

**MAYOR'S MARCH
BUDGET MESSAGE**



Memorandum

TO: CITY COUNCIL **FROM:** Mayor Sam Liccardo
SUBJECT: MARCH BUDGET **DATE:** March 7, 2022
MESSAGE FOR FISCAL
YEAR 2022-2023

APPROVED:

Date: 3/7/2022

RECOMMENDATION

Direct the City Manager to submit a balanced budget for Fiscal Year 2022-2023, guided by the policy direction and framework of priorities outlined in this March Budget Message.

In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2022-2023 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 2022-2023 Proposed Budget.

OVERVIEW

The positive news about our City's revenues from the City Manager provides us welcome relief from the anticipated cuts of the next budget cycle. More than a decade of pension reform battles, difficult negotiations, shared sacrifice, and ballot measures has resulted—for the first time in two decades—in a projection that the cost of retirement benefits will consume a declining share of the General Fund over the next half-decade. Though it will never hit the headlines, this collective achievement of our employees and residents should not be overlooked. It will pay many dividends in many future years of restored services and programs.

Some significant disclaimers accompany an otherwise hopeful message. First, a standard General Fund forecast necessarily ignores the \$125.4 million of services that we provided our pandemic-struck community over the last year with one-time funds. Those funds require a new allocation in future years, or the services will go away. More specifically, we used about \$105 million in federal American Rescue Plan funding for a variety of critical services, ranging from food distribution to provision of broadband service to youth, and another \$20.4 million in services were provided with one-time sources in the General Fund.

If we wished merely to maintain the level of services we currently provide San José residents into the next year, we would commence our budget decision-making in a nearly \$100 million hole: a \$125.4 million service-level deficit, offset by \$27.7 million in new ongoing net revenues. We have to solve the remaining gap with some combination of additional ongoing revenues, one-time “bridge” funding, and cuts (or perhaps more precisely, allowing some of the programs supported with one-time funding to expire).

Second, the ongoing fiscal picture excludes unmet and deferred infrastructure and maintenance needs. Those unmet needs remain daunting: an estimated \$1.7 billion backlog, requiring an ongoing annual commitment of \$92.8 million. In recent years, we have addressed hundreds of millions of dollars of need through our successful implementation of Measure T projects, and with strategic annual investments in everything from deteriorating parks to “tech debt.” However, a large gap remains, and a full picture of our fiscal situation should incorporate these burdens.

Finally, the projected surpluses of future years assume a set of economic conditions that do not include any negative events that could severely impact our fiscal condition, including a recession, another crippling COVID spike, a sharp downturn in the equities markets, or the persistence of our severe drought. Instead, staff has projected revenues that will increase in every category, every year, as budget projections routinely do. Budgetary realities don’t abide by reasonable assumptions, however. Revenues decline in some years—and more often than we’d like.

In short, we have a very constrained budget. That requires that we focus on a very defined set of priorities. Our City Roadmap must be fully aligned with those budgetary priorities, reflecting the hard decisions we must make to prioritize some needs over others, even as we place value in all of them. Setting priorities requires that we necessarily defer spending dollars on other important needs that do not fully align with these priorities or our core essential services. Those needs will receive greater focus and resources when Council chooses to realign its priorities.

We begin the March Budget Message with a straightforward recommendation: that the City Manager establish the following priorities for the City Roadmap and the FY 2022-23 Budget:

1. **HOMELESSNESS AND AFFORDABLE HOUSING**
2. **PUBLIC SAFETY**
3. **BATTLING BLIGHT**
4. **CLIMATE AND SEISMIC RESILIENCE**
5. **EQUITABLE ECONOMIC RECOVERY**
6. **FISCAL SUSTAINABILITY**

Within this set of priorities, I recommend as follows:

A. HOMELESSNESS AND AFFORDABLE HOUSING

As reflected below, I propose that we double-down on our investments in three of the most cost-effective, proven solutions to combat homelessness—each of which was pioneered here in San José: quick-build apartment communities, motel conversions, and prevention.

1. 1,000 Quick-Build Apartment Units

When the pandemic struck in March of 2020, we quickly huddled with the CMO and Public Works to see how we could rapidly and cost-effectively build private dormitories for unhoused residents needing to escape the contagion risk of congregate shelters. Quick-build apartments were born: prefabricated, modular units built on underutilized public land. Within a year, we had three quick-build apartment communities under construction, and a fourth has broken ground near Guadalupe River Park.

