



2021-2022 CAPITAL BUDGET

**2022-2026 CAPITAL
IMPROVEMENT PROGRAM**



**MAYOR'S MARCH
BUDGET MESSAGE**



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

**SUBJECT: MARCH BUDGET MESSAGE
FOR FISCAL YEAR 2021-2022**

DATE: March 8, 2021

Approved:

Date: 8/8/21

RECOMMENDATION

Direct the City Manager to submit a balanced budget for Fiscal Year 2021-2022, guided by the policy direction and framework of priorities outlined in this March Budget Message.

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In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2021-2022 March Budget Message for consideration by the City Council, and the residents of San José. With Council approval, this initial framework provides the City Manager with direction to prepare proposals for the Council's budget deliberations in May, and to formulate the Fiscal Year 2021-2022 Proposed Budget.

OVERVIEW

The past year has challenged our City and our community as never before. Tens of thousands of San José families have experienced the devastating loss of loved ones, debilitating illness, widespread fear, and severe economic pain.

This pandemic and its fallout has demanded far more from our City team than we could have imagined before. Instantly in March, hundreds of City employees stopped whatever they were doing to launch new initiatives or accelerate whatever we'd done before.

- Housing staff worked with nonprofit partners, the Housing Authority, and the County to shelter more than 4,000 unhoused residents, and permanently house another 1,700 more.
- The Library team worked with school districts and telecom companies to provide broadband connectivity to more than 100,000 residents—and tens of thousands of young students—dwelling on the wrong side of the digital divide.

- EOC leads partnered with organizations like Second Harvest to distribute about 2.5 million meals per week to struggling residents—in addition to baby formula and supplies—consolidating disparate efforts and interactive maps to help residents find local resources.
- Public Works and Housing constructed three prefabricated emergency housing communities for more than 300 unhoused residents for less than one-fifth the cost, and in one-tenth the time, of a typical affordable apartment complex.
- Fire EMT's vaccinated thousands of residents at County vaccination centers.
- The Mayor's Office established Silicon Valley Strong as a means to get and give help. Working with many partners, we funneled more than 4,000 volunteers to tasks like food distribution, and raised millions of dollars for struggling families and small businesses.

Much has been demanded, and in many ways, the team in San José stepped up to this historic moment.

Necessarily, much was put aside as well. The most thinly staffed big-city City Hall in the United States couldn't reasonably continue to perform our ordinary tasks while taking on multiple additional tasks through the Emergency Operations Center. Trash piled high at encampments and intersections. Abandoned vehicles remained. Building permits lagged. We pushed aside much of the basic work of the City, as pandemic-driven priorities overwhelmed a resource-constrained organization.

Those resource constraints are precisely the stuff of which budgetary discussions are made.

We contemplate this year's budget as a community still enveloped deeply in crisis. Vaccine distribution will accelerate, but so may virus mutations and variants, such as the vaccine-resistant E484K variant discovered last week in Oregon. Congress may pass relief legislation, but the economic fallout of this pandemic will persist, particularly for too many San José neighborhoods where unemployment rates likely exceed 20%. This is a marathon, and not a sprint, and we will need all of our resources, fortitude, and collective resilience to overcome these crises.

And here's the kicker: the recovery may be even harder than the response. A brief look at the fiscal dimension of that recovery illustrates the point.

The Pandemic's Ongoing Impact on the Budget

The City's most recent base five-year General Fund forecast (See Table 1) shows the continued impact of the pandemic on our budget. The upcoming year is projected to have a base level deficit of nearly \$50 million with minute surpluses in the remaining four years. Critically, the projected \$48.1 million deficit next year does not include costs associated with unmet or deferred infrastructure and maintenance needs, or the nearly \$17 million in services funded on a one-time basis last year, and which must expire if the Council does not identify funding to continue them. In other words, the \$48.1 million figure dramatically understates the magnitude of our deficit, when considering the full reductions in City services needed to balance the General Fund.

Table 1 – 2022-2026 General Fund Forecast Incremental General Fund Surplus / (Shortfall) \$ in Millions

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Five-Year Surplus/ (Shortfall)
Base Case	(\$48.1 M)	\$3.3 M	\$0.2 M	\$4.4 M	\$1.9 M	(\$38.2 M)
Optimistic	(\$13.9 M)	\$17.9 M	\$13.1 M	\$28.2 M	\$37.2 M	\$82.5 M
Pessimistic	(\$78.1 M)	(\$8.7 M)	(\$9.9 M)	(\$9.7 M)	(\$10.2 M)	(\$116.6 M)

Source: 2022-2026 Five-Year Forecast and Revenue Projections for the General Fund released March 1, 2021

The City Manager’s forecast notes that due to the impact of the pandemic on the local economy, any forecast of the economic recovery over the next five years appears uncertain. Two alternative forecast scenarios were developed to model a range of budgetary scenarios possible under varying economic conditions, as displayed above.

Importantly, 2021-2022 will be the third budget year impacted by the pandemic. In May 2020, the pandemic had an immediate effect on our budget requiring the need to close a \$45 million gap in General Fund revenue losses. We then resolved another \$77.6 million General Fund shortfall when we passed our 2020-2021 current year budget. Fortunately, in prior years, we diligently put dollars into reserves to prepare for a looming downturn, and we paid down some existing debts to reduce future strain to the General Fund. These actions have softened the impact of the downturn, but we must address the ongoing structural deficit that remains.

DIRECTION

A necessary condition for successful emergency response and recovery is focus. With limited and burdened staff, we must resign ourselves to the fact that we cannot do everything, but we accomplish our most important tasks if we can focus our time, energy, and resources on those elements most essential to successfully emerge from this crisis.

We must prioritize our work to maximize our scarce resources—the most valuable of which being the time and energy of our City employees—on our highest priorities. In a crisis, failing to prioritize will prioritize failure. Accordingly, the City Manager is directed to present a Proposed Budget that allocates funding in a manner that aligns with four basic priorities:

1. Supporting an Equitable Recovery for a “Better Normal”
2. Back to Basics: a Cleaner, Safer San José
3. Accelerating Solutions to Homelessness and Affordable Housing Crisis
4. Fiscal Resilience and our Future

1. Equitable Recovery for a “Better Normal”

If our economic rebound resembles the Valley’s growth over the last decade—with rapidly yawning divides between those who prospered and many left behind—we will have failed. A “new normal,” will not suffice; we need a “better normal,” in the words of AMD CEO Lisa Su. We must ensure that all corners of San José benefit from our recovery, because we all win only if we all win. An equitable recovery requires deliberate focus on resource allocation that enables much more than handouts—our families need paychecks.

Resilience Corps: Among the many crises wrought by the events of the last year, an entire generation of young adults have grappled with dimming life prospects under the crushing weight of extended unemployment and poverty. As of December 2020, the unemployment rate of young adults ages 20-24 in California was about twice the unemployment rate for the State. The financial effects of this pandemic—compounded by racial and widening economic disparities—have wrought a host of maladies among young adults, including homelessness, increased addiction, rising suicide rates, increasing child abuse by young parents, and rising violent crime. Our young adults’ futures—and our collective futures—deserve a response beyond handouts: they need a paycheck.

Building upon our role as the pilot city for Governor Newsom’s Climate Action Corps, I propose the creation of a Resilience Corps—a one-year jobs program for adults residing in high-poverty, high-unemployment neighborhoods. The program would work through a network of non-profits and City departments that can put primarily—but not exclusively—young adults to work immediately—at tasks requiring only modest training—to bolster our community’s resilience to two of our most urgent crises: climate change and the pandemic. Funding would enable payment of a living wage with health insurance, and hiring would focus on San José residents living in high-poverty census tracts, regardless of immigration status or citizenship. Staff, Work2Future, and partnering non-profits might consider countering a variety of placements, such as:

- **Pandemic Response:** providing logistical support at vaccination and testing centers, caring for children of struggling essential workers at care centers and learning pods (with properly screened and backgrounded students, such as day care students needing hours), creating (with artists) culturally-sensitive health-focused targeted messaging through public art;
- **Environmental Resilience:** planting street trees in “heat island” neighborhoods, eliminating blight and trash in neighborhoods and near waterways, clearing defensible space in the wildland-urban interface to counter wildfires, removing lawns to conserve water, and converting impervious surfaces to stormwater retention basis and bioswales;
- **Educational Recovery:** addressing learning loss among low-income students by providing tutoring and extended-day educational support (employing college students with standard background checks, such as those in SJSU’s Education School);
- **Economic Recovery:** working with business districts to help small businesses to implement San José Al Fresco efforts, and working with organizations like Get Virtual to help small businesses develop on-line platforms;

- **Disaster Resilience:** installing smoke alarms and fire alarms in homes of seniors and persons with disabilities, expanding Community Emergency Response Team (CERT) participation and training, and other mitigation work.

Working with our community colleges and other partners through Work2Future, we can also leverage existing relationships to provide support—including training, mentorship, and wraparound services—that forge pathways to career success, while participants earn a wage to carry their families toward that future.

A bi-partisan coalition of nearly two dozen mayors from across the country have joined me to advocate with the Biden Administration, Congressional leadership, and the Governor’s Office for federal funding through the next infrastructure bill, or alternatively, through the state budget. In our conversations with White House officials, it is clear that the Administration would like to see pilot programs emerge in individual cities that can provide a model for federal seed funding. With the City Manager’s negotiation of a FEMA reimbursement agreement with the County, we will have a source of funding for a launch focusing on workers supporting vaccination and testing centers.

The City Manager is directed to use unencumbered dollars reimbursed by FEMA funding to launch the Resilience Corps. The first stage of the program should focus on supporting County efforts directly (or working through appropriate non-profits such as Gardner Healthcare, the Healing Grove, or AACI) to hire staff to support vaccination and testing sites, as several Councilmembers have suggested, with up to 200 Resilience Corps members. I further direct the City Manager to explore the applicability of FEMA reimbursement for other tasks indirectly related to pandemic response, such as provision of child care for essential workers, or the use of mural artists to convey messaging about masks, vaccines, or other health issues to key communities. In parallel, my office will continue to coordinate with the City legislative affairs staff and our lobbyists to advocate for additional resources for a broader program. Finally, I further direct the City Manager to utilize up to \$20 million in federal relief dollars to create more than 400 additional job placements with community partners for this program, growing the Corps further as other sources of funding—including from other community partners or philanthropy—become available.

Jobs Moving San José Into A Brighter Future

- **Airport Connector RFP:** The uneven economic recovery from this pandemic implores us to identify countercyclical projects that can provide construction jobs to many blue-collar workers left out of the tech economy. In particular, large construction projects provide prevailing wage jobs that can provide career pathways for young apprentices and journeymen. After I authored an August 21, 2020 memo with Vice Mayor Jones and Councilmembers Peralez, Carrasco and Davis that was unanimously approved by Council, City staff conducted an industry-challenging Request For Information for a next-generation transit system connecting Mineta International Airport, Diridon, West San Carlos, and Stevens Creek Boulevard. The robust private sector response reveals serious interest in a wholly privately-financed—a convenient detail, since we lack any public funding for the project—airport connector to Diridon Station. The City Manager is directed to allocate one-time funds to issue a public Request for Proposals or Request for

Qualifications by May 2021, requiring bidders to demonstrate their financial capacity to construct a privately-financed project at high, world-class standards, and resulting in an opportunity for a winning bidder to enter an exclusive negotiating agreement with the City.

- **Transformative Transit Projects:** A much larger construction project—indeed, the largest in our region’s history—awaits in the BART Phase II extension to Little Portugal, Downtown, and Santa Clara. A completed Phase I and Phase II project will carry more than 98,000 riders, taking tens of thousands of cars off of our soon-to-be-clogged-again freeways. Misleading attacks by a few Congressional Republicans and a procedural hitch have complicated efforts to secure supplemental funding for BART through federal relief legislation, but a key opportunity awaits us in the next infrastructure bill. Meanwhile, the largest infrastructure project in the nation—California High Speed Rail—is under construction in the Central Valley, and we have a once-in-a-decade opportunity to secure federal funding for a Valley-to-Valley connection that could expand access to affordable housing for local workers, while expanding economic opportunity for struggling inland communities. The City Manager is directed to work with the Mayor’s office and our lobbyists to advocate for inclusion of BART and High Speed Rail funding in the next infrastructure package. The City Manager is further directed to proactively engage with VTA staff to support the delivery of BART Phase II funding that voters were promised when they voted for Measure B in 2016.

Small Business Resilience: The pandemic has devastated our small businesses—and they will continue to need our help well beyond existing City and state grant programs.

- **San José Al Fresco:** San José Al Fresco’s relaxed rules for outdoor dining and commerce—which have helped many small businesses tread water throughout this pandemic—will expire June 30, 2021. The program combines assistance to small businesses with street activation to bring commerce outside to its customers, and to activate our streetscape. As Councilmember Davis has advocated, we should make San José Al Fresco permanent, and take full advantage of San José’s 300 days of sun per year. For many residents, fears of going inside to dine, exercise, or shop will linger well after this pandemic. I direct the City Manager to use federal relief funds—if federal regulations permit—to extend this program through 2021-2022, with priority given to businesses serving our most severely impacted neighborhoods. Report back to the Council prior to the 2022-2023 budget development process with options for establishing a permanent outdoor-activation business program in future years.
- **Storefront Activation Program:** The Storefront Activation Grant Program eliminates barriers for small businesses seeking to transform empty spaces into vibrant shops and restaurants. The City Manager is directed to continue the program by allocating one-time federal relief funding for this program—if federal restrictions allow—to offset permitting costs, and to reduce the cost to install Al Fresco infrastructure, such as parklets. The availability of the program should continue to be proactively communicated to less traditional storefront tenants, such as community-based non-profits, arts organizations, and day-care centers, with an emphasis on high-need business districts including the Downtown.

- **San José Small Business and Manufacturing Recovery Initiative:** The Office of Economic Development staff has worked to secure a \$1.17 million federal grant to work with designated community organizations to provide technical assistance and support for San José manufacturers and small businesses, but OED was forced to cut the proposed program in half to adjust for a reduced grant amount from the California EDA. The City Manager is directed to provide sufficient one-time federal relief dollars to address any gaps remaining in the program to ensure sufficient support for filling vacant storefronts and to assist manufacturers in hiring blue-collar workers displaced by this pandemic.

Educational Resilience and Opportunity: The pandemic has deepened structural deprivation of educational opportunity for children from low-income families, perpetuating racial and economic disparities in our community.

- **Summer Learning Loss and San José Learns:** Several studies have demonstrated how pandemic-induced remote learning has inflicted the most severe learning loss among children in our least affluent communities. This fact makes San José Learns more important than ever, providing thousands of young students with extended-day and summer learning in 16 high-need neighborhoods. Despite the City spending \$10 million to provide broadband connectivity for more than 100,000 San Joséans, children in poorer families struggle with remote learning, and their disproportionately severe learning loss leaves them even further behind their peers. San José Learns leverages the expertise of our school districts and the resources of generous donors such as Alaska Airlines. In the year ahead, we need to identify opportunities to expand the program—partnering with organizations such as Innovate Public Schools to identify philanthropic resources, and working with our school district partners to identify better ways to counter learning loss among our highest need youth. I direct the City Manager to allocate \$500,000 in one-time federal relief funding—if federal restrictions allow—in addition to the ongoing \$1 million funding in the base budget to SJ Learns for summer and after-school learning programs to address learning loss among high-need youth. The City Manager is further directed to allocate at least 50 Resilience Corps full- or part-time- positions to support summer and after-school learning partners such as Think Together and Boys and Girls Clubs, with a focus on hiring financially struggling college and graduate school students.
- **SJ Aspires:** Too many San José high school students face significant financial and informational barriers to academic success, and such obstacles appear highly correlated to race and family income. On average, public high school students in California receive 12 minutes of college counseling over their entire four-year tenures, and most San José public high school students do not have college-educated parents. These disparities point to a critical but often overlooked inequity for our city and its future, pre-determining the economic trajectories of our students' lives by their 18th birthdays. We launched a College Promise program three years ago to boost college-going rates, but the need for an earlier intervention—starting with students' first year in high school—became increasingly apparent. In response, we launched San José Aspires, in partnership with the Library Department and the San José Public Library Foundation (SJPLF), using performance-based micro scholarships to guide and inform students about their college and career choices from their first week in school. So far, we have been able to fundraise

more than \$3 million privately, while building partnerships with local nonprofits for student support and Stanford University for program evaluation. The program currently serves 800 students at San José High School, Overfelt High School, and Opportunity Youth Academy with academic and career advising, free access to educational instruction, and up to \$5,000 scholarship per student. I direct the City Manager to use one-time federal relief dollars to support the cost of City and SJPLF staff and overhead that would enable 100% of all philanthropic donations to go toward supporting students, a key “selling point” for future fundraising. I further direct the City Manager to work with the SJPLF to calculate the costs of that ongoing support to ascertain the most cost-efficient approach for managing the program in future years.

- **Digital Inclusion and Equity:** The pandemic has laid bare a digital divide that we have long struggled to close, ever since we launched our digital inclusion efforts in 2016. After the creation of the San José Digital Inclusion Fund in 2019, and with federal relief dollars in 2020, we made substantial gains by bringing WiFi-enabled broadband to more than 100,000 San Joséans, primarily through partnerships with East Side Union High School District (ESUHSD) and AT&T. We have much more work to do, however, to scale these gains and make them sustainable. Accordingly:
 - I direct the City Manager to explore with telecom partners whether a districtwide or citywide umbrella data plan can be negotiated that would enable free “friends and family” usage by students, reducing costs for providers and the City.
 - I direct the City Manager to continue to explore ways to enable long-term financial and operational sustainability for our community WiFi infrastructure investments, so that the City and ESUHSD can sustain the provision of free broadband connectivity to 300,000 residents by 2022, and beyond.
 - I direct the City Manager to continue investments through grants in long-term community capacity by advancing digital literacy via the San José Digital Inclusion Fund, and to work with the Mayor’s Office of Technology and Innovation in fundraising for that initiative.

Office of Racial Equity: In my 2020-2021 budget messages, the Council approved my direction to the City Manager to create an Office of Racial Equity embedded within the City Manager’s Office. Eight months later, the office has now hired a director and is actively recruiting additional staff. In a recent City Council meeting to discuss Council priorities, some of my colleagues expressed their displeasure with the work this office is undertaking. This new office is in its “startup” phase, and our expectations should be tempered by that fact. I direct the City Manager to issue a Manager's Budget Addendum that clearly articulates the work plan of this office and presents options for continued funding, so that Council can consider those options during this budget season. As I delineated in my March Budget Message last year, the work plan should 1) integrate an equity framework into decision-making, and operationalize this practice in our daily work, 2) create a coordinated community engagement approach that builds effective partnerships, 3) create infrastructure to ensure the City has a data-driven approach, 4) set aside resources for external consultants or facilitators to assist the City, where necessary, and 5) substantially expand language access capacity. Per the discussions at Council on March 2nd, the

MBA should address the question of whether to add a language access coordinator to this office or elsewhere within the City Manager's Office.

Data Equity: All of the talk about equity means little if we're not measuring outcomes, and driving results with concrete actions toward those outcomes. This requires us to squarely confront data, rather than pointing at anecdotes. By cultivating a data-driven culture in City Hall, we can more transparently, rigorously, and effectively make decisions, allocate scarce resources to those communities of greatest need, hold ourselves accountable for the results, and identify opportunities for improvement. As Councilmember Mahan has articulated forcefully, moreover, we need to use this data to create key performance indicators that can provide clear goals and indicators of future progress. Through the data equity framework already underway, my office secured funding from the Knight Foundation to collaborate with departments such as PRNS to pilot a process that foregrounds the local context of those most affected by our decision making. My office has engaged actively with several external funders for funding of a long-overdue hiring of a data scientist to lead this work, but grant decisions and allocations likely remain several months off. Pending those awards, I direct the City Manager to allocate one-time federal relief funds—should regulations permit—to hire a technical lead to spearhead this work.

Equitable Budgeting: Through my March Budget Message two years ago (2019-2020), the Council majority agreed to require the use of "equity screens" to allocate nearly \$4 million in education, public safety, and other public resources to high-need neighborhoods. Although the concept may have taken on different nomenclature since, staff understands well the imperative of integrating equity in budgetary decisions. Although my office received some high-level updates on this work last year, the public has yet to see detailed descriptions of our efforts to use objective equity measures to assist in allocational decisions. I direct the City Manager to routinely report through the budget process the City's specific efforts to integrate equity into budgeting, such as by revealing results of the recently-instituted "Budgeting for Equity Worksheet" developed by the Office of Racial Equity and the Budget Office as a tool to evaluate departmental budget proposal packages.

Better Serving our Neighbors with Disabilities: Councilmember Foley and several community members have advocated for the creation of a separate office to address issues relating to disabilities. The City Manager is directed to allocate one-time funding to prepare a report to Council describing (a) existing workload associated with serving residents with disabilities, (b) how that workload is currently distributed throughout the City organization, (c) what specific additional work disability advocates and other community members seek to have the City perform through an office, (d) the cost and workload implications of creating such an office in light of existing budgetary and staffing constraints, and (e) staff's recommendation on the matter.

Rising Utility Costs Impacting Families in Distress: The most economically vulnerable members of our community have suffered most severely during this pandemic, yet looming electricity, water, and recycling rate increases threaten to exacerbate their pain. The City Attorney is directed to return to Council to determine whether the City can use federal relief dollars to provide grants to offset utility costs increases on a needs-basis, in light of Proposition 218 and new federal regulations. Additionally, the City Manager is directed to evaluate and bring forward recommendations to the City Council on the ability to supplement energy efficiency programs authorized by the California Public Utilities Commission (CPUC) to incentivize

energy-saving retrofits in low income homes, beyond the 250 homes contemplated in the first tranche of funding we might receive in any state programs for which we've already applied.

Protecting Services To Our Low-Income Communities: In order to close a projected \$48.1 million deficit, we will need to make hard decisions that will inevitably impact our City services. Even the very substantial federal relief provided by the American Rescue Plan provides nothing more than one-time funding, and our deficit is an ongoing problem; when the money gets spent, we'll still have a deficit. Historically, the most severe cuts felt during recessions come to services associated with libraries, community centers, and parks. Yet history has shown that in times of economic crisis, Americans turn to their libraries in even greater numbers for access to resources for employment and services, and our parks provide opportunities for respite and recreation to families unable to afford to travel, to join gyms, or other luxuries. I direct the City Manager to report to the full Council during Budget Study Sessions on the equity analysis conducted for any reductions in service to our community-facing services, such as in our libraries and parks.

2. Clean, Safe, and Livable City

Beyond the severe health and economic impacts of this pandemic, it has also wrought a visible toll on our city—and our perceptions of it. We all see more trash, more blight, and more palpable signs of disorder—and social science draws a direct connection between those indicators and more serious issues of crime. Indeed, violent crime has risen in virtually every major U.S. city through this pandemic, and we have much work to do to restore our residents' sense that this city still belongs to them.

We must start with the basics: restoring a clean, safe city.

Beautify San José: We launched BeautifySJ in 2017 to rally our community to reclaim our public spaces, to align our City resources to address our growing problems of trash, graffiti, and blight, and to encourage volunteerism to beautify our city. Prior to the pandemic, thousands of volunteers participated in our efforts, boosting community pride and engagement among neighbors. The pandemic caused the City to put much of that work on hold, as City staff were reassigned to the Emergency Operations Center for everything from food distribution to homeless shelter management. As we emerge from this pandemic, we must reinvigorate these efforts. Several recent programs have shown progress, but to have greater impact, they need more resources to scale. I propose the following budget priorities for BeautifySJ:

- **Fixing the “Good People, Bad Process” Problem with Consolidated Management:** The roughly dozen beautification and quality-of-life-related initiatives that comprise BeautifySJ requires coordination across multiple departments and offices. We often hear residents praise our hard-working City staff, but grouse about the disconnected nature of services and support. A resident makes a straightforward request, but different City programs managed by different City departments respond in an uncoordinated way to the same geographic location. This ambiguity in ownership of service delivery frustrates our community and produces many inefficiencies. We can do better. The City Manager is directed to continue programmatic consolidation under a single manager solely focused on ridding our City of blight. The City should maintain those innovative programs that appear to be effective—including but not limited to SJ Bridge, BeautifySJ Neighborhood

Beautification Grants, Murals for Graffiti Hot Spots, Cash for Trash, Neighborhood Dumpster Days and others, while streamlining others to reduce duplication of management. The City Manager is further directed to return with a Manager's Budget Addendum that clearly articulates the management consolidation strategy, the source of funding for the increased service levels necessary to effectively clean our City—including the use of federal relief funds, if allowable—and options for continuing investment over at least the next two years.

- **San José Bridge Employment Program:** SJ Bridge hires unhoused residents to clean litter in dozens of citywide “hot spots,” with management and case support of Goodwill and Downtown Streets Team, local nonprofits, prioritizing areas with large encampments served by the SOAR program (see below). During the interrupted calendar year 2020, the program serviced over 70 locations, collected nearly 7,000 trash bags, and removed 155 tons of debris—with most of the collections (108 tons) focused in Council Districts 3, 5, and 7. As of February 2021, SJ Bridge had a combined 53 participants, 21 of whom had moved on to secure jobs with Greenwaste, People Ready, Tesla Motors, and other local employers. With the imminent transfer of this program to the Housing Department, we will—and must—better track our progress in getting participants housed as well. I direct the City Manager to utilize a one-time allocation of federal American Rescue Plan Act funding—if federal regulations allow—to expand this program to include 100 participants, dramatically increasing the collection service of existing and new locations, for two years. If either of the two non-profit organizations can scale, staff should continue to utilize the current non-profit organizations, unless legally required to conduct an additional RFP.
- **Cash for Trash:** Since the launch of the Cash for Trash program in November 2020, about 125 unhoused residents now participate, earning up to \$20 weekly on reloadable MasterCard debit cards for collecting as many as five bags of trash per week. Collectively, participants have removed more than 23 tons of trash from our streets and waterways, in fourteen locations spread across every Council District. After early problems in implementation that left some participants unclear about when or whether they would be paid, the program has refocused by serving a smaller number of sites with a more frequent payment and pickup (weekly). As a result—and due to the collaboration of the Water District and MasterCard, which waives all fees—this pilot program has shown progress across multiple objectives: (a) building relationships with unhoused residents and reducing their resistance to other homeless services, (b) reducing trash and blight, and (c) providing participants with a few dollars for necessities—while limiting the use of the debit cards' use at such venues as liquor stores, dispensaries, and smoke shops. Limited staffing has constrained the impact of the program, however. If federal guidelines allow, I direct the City Manager to allocate one-time American Relief Plan funds for program expansion to serve 500 unhoused residents at a time. Specifically, the City Manager is directed to ensure funding for four Community Activity Workers or Resilience Corps members over a period of two years, and expand non-personal/equipment (supplies and related equipment) funding over a period of two years, to dramatically scale our efforts.

- **Resilience Corps:** Should Council approve the direction to allocate funding to establish this initiative, direct that at least 40 participants work for a non-profit or other organization engaged in beautification and cleaning of San José, including but not limited to Conservation Corps, Our City Forest, the South Bay Clean Creeks Coalition, the Guadalupe River Park Conservancy, the TrashPunx, Keep Coyote Creek Beautiful, Goodwill, Downtown Streets Team, Local Color, Pow!Wow! San José, Empire Seven Arts Studios, and other organizations seeking to expand their capacity to clean or beautify our city, and to reduce pollution in our watersheds. The City Manager is directed to establish metrics for assessing effectiveness of these organizations' contributions to our efforts to eliminate visible trash and blight, boost beautification, and improve the environment.
- **San José 311:** The San José 311 mobile app and website, formerly “MySanJosé,” allows residents to report and track City response to a host of maladies, including trash, broken streetlights, potholes, and graffiti. After a strong launch in 2016 and a rapid adoption by more than 40,000 residents who regularly use the app, many have urged improvements to San José 311 to broaden its offerings, to make it more accessible and easier to use, and to make it more relevant for our underserved communities. Although the team has successfully added functionality this Spring to enable requests for free junk pickup and other garbage-related services, improvements are hindered by the need to depend on an external vendor (on a very small, \$13,000 support contract) for app maintenance and software upgrades. I direct the City Manager to (1) issue a Manager’s Budget Addendum on resident and stakeholder feedback received on San José 311 during the budget process—identifying opportunities for improvement and a roadmap for executing these improvements, and (2) allocate one-time funding to invest in a two-year program to expand San José 311 internal capacity—for both coding and customer experience. Two full-time additional staff, plus necessary software development licensure, will be needed to focus our efforts on identifying and implementing digital service improvements that both (a) engage more of our underserved residents, including residents with disabilities, (b) improve functionality, and (c) work with departments to improve service delivery. The two-year goals should focus on adding at least five new services by the end of 2022, expanding the geographic diversity of our user base, and achieving strong customer satisfaction ratings.
- **Enforcing Laws Against Illegal Dumping:** Unlawful dumping of trash exploded during the pandemic—and the largest offenders were not homeless, but often contractors, landlords, and homeowners. Hard-hit low-income communities suffered the most from such activity. The City Manager is directed to return to the Neighborhood and Education Services Committee to discuss how the City can encourage reporting of illegal dumping—including the use of the 311 app, rewards for identification of violators, or roving motion-sensitive video cameras—in a manner that can result in fines and other enforcement action.

SOAR Program: The Services Outreach Assistance and Resources (SOAR) program provides comprehensive street-based services at 16 homeless encampment sites, including hygiene, sanitation, laundry, trash pickup and dumpsters, housing outreach, and shelter for encampment residents. This program benefits several hundred of our unhoused residents while also keeping

our neighboring communities and residents safer and cleaner. Over two months, the data shows substantial improvement in conditions both for the unhoused and the surrounding community. BeautifySJ and San José Bridge teams collected and removed more than 125 tons of debris per month from SOAR sites, while outreach teams engaged with 123 individuals and in multiple case management sessions in 60 days, providing services such as addiction counseling and rental assistance. I direct the City Manager to use federal relief dollars—should federal regulations permit—to expand the program to more sites, with a one-time allocation spread over two years. The program should focus on supporting the transition of unhoused residents from the Guadalupe River Park, below.

Restoring our Parks—Beginning with the Guadalupe River Park: San José’s small team of 17 park ranger positions must patrol all of the regional parks in our City. In the years preceding the 2009-2010 budget cuts, the Parks Department assigned two full-time (and one part-time) rangers to patrol the Guadalupe River Park (GRP), manage events, conduct maintenance, abate graffiti, and engage with unhoused residents. Today, park rangers do not regularly work in or patrol the GRP, and we consistently hear that residents fear to use the park due to its condition.

Following guidance from the CDC and County to avoid moving unhoused residents during the pandemic, the City suspended abatements of homeless encampments for nearly a year. The GRP has become inundated with encampments, vehicles, and RVs. Crime and vandalism have increased dramatically, including fires, blocking trails with vehicles and debris to prohibit public use, and other related problems.

The pandemic has highlighted the importance of our parks, open spaces, and trails. When people felt comfortable using the Guadalupe River Park, its trail provided a daily commute route for more than one thousand San José residents, a weekly site for exploration of the natural world by many guided groups of children, and the subject of thousands of hours of volunteer labor in the rose garden. We must protect the massive investment made in the park and the associated flood control project, and restore the Park to a state that enables the entire community to use it again. Citizen leadership to restore and revive the GRP has emerged, with a working group that Councilmember Peralez and I created last year in partnership with the Guadalupe River Park Conservancy, and with volunteer cleanup efforts scheduled next weekend and thereafter.

Without dedicated oversight, however, we will lose this important asset and its wildlife habitat irreparably. The City Manager is directed to prioritize and fill at least four of its five vacant park ranger positions, and to dedicate two of those newly-filled positions to GRP. In light of the massive cleanup, maintenance, and repair needs in Guadalupe River Park, the City Manager is directed to utilize one-time federal relief money to fund more proactive work from participants in the San José Conservation Corps or Resilience Corps, as well as to explore the opportunities to leverage volunteers through the Guadalupe River Park Conservancy for additional support.

Methamphetamine and Addiction-Related Crime: After several years of pushing, we are finally seeing progress in collaborative efforts to bring mental health resources to our streets, both through the partnership we have with the County for Mobile Mental Health Crisis Response teams, and for mental health staff hired by our Housing Department to accompany our homeless outreach teams. A serious public safety issue remains, however, for the many episodes in which we see assaults, violent threats, vandalism, and other menacing behavior related to the use of

methamphetamine (and occasionally other stimulants). Due to its low cost, methamphetamine has long been the drug of choice for offenders on San José streets, and has spurred many complaints from parents witnessing seemingly psychotic episodes in their neighborhoods, small business owners frustrated with broken windows, and teachers seeing groups of adults huddling over a meth pipe near schools. In the past, officers routinely made arrests for misdemeanor violations of the Health and Safety or Penal Codes, and arrestees would sit in jail for a couple days until they came off the drug, and the acute phase of withdrawal passed. Arrestees typically received Proposition 36-mandated drug treatment with probation from a judge, and were then released. With court supervision, particularly with frequent testing and intensive case work, individuals generally had a far better chance to overcome their addiction and reduce recidivism.

The pandemic and recent changes in the criminal justice system have made it virtually impossible to get addicts exhibiting dangerous and criminal behavior off the streets. These changes have undermined any incentive for offenders to engage in treatment or to abstain from using. Widespread frustration within the SJPD—and San José is not unique among California big cities in this regard—has taken hold, resulting in a lack of police response. Officers know that the jail will not hold misdemeanants, most individuals have no bail requirements anyway, and even if a judge wanted to order treatment, there remains an inadequacy of drug treatment beds. The County urges that its creation of a sobering station has been underutilized by SJPD, but officers indicate that the sobering station does not constitute a viable or safe solution where a stimulant-addicted detainee poses any risk of violence. Inadequate capacity exists within the inventory of beds at detoxification centers, which are routinely full. The frustration and fear in our communities--and particularly our most crime-afflicted neighborhoods--has peaked. Supervisor Cindy Chavez, District Attorney Jeff Rosen, and I have discussed some of these challenges, and they have agreed to be co-convenors with me of a small group that would include leadership of SJPD, County Probation, County Mental Health, and the Public Defender to discuss options and solutions for reducing the harms posed by individuals afflicted with addiction issues. The City Manager is directed to ensure that SJPD and CMO leadership participate actively in those meetings.

Foot Patrol in Downtown—and Beyond: Continued concern over the safety of residents, workers, and visitors in our Downtown compels the need for walking patrol. Council has repeatedly approved the funding for a walking beat Downtown, but too rarely have we actually seen patrol officers walking the beat, which the SJPD often attributes to challenges in filling the assignment on a voluntary basis. The City Manager is again directed to continue one-time funding of this patrol of approximately \$250,000, but to return to Council with an MBA that outlines a potential timeline and budget options for adding this beat as a routinely-assigned, walking patrol in Downtown. The City Manager is further directed to allocate one-time funding of \$500,000 to continue foot patrol in struggling neighborhoods outside of the Downtown, based on need. Finally, the City Manager is directed to report outcomes of prior years' spending on Downtown Foot Patrol and High-Need Neighborhoods Foot Patrol to the PSFSS Committee—with a specific focus on how the walking beats were filled.

Traffic Safety and Illegal Sideshows: During the pandemic, San José has seen an increase in illegal sideshows taking place in our neighborhoods throughout the City. Nearly two years ago, our Council passed an ordinance allowing police officers to cite and fine a broader array of sideshow participants—including organizers and “lookouts”—\$1,000 or up to six months in jail.

On just one recent weekend, San José police officers conducted coordinated sideshow enforcement at various locations throughout the city where they encountered crowds estimated at over 400 participants and nearly 300 vehicles. Three guns were recovered, five vehicles were impounded and 42 spectator violation citations were issued. The sideshow activity required a response of a majority of swing shift personnel and approximately 11 midnight personnel, however. Councilmembers Esparza and Davis issued a memorandum to the March 3rd Rules Committee that contains several good ideas to address this issue. I direct the City Manager to identify one-time funding to proactively investigate and enforce violations through a combination of staffing or overtime, use of technology such as automatic license plate readers, “quick-build” street modifications, and vehicle impoundment.

San José Abierto: Criminologists have long concluded that community-building can improve neighborhood safety. As we recover from the pandemic, reconnecting with each other in public spaces—parks, plazas, streets, and business districts—will also help restore our personal and emotional sense of well-being, and can help drive activity for our local small businesses. As public health orders allow, we should emphatically declare that “San José is Open,” by encouraging people to safely retake our public spaces. Through my 2020-2021 June Budget Message, Council approved funding for at least 50 summer park activations through Viva Parks, prioritizing parks serving East San José and other high-need communities for the summer of 2021-2022, for a series of free events offering health and wellness resources, physical activity, and community building. If public health orders this summer deem it safe, Viva Parks and movie nights will offer much-needed opportunities to socialize in family-friendly, safe outdoor settings. As a part of this strategy, PRNS plans to engage artists—our natural community builders—in their park activations, to help sustain struggling arts organizations, convene diverse audiences, support local businesses, and build an authentic narrative for our collective recovery.

- **Parks:** I direct the City Manager to return to Council during the budget process with a plan that will further our work with arts organizations using federal relief funding—if federal restrictions allow—to create outdoor activations focused on themes such as health, education, and community engagement. The City Manager is further directed to prioritize programs for parks serving our neighborhoods and small business districts most severely impacted by the pandemic, including the Downtown.
- **Festivals:** Arts organizations have been devastated by the cancellation of events, shows, and fundraisers, and City arts grants have plummeted with the steep drop in hotel tax revenues. With the passage of federal legislation, we have an opportunity to allocate one-time funding over the next two years—focused on the next two years—to help revive our struggling arts organizations, and to re-engage audiences. The City Manager is directed to allocate this dedicated funding source to stimulate re-engagement outdoor audiences safely—as public health orders permit—with resumption of preexisting or new festivals, live music, street shows, and art exhibits.

3. Homelessness and Affordable Housing Crisis

In addition to all of the efforts referenced in the preceding section to boost employment opportunities, improve health, and mitigate the poor quality of life of our unhoused residents, we know that the most impactful response to homelessness is housing.

Emergency and Transitional Housing Communities: At the time of the COVID-19 outbreak, San José had 5,117 unsheltered residents and only 849 shelter beds available—six unsheltered residents for every one shelter bed. The pandemic afforded the City the opportunity to clear the red tape to build emergency interim housing (EIH) rapidly, borrowing many lessons from our Bridge Housing Community (BHC) model, to address both the immediate pandemic emergency and its aftermath. With the help of a hard-working City team partnering with Habitat for Humanity, we have successfully constructed three emergency housing communities in record time—and at a small fraction of the standard public cost—providing dignified housing with private bedrooms and bathrooms behind lock and key. During the pandemic, we will prioritize medically vulnerable and older unhoused residents in the EIH communities, and thereafter the housing will convert thereafter to become transitional communities that will facilitate rapid rehousing.

With the successful completion of the first three communities, we have attracted growing interest from philanthropic partners who see promise for replicating this high-impact, low-cost, high-response model. We have identified a fourth EIH site—Parking Lot E that serves as the Police Dept’s overflow parking—on the east side of Hwy 87 from the Guadalupe River Park (GRP), and have attracted more than \$5 million in funding commitments from donors. This location presents a unique opportunity, utilizing the EIH model in the short-term for housing 80 to 90 homeless individuals to protect them from the pandemic. In the longer term, we can borrow what we’ve learned from our San José Bridge employment program to enlist a corps of paid park stewards who will beautify, repair, and clean the GRP under the direction of the Guadalupe River Park Conservancy. I direct the City Manager to work with my office to develop an operational model that will sustain EIH site operations, including how a GRP stewardship program could become a sustainable addition. In light of tentative commitments from a philanthropic donor to fund a fifth site, I further direct the City Manager to identify a fifth location—perhaps from among those Caltrans sites sought by Councilmember Mahan—and create a pro forma of construction and operation costs.

State Homeless and Housing Advocacy: The California Big City Mayors coalition, which I chair, has again advocated for homeless funding in the state budget process as our #1 priority, specifically focusing on the distribution of more Homeless Housing, Assistance, and Prevention (HHAP) dollars. Over the years, these efforts have successfully brought tens of millions of dollars to San José. Flexible homeless funding remains critical now more than ever to support the ongoing operations of the Bridge Housing Communities, Emergency Interim Housing Communities, and Homekey site which will exceed \$13 million annually in San José. In light of the rare, one-time opportunity presented by the large State surplus, I direct the City Manager to engage with my office on advocacy efforts to the Governor and legislative leadership to promote the allocation of additional funding for homeless housing in San José.

YIGBY — “Yes in God’s Backyard”: Some churches have expressed a willingness to build 100% affordable housing for homeless and low-income families and individuals on their parking lots, but current City land use designations have posed a longstanding barrier. This past fall, Council approved developing a YIGBY land use policy as part of the Citywide Residential Anti-Displacement Strategy, and it has been part of the Housing Crisis Work Plan for several years.

We are told that staffing constraints make it unlikely to get done until the end of 2021 or early 2022, however. Staff has identified approximately 435 acres of assembly use properties owned by nonprofit faith organizations zoned Public/Quasi Public (PQP), a significant portion of which is underutilized surface parking lots that could be converted into affordable housing. In contrast to the recent conversion of a school district's PQP-designated land for a market-rate project that will produce predominantly \$1.4+ million homes, we have the opportunity to create truly affordable housing at a scale worthy of consideration for the conversion of publicly designated land. Planning staff indicates that much of the work lies in community outreach, but non-profits like Catalyze SV could provide a "contracted" alternative. I direct the City Manager to allocate federal relief dollars, if regulations allow, to contract with an outreach consultant to accelerate the work necessary to bring forward a YIGBY PQP policy as soon as possible so that we can take advantage of offers by philanthropic partners willing to develop affordable housing. To the extent possible, the consultant should also perform work of PQP-conversion of school-district-owned lands to save time and generate efficiencies.

Opportunity Housing and the General Plan: Public battles over proposals to eliminate single family housing citywide will heat up, yet other important issues in our General Plan update also require detailed discussion. We should give the discussion over "Opportunity Housing" the time that it deserves, and we should not allow the extensive debate over one issue to force us to ignore all of the others. To ensure full discussion of all General Plan issues, the City Manager is directed to schedule discussion and vote on the "Opportunity Housing" recommendations of the task force on a date separate from the discussion on the rest of the General Plan changes. During the discussion over this issue, City Staff is directed to include analysis of the relevance of the existing by-right ability of parcel owners to add two additional dwellings to every single-family parcel (under recent state law authorizing ADU's and "Junior ADU's") to whatever housing supply could be created by an "Opportunity Housing" proposal.

Backyard Homes/ADUs: Our permit center continues to experience a high rate of permit applications for backyard homes, also known as accessory dwelling units (ADU's). The City processed 26 times the number of ADU applications in 2020 as it did in 2015, and ADUs represented 38% of all of the housing permits pulled in 2020. This interest reflects the success of our collective efforts to drive ADU construction as means to expand our chronically overcrowded housing stock. City permitting processes become challenging for homeowners who have little building project experience, however. By expanding our oversubscribed ADU Ally program to meet this demand, we can boost San José's housing supply, while helping struggling homeowners pay their mortgage. I direct the City Manager to allocate funding from the Development Fee Program to continue the ADU Ally position, as applicable, and add engineering, permit, and additional ADU Ally staffing, as appropriate, that will expedite our ADU application and review services. This commitment will allow for increased capacity and a faster turn-around of ADU applications while also freeing managerial PBCE resources toward larger projects. I further direct the City Manager to support the partnerships emerging from the Mayor's Office engagement with innovative companies and ADU builders willing to invest in scaling ADU development in San José, where external resources will support those efforts.

Managed or Sanctioned Encampments: On a roughly biennial basis, the issue of "Managed" or "Sanctioned" Encampments arises at City Council meetings. Typically, Housing staff and many experts resist implementing the concept due to a foundational and hugely time-consuming

problem: finding a site acceptable to the community. San José (and every other city) has enough difficulty persuading neighborhoods to embrace safe, dignified, well-designed affordable housing for our homeless residents, let alone a shantytown or collection of tents. A very key difference between the two endeavors is that at the end of all of our many hours of outreach, community meetings, and service responses, a sanctioned encampment still will not have safely housed a single homeless individual, and a development will. Moreover, sanctioned encampments are hardly cheap: In the City of San Francisco, a recent study found the City spending nearly \$61,000 annually per person to maintain sanctioned encampments—an amount roughly three times greater than the annual cost of rental vouchers—often because of the security and service demands of surrounding neighborhoods. Fortunately, there are alternatives; City staff have proactively provided basic sanitation, trash, and other services to unhoused residents at 16 locations with a high concentration of encampments, known as SOAR sites. Accordingly:

- **Expanding SOAR Sites:** As I've noted in Section 1, above, in light of additional federal relief funding made available through the American Rescue Plan Act, the City can and should expand the number of SOAR sites to better address the needs of our unhoused, and the desires of surrounding neighbors to see trash abatement and mitigation of public health risk.
- **Public Restrooms:** The City Manager is directed to launch a pilot project to enable more public restrooms to become available to avoid the public health risks, nuisance, and blight of public urination and defecation. While distributing meals for unhoused residents in Guadalupe River Park in December, I learned that repeated vandalism forced the City to shut down Columbus Park restrooms upon which unhoused residents depended. When I inquired whether we could apply a model similar to SJ Bridge, paying unhoused residents to protect and clean the restrooms, Pastor Paul Bains expressed that his WeHOPE organization manages people to do just that in the East Bay, and he would be willing to take something similar on in San José. Too many restrooms have become unusable for any members of the public, including our unhoused residents. The City Manager is directed to utilize one-time federal relief funding to design and launch a pilot program, using SJ Bridge or a similar model.

4. **Fiscal Resilience**

Given our continued uncertainty with vaccine deployment and the prevalence of virus variants, we should continue to prepare for a challenging future. Accordingly, through this Budget Message, I again seek my colleagues' support for our adopted principles of budgetary resilience:

1. **PREPARE FOR MULTI-YEAR GENERAL FUND IMPACTS:** anticipate economic volatility by strategically cutting costs, using reserves, and exploring opportunities such as Pension Obligation Bonds;
2. **PRIORITIZE AN EQUITABLE ECONOMIC RECOVERY:** create opportunities for recovery and resilience especially for low-income communities disproportionately affected by the pandemic;

3. **FOCUS ON OUR HIGHEST PRIORITIES:** invest in our residents' priorities that align with our core City services and have the greatest impacts on the quality of life in our community; and
4. **LEVERAGE OTHER RESOURCES:** identify ways to maximize the use of external resources, including federal, state, county, and philanthropic funds.

Impact of the American Rescue Plan: The City Manager's General Fund Forecast (released March 1st) indicates a deficit of \$48.1 million in 2021-2022. Given the structural, ongoing nature of that deficit, the City Manager is directed to identify ongoing cost savings—starting with the strategic elimination of vacancies and the identification of any cost efficiencies--that will reduce the ongoing deficit to the General Fund. Should Congress fail to allocate anticipated levels of local assistance through the American Rescue Plan, the City Manager is directed to present a plan for a balanced budget that primarily relies upon ongoing cost reductions and efficiency savings, with a modest reduction of existing reserves such as the Budget Stabilization Reserve.

If Congress approves our anticipated levels of American Rescue Plan funds, the City Manager is directed to allocate sufficient funding to address our remaining projected future shortfalls—beyond the ongoing savings identified through belt-tightening—on a one-time basis. Given our ongoing, substantial budget deficit, we must not resign ourselves to simply “filling the hole” with one-time funds and hoping for the best. Ample reason exists to expect a long fiscal winter—for example, some experts have pointed to risks of financial markets freezing in response to anticipated commercial bankruptcies in the year ahead. Others point at rising pension contribution rates if equities markets fall from their historic highs, after an unprecedented decade-long runup. Fallout in the retail and hotel industries, moreover, will likely precipitate many Proposition 8 reductions in property assessments, and the decline in tax revenue will directly impact the City's largest revenue source. Accordingly, the City Manager is further directed to allocate at least \$80 million into a reserve that both insulates the City from the foreseeable and substantial shortfalls we must be prepared for in the following years, and to provide additional resources in 2022-2023 to continue supporting our community's recovery.

Budget Stabilization Reserve: This reserve provides budgetary resilience amid large fluctuations in revenues or expenditures—serving a critical role in mitigating the impacts of the pandemic on our staffing and services during the current fiscal year. If the City receives federal relief funds, the City Manager is directed to preserve the current balance of this reserve and consider contributions as necessary to maintain a protective level of funds.

Essential Services Reserve: Assuming that Congress approves the City's anticipated allocation of federal relief dollars, the City Manager is directed to set aside \$3 million in one-time funds that may be used to support services of essential importance to our residents, as determined by the City Council. I request that my Council colleagues be strategic with their cost requests and mindful of their impact on the workload of an overstretched City budget and department staff. In the event that we do not secure relief dollars from the American Rescue Plan Act, the City Manager is directed to set aside \$1 million in one-time funds for this purpose.

CONCLUSION

Prior One-Time Funded Items: The City Manager is directed to evaluate programs funded on a one-time basis in Fiscal Year 2020-2021 for continuation in Fiscal Year 2021-2022.

Budget Balancing Strategy Guidelines: In addition to the four principles I've articulated in this Budget Message, the City Manager is directed to use the familiar FY 2021-2022 Budget Balancing Strategy Guidelines as detailed in Appendix A to develop a balanced budget for the fiscal year ahead.

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

For more information on this memorandum, please contact Nicholas Almeida, Budget Director, at Nicholas.Almeida@sanjoseca.gov.

ATTACHMENTS

Appendix A – FY 2021-2022 Budget Balancing Strategy Guidelines

APPENDIX A

2021-2022 Budget Balancing Strategy Guidelines

1. Develop a budget that balances the City's delivery of the most essential services to the community with the resources available. Consider current needs in the context of long-term service delivery priorities.
2. Pose explicit questions of equity – including who benefits and who is burdened – when considering changes to City services to achieve a balanced budget.
3. While over the long term the City remains committed to balancing ongoing expenditures with ongoing revenues to maintain the City's high standards of fiscal integrity and financial management, given economic and public health uncertainty related to the COVID-19 pandemic, use a combination of ongoing and one-time solutions to resolve the General Fund shortfall in 2021-2022 that balances the need to resolve the ongoing shortfall against the community and organization impact of service level reductions in the short term.
4. Should additional Federal relief or stimulus funding become available to address the pandemic, allocate funding for response, recovery, and local assistance – with an emphasis on assisting our most vulnerable – and to help backfill lost revenue, as allowable under statutory restrictions and in context of other urgent needs.
5. To the extent possible, maintain or increase General Fund reserve levels to help address any unanticipated budgetary shortfall in the following year as a stopgap measure.
6. Evaluate program-level budgets and determine if there are opportunities to shift resources or reconfigure operations to mitigate service delivery impacts, meet the objectives of the City Roadmap, generate new revenues, address truly significant community or organizational risks, fund services added on a one-time basis in 2020-2021, and/or respond to City Council direction and organizational risks. Review existing vacancies for opportunities to reorganize work groups to realize cost savings or to achieve current service level demands through alternative means. Factor in performance measure data in proposal development.
7. Focus on business process redesign to improve employee productivity and the quality, flexibility, and cost-effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
8. Explore alternative service delivery models (e.g., partnerships with non-profit, public, or private sector for out- or in-sourcing services) to ensure no service overlap, reduce and/or share costs, and use City resources more efficiently and effectively.
9. Identify City policy changes that would enable/facilitate service delivery improvements or other budget balancing strategies to ensure equity and inclusion for how services are delivered.
10. Analyze non-personal/equipment/other costs, including contractual services, for cost savings opportunities. Contracts should be evaluated for their necessity to support City operations and to identify negotiation options to lower costs.
11. Explore expanding existing revenue sources and/or adding new revenue sources.
12. Establish a fees, charges and rates structure designed to fully recover operating costs, while considering the impacts on fee and rate payers whereby a cost recovery structure may be lower in certain circumstances, and explore opportunities to establish new fees and charges for services, where appropriate.
13. Focus any available one-time resources on investments that 1) continue high-priority programs funded on a one-time basis in 2020-2021 for which ongoing funding is not available; 2) address the City's unmet or deferred infrastructure needs; 3) leverage resources to or improve efficiency/effectiveness through technology and equipment or other one-time additions; 4) increase budget stabilization reserves to address future budget uncertainty; and/or 6) provide for funding needs for non-bond eligible furniture, fixtures, and equipment associated with the continued implementation of Measure T.
14. Engage employees in department and/or city-wide budget proposal idea development.
15. Continue a community-based budget process where the City's residents and businesses are educated and engaged, as well as have the opportunity to provide feedback regarding the City's annual budget.
16. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.

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