Fund: Council District #8 Use of Funds		0	0

STORM SEWER OPERATING FUND		2017-2018	Ongoing
SOURCE OF FUNDS			
NONE			
Total Storm Sewer Operating Fund Source of Funds		0	0
USE OF FUNDS			
Page 8	Blighted Street Median, Gateways, and Roadside Areas	300,000	
Page 8	2018-2019 Blighted Street Median, Gateways, and Roadside Areas Reserve	300,000	
Page 9	West Evergreen Neighborhood No Parking Signs	15,000	
	Unrestricted Ending Fund Balance	(615,000)	
Total Storm Sewer Operating Fund Use of Funds		0	0