In accord with the September 22, 2021 Rules Committee-approved memorandum of Councilmembers Jimenez, Peralez, Foley, Mahan and myself, the City Manager is directed to allocate a sufficient amount of one-time funding—through a combination of Federal, State, and General Fund resources—to enable the development, construction, and ongoing operations of emergency and interim housing at six sites, including quick-build communities and converted motels. Assuming that the site on Branham receives Homekey funding, we can reach our goal of getting 1,000 pandemic-era housing beds under development by the end of the calendar year by identifying sites and resources for another 403 quick-build units. Staff should not overlook the opportunity to densify existing quick-build apartment sites with additional units as well.

2. Motel Conversions

The City of San José pioneered motel conversions when it acquired two motels in 2015 and 2017, years before the idea attracted state support or funding. Another converted motel on North First Street garnered statewide awards last year. With large allocations through Governor Newsom’s Homekey program, we have a historic opportunity to accelerate this work. I urge that we align City resources for operations with the state’s Homekey funding to convert another 300 hotel or motel rooms for the unhoused.

3. Accelerating Our Prevention Efforts

Recent reports that 70,000 Bay Area tenants seek overdue state aid to pay their back rent provided a sense about the number of San Joséans who remain on the edge of homelessness. In partnership with Destination: Home, San José pioneered a program of providing cash to families in need of rental assistance, and found that with investments as modest as \$4,000 per family, more than 95% of families stayed housed a year later. Last month, we announced our collective intention to boost Measure E allocations this fiscal year for rental assistance relating to homelessness prevention. Our nonprofit partners are constrained in their capacity to properly distribute that much rental assistance in a single fiscal year, however. Given the state's well-documented obstacles in the state's delivery of emergency rental aid, we should begin the work now to accelerate the distribution of available dollars into the hands of families that are at immediate risk of eviction. The City Manager is directed to accelerate the distribution of funding for emergency rental aid after Council approval of this message, first using the remaining \$5 million from the City's direct allocation of Emergency Rental Assistance funds (ERA 1), followed by the use of applicable Measure E resources.

4. Fiscal Sustainability of Operations & Maintenance of Interim Housing

Starting in 2022-2023, we must begin allocating increasing levels of ongoing General Fund resources, as necessary, to ensure that the combination of anticipated external and internal funding resources suffices to operate these housing facilities for the next half-decade. The City Manager is directed to do so. This applies to our quick-build apartment communities, tiny homes, and converted motels, all of which face challenges for ongoing operations without the benefit of a reliable stream of funding emanating from the use of a federal voucher program such as Section 8 or VASH.

In partnership with community partners and the San Francisco Foundation—which has already engaged a consultant on this work—we must identify concrete changes in policies and practices that will substantially reduce the ongoing operations and maintenance costs, and ensure residents don't fall back into homelessness. Particular emphasis should focus on (1) opportunities to employ client residents onsite for maintenance, shuttle-driving, cooking, and security, to make the quick-build apartment communities more self-sufficient, and provide work experience for residents; (2) engaging the County in the funding and provision of services, with particular emphasis on addiction treatment and behavioral health services funded through the state's CalAIM program; (3) development of a workforce pipeline to manage the communities, given the labor market constraints on homeless-serving nonprofits; (4) the necessity of large security budgets given relatively few calls-for-service; (5) the use of portable federal vouchers—such as Section 8 and VASH—to provide revenue that can better sustain operations.

5. Drug Treatment and Mental Health

In California, cities typically do not have any expertise, staffing resources, or state or federal funding to address addiction and behavioral health issues. Rather, the state and counties exclusively control funding streams and retain that expertise. Nonetheless, our residents often expect us to respond, for example, to the epidemic of methamphetamine addiction within our unhoused community. Our City's first responders, from police to fire, bear the responsibility for addressing the tragic consequences of our lack of investment in upstream treatment. From our conversations with the police, local judges, and drug treatment providers, there remains a dearth of basic options, particularly for detoxification and inpatient treatment to address the most severe impacts on the safety of our communities.

While we lack the resources to address this problem directly, new opportunities may have emerged through changes in state policy – particularly in last year's state budget allocation of \$2.2 billion for behavioral health facilities and in the reformulation of state health funding through California Advancing and Innovating Medi-Cal (Cal-AIM)'s treatment of unhoused residents – that can empower cities to establish partnerships to better address the problem. The Mayor's Office is engaged in communication with the State Department of Health and Human Services, local judges, the District Attorney, and the County to explore options. Where there emerges (a) a willingness of the County to support such efforts with a letter of commitment, and (b) a desire of state and local partners to work with the City to enable greater access to detoxification and treatment services among our unhoused, the City Manager is directed to allocate one-time funding for consulting and other support to enable access to state and federal dollars for construction and operations.

6. Affordable Housing Navigator

We continue to hear frustration from affordable builders that post-entitlement, delays in the City's building and permitting process have put public financing construction deadlines in jeopardy. Two years ago, we added staff to a Housing Catalyst Team to eliminate obstacles in the planning pipeline, and we have seen the entitlement process accelerate. The City Manager is directed to add an employee within the Housing Catalyst Team (OED, PBCE, or Housing) to help steer projects through the building and permitting process, and to accelerate progress.

7. Homeless Outreach

The City Manager should identify one-time funding to pilot a two-year expansion of the BeautifySJ encampment management team to include therapeutic specialists who can coordinate behavioral health and other services for unhoused residents, and respond effectively to their crises. Currently, when the BeautifySJ teams encounter an uncooperative or acutely suffering resident during a clean-up, they must rely on Housing staff to deploy contracted outreach providers whose capacity limitations inhibit timely response. A coordinated response that

provides services at the point of contact will ensure that unhoused residents with more acute behaviors can be supported with services, while making the encampment trash teams more efficient in performing their cleaning.

8. Yes in God's Backyard (YIGBY)

In last year's Budget Message, I recommended and the Council approved resources for community outreach to accelerate creation of a policy that would enable the construction of affordable housing on parking lots and surplus land of our local religious communities. We have since learned of an additional barrier: the lack of resources for the environmental impact report that is required for a Citywide general plan amendment. Accordingly, the City Manager is directed to identify one-time funding to complete the required environmental study on a citywide change to the General Plan for religious facilities bearing PQP land use designations for public assembly, to accelerate the construction of affordable housing.

B. PUBLIC SAFETY

1. Rebuilding the San José Police Department

San José has long had the most thinly-staffed police department of any major city in the United States. Thin staffing became a critical concern a decade ago, as we struggled through years of painful budget cuts, battles over pension reform, layoffs, and hiring freezes, resulting in a loss of nearly 600 police officers from an already-lean force. Our residents have long clamored for better police response, and our overworked officers have struggled through long stretches of mandated overtime and "hold-overs." Successful negotiations over pension reform and our voters' approval of Measures F and B in 2016 have boosted funding, hiring, and retention to enable the restoration of the force by about 300 officers. The City's continued growth has nonetheless exacerbated the gaps in response to calls for service. We stuck together as a Council in unanimously rejecting calls to "defund" the police—an inappropriate approach for a city with $\frac{1}{3}$ the police staffing per capita of neighboring San Francisco. After more than a decade of belt-tightening, we finally have General Fund projections showing modest surpluses in future years. The City Manager is directed to (1) dedicate ongoing funding for up to 15 sworn positions, and (2) come forward during the budget process with a recommendation to integrate gradual increases in budgeted sworn positions within the City Manager's five-year forecast. Doing so will enable San José to restore a larger share of positions lost through the Great Recession, and to expand neighborhood foot patrol, bolster sexual assault and domestic violence investigations units, and improve traffic enforcement.

2. Walking and Bike Patrol in Downtown and other High-Need Neighborhoods

Continuous efforts to fund walking police beats in Downtown and elsewhere each year for the past seven years have largely floundered because these non-standard assignments rely on staffing through the uncertain prospect of officers volunteering to work overtime. Chief Mata and his team agree that it is long past time to make walking beats a standard assignment, to restore San José’s historic leadership in community policing. With approval of this message, the City Manager is directed to dedicate some of the new positions to create a designated beat of walking and/or bike patrol in the Downtown—with a particular focus on the time of day with the greatest need for eyes on the street, usually during swing-shift – and a rotating walking patrol for high-crime neighborhoods as well.

3. Addressing Mental Illness on Our Streets

The formation of the Mobile Crisis Response Team (MCAT) two years ago came after persistent efforts to collaborate with the County to dedicate mental health staff to patrol beats with SJPD. MCAT unit officers receive crisis and intervention training on how to deescalate situations and connect people to mental health support services. This pilot effort has been funded with a one-time grant from the U.S. Department of Justice, however. With approval, the City Manager is directed to add sworn and unsworn positions with ongoing dollars to fund MCAT teams going forward, drawing in part from any additional sworn SJPD positions in FY22-23.

4. Re-Arresting Defendants Who Have Failed to Appear Post-Release

Many of our SJPD officers have grown increasingly frustrated by what they perceive as the “revolving door” at the jail after making felony arrests of individuals on assault, burglary, robbery, and other charges, only to see arrestees released within hours of booking or arraignment. In the most egregious examples – specifically, three homicide suspects and one child molestation arrestee – we’ve seen defendants released without bail, commonly referred to as “SORP.” SJPD surveyed its arrest records from April 1, 2020 to June 30, 2021, and found thirty arrestees who had incurred at least ten arrests in that duration – nearly all after a pretrial release. One arrestee, remarkably, was released and rearrested 19 times—many of those charges for felonies. According to the County’s Office of Pretrial Services – in June of 2021, the most recent month for which data was publicly released—about [half of the released defendants violated their conditions of release, such as by committing a new crime or failing to appear in court.](#)¹ In addition to increasing the obvious risk of harm to the community, ill-advised pretrial releases can spur vigilantism with deadly consequences, as illustrated by Cain Velasquez’s highly publicized attack last week.

¹ It should be noted that the County Office of Pretrial Release [has reported to the media](#) that only 5% to 7.5% of released defendants are re-arrested each month. While these numbers may seem difficult to reconcile with their published data, the discrepancy may be explained by the fact that the typical duration of pretrial release for nearly all defendants lasts several months before the resolution of their criminal matter; in other words, over a 6 month duration, the risk of re-offending may be as high as 45%, or 7.5% x 6 months.

If we face so many challenges with pretrial release, why are defendants being released at this rate? The City has no authority over these decisions, and it has become clear that pandemic-driven emergency bail orders create a stronger presumption for release of many arrestees whose offenses would have previously subjected them to bail or detention, and an interpretation of a recent [California Supreme Court decision](#) – or in the view of some, a misinterpretation – reinforces that trend. As noted above, the County’s scarcity of detoxification or inpatient beds leaves addicted arrestees back out on the street, often while they’re still under the influence, agitated, and potentially violent. All of these factors have contributed to leave frustrated judges with a binary “detain or release” choice, offering no third option for protecting the community where detention appears unwarranted. Residents in our most underserved, crime-afflicted neighborhoods feel the impacts too directly.

The Mayor’s office has been communicating with the District Attorney, several judges, and other stakeholders to discuss solutions. Some changes appear promising, including the prospect of revising the emergency bail order in the months ahead, and judicial consolidation of arraignment hearings before a single judge. In anticipation of the moment when the City Manager determines that other agencies have made sufficient procedural changes that make it worthwhile to invest additional City resources in solutions, the City Manager is directed to: (a) allocate one-time funding for additional overtime to re-arrest criminal defendants who have failed to appear on their warrants, with priority given to those defendants who face the most serious and violent felony charges or have been previously convicted for the most serious and violent felonies, and (b) allocate funding for non-sworn or overtime staffing for the drafting of “high bail” affidavits for uniquely dangerous arrestees.

5. Pedestrian and Traffic Safety Innovations

The horrific toll of roadway deaths in recent months has us all looking for answers. The rising toll of pedestrian and traffic fatalities nationally tells us that larger forces are at work – such as distracted driving spurred by smartphone use, for example, and pandemic-related stress.

Where we can have some impact on safety, we must take action. Part of the solution requires changing San José’s antiquated, suburban roadway designs that encourage high-speed driving and pedestrian-challenged streetscapes. While such capital projects typically require large expenditures, DOT staff has successfully piloted several more innovative, quick-build improvements – using paint, plastic bollards, and the like – that can improve safety at lower cost with much less construction. In a city with chronically understaffed police and insufficient capital budgets, we need to lean in on these and other innovations.

If this message is approved, the City Manager is directed to:

- A. **Traffic Safety Improvements:** Identify at least four high-priority projects, with a focus on quick-build projects, to implement on our highest-risk roadways—the 17 Vision Zero priority safety corridors – where close to 50% of our traffic fatalities from 2020-2022 to date have occurred. At least two of those projects should be

constructed on Senter Road and Monterey Road, which have featured a rash of horrific injury-accidents and deaths.

- B. Automated Speed Detection and Messaging:** Automated speed enforcement (ASE) is used in 14 states, but California law does not allow it. While San José continues to advocate in Sacramento for ASE, it can engage with the DMV to identify a means by which it can use speed cameras in conjunction with license plate reading cameras (LPR's) with velocity-assessment capability to compile lists of speeding cars to the DMV, which can then send the registered owners notification that the vehicle's driver violated the speed limit. (All of our LPR's, of course, would continue to be deployed in a manner consistent with our City's privacy policy, avoiding, for example, any sharing of data with federal immigration enforcement.) Using behavioral insights, we can determine how a timely post-driven text or email might apprise lead-footed drivers that their unsafe driving is being monitored. For example, messages might tell registered owners that "we'll be issuing tickets along that corridor for the next several weeks," or "your neighbors have complained about high speed-driving in the area, and have asked that we reach out to you." The City Manager is directed to identify the one-time cost to (a) cover the cost of standard speed/LPR cameras, and (b) pilot of a partnership with the DMV to cover the cost of their use of their registration database, and return with a recommendation through the budget process.
- C. Safest Driver Program:** Cities such as San Antonio, Boston, and Seattle have enlisted drivers to participate in pilot programs to assess how a smartphone app could incentivize and educate drivers on the quality and consequence of their driving habits. Each city observed substantial reductions in distracted driving, harsh braking, and speeding. The initiative became so successful that [insurance companies started integrating it](#) for policyholders to receive discounts on premiums for safe driving. I direct the City Manager to return through the budget process to set aside \$50,000 to enable the retention of a summer cohort of Coding It Forward and/or Stanford Community Impact Fellows to support getting the program up and running.

6. Hire Ahead

The wave of SJPD hiring in the early to mid-1990's – prompted by the passage of a tax measure a few years before – has had many officers hitting their retirement age. Fortunately, we have seen robust hiring once again, both in new recruits and lateral transfers from other cities' departments, as San José Police have again become an employer of choice. Retention also appears strong. To offset retirements, the City Manager is directed to use one-time funding to again implement a "hire ahead" program to maintain current levels of staffing.

7. Police Reform

We learned too well in the wake of the George Floyd murder of the need to invest in police training in managing crowds safely amid mass protests. In light of the recommendations of the After-Action Report, the City Manager is directed to invest in training of officers for safe response to street demonstrations, focused first on ensuring that every lieutenant in the field has the best training available. Although the City Manager's response identifies costs in excess of \$1.12 million for comprehensive training of every sergeant and lieutenant, changes in protocols will ensure that a lieutenant will be deployed in the field to manage any response. Accordingly, we can start with a focus on lieutenants this year—reducing the cost to \$323,904, and expand training in future years.

8. Reimagining Public Safety

As we see the community-led Reimagining Public Safety process near its conclusion, we should expect that recommendations will emerge that may require resources to implement. Through prior budget direction, we previously set aside \$800,000 in one-time funding in anticipation of potential recommendations resulting from this process. The City Manager is directed to deploy this allocation to help enact recommendations that may be approved by the City Council.

9. Security Camera Rebate Program

In 2015, we launched an effort to encourage residents with security cameras to register with the San José Police Department, to facilitate rapid communication after a reported crime to voluntarily supply video evidence that could assist in the apprehension and prosecution of an offender. SJPD has used voluntarily-provided video in investigations for many years, most famously leading to an arrest after a high-profile homicide in 2019. Registration does not provide SJPD with access to any “live feed,” but rather merely provides SJPD with a cell phone number and email address of the person who can grant video access, voluntarily, to SJPD after an event. Since then, we have successfully piloted programs that co-invest with homeowners in crime cameras in residential neighborhoods, starting with grant funding for 300 cameras from the Calpine settlement in Councilmember Jimenez's district, and a subsequent pilot in Councilmember Foley's district. The City Manager is directed to invest \$100,000 in one-time funding in a citywide security camera rebate program—conditioned on registration of the camera with SJPD—and distribute funding using an equity lens that prioritizes under-resourced, high-crime neighborhoods and small business districts.

C. BATTLEING BLIGHT

1. Beautify SJ

Allocations of funding from federal sources last year to BeautifySJ programs have only begun to hit the streets – and many sore spots of excessive trash, blight, and graffiti remain. We will only get traction on this continued challenge by funding BeautifySJ programs on an ongoing basis. With approval, the City Manager is directed to:

- A. Commitment:** Commit ongoing funding to ensure one-time expansions of BeautifySJ become permanent, with emphasis on maintaining or expanding programs that empower the unhoused to become part of the BeautifySJ solution, such as **San José Bridge** and **Cash for Trash**.
- B. Accountability:** Develop a program evaluation plan – focusing on visible outcomes, not on outputs – for all Beautify programs, to ensure efficacy and cost-effectiveness of each program of BeautifySJ.
- C. Community Cleanup and Beautification Grants:** Expand BeautifySJ grants for emerging and re-emerging business and neighborhood associations, and streamline the application process and distribution of funds.
- D. Capital Equipment:** Allocate one-time funding to purchase a compactor truck and other vehicles necessary to support BeautifySJ programs.
- E. Illegal Dumping on Trails:** Develop a workplan and allocate funding for design and installation of bollards along trails to deter illegal dumping from vehicles, with a focus on Remillard, Story, Watson, Tully Ballfields, Guadalupe, and the three direct discharge areas of the creeks.
- F. Reducing Costs of Cleanup:** Engage haulers currently contracting with the City to negotiate reduced dumping fees – similar to the deal negotiated by the City of Fremont with Republic Services. Explore other ways to reduce costs and streamline cleanup operations for illegal dumping, including improvement of coordination with departments to optimize the use of transfer stations and maintenance yards while reducing costs and labor. If necessary, allocate one-time funding from the Integrated Waste Management Fund needed to enable longer-term savings as required through negotiation.
- G. Clean Creeks:** Augment the Clean California Grant with matching City funding for Keep Coyote Creek Beautiful and South Bay Clean Creeks Coalition. Return through the budget process with recommendations for activating and patrolling creek trail alignments

that receive escalated cleaning, such as the Notting Hill Drive / Corie Court area along Coyote Creek, to deter illegal dumping, abandoned vehicles, and re-encampments.

H. Abandoned Vehicles: The suspension of non-essential services in the pandemic caused the backlog of requests for abandoned vehicle abatement to balloon. In response to neighborhood frustration, and to ensure a more equitable response to under-reporting neighborhoods, the City incorporated a more proactive response in 2021. Parking compliance staff now regularly patrol every city street at least twice a month to identify inoperable vehicles and vehicles that pose a health and safety hazard, in addition to responding to SJ311 requests. Early results from the hybrid model demonstrate some progress, however we continue to hear widespread frustration about perceived City inaction. The City Manager is directed to (a) allocate ongoing funding to continue the hybrid vehicle abatement model; (b) add one-time funding to boost parking enforcement for two years; (c) consider and return to Council with the evaluation of a more flexible standard for abating problem vehicles; and (d) emphasize enforcement within small business corridors—such as Japantown, Story Road, East Santa Clara Street, and Alum Rock Avenue—where parking scarcity threatens the survival of small businesses the most.

2. Parks Rehabilitation Strike Team

Our park maintenance staff has suffered from vacancies exceeding 19%. As we complete a salary survey to adjust wage rates to address hiring and retention challenges, we must continue funding to reverse the deterioration of our parks suffering most from poor maintenance. The Parks Rehabilitation Strike Team has accelerated the replacement and repair of irrigation systems, park drinking fountains, picnic tables, bathrooms, and other park infrastructure. The City Manager is directed to continue funding the Parks Maintenance Strike Team on an ongoing basis, and to incorporate this funding within the base budget. The City Manager is further directed to prioritize parks using an equity lens, and to prioritize investments in irrigation modernization, to save water and operating dollars in the years ahead.

3. Responsible Landlord Engagement Initiative 2.0

Depleted staffing in code enforcement has taken a toll on many of our neighborhoods suffering the most from blight—disproportionately communities of color and of limited income. Neighborhood leaders from Districts 3 and 5 have urged reinvestment in a renewed Responsible Landlord Engagement Initiative (RLEI), focusing on addressing a limited number of high-frequency code violations, such as inoperable cars parked on lawns and abandoned structures. Greg Kepferle, the CEO of Catholic Charities, which previously sponsored RLEI's work, appears willing to resume this work. The RLEI program offers neighborhoods the needed help to both navigate City bureaucracy and capture the attention of derelict landlords to effect change. Direct the City Manager to analyze the community benefits and burdens on other departments—particularly on increased demand for code enforcement, police, and attorneys—with a modest

program of no more than \$400,000, and return through the budget process with options for implementation and funding. Consider incorporation of an enhanced “user fee” for neglectful property owners who need the attention of RLEI, consistent with the dictates of Proposition 26.

D. CLIMATE AND SEISMIC RESILIENCE

1. Resilience Planning and Management:

The City’s lack of fiscal resources, chronic staffing shortage, and the urgency of response to recent crises – from pandemic to civic unrest to fires and flooding – has prevented progress on less urgent, but equally or more important work: building resilience. The threats from all directions—sea-level rise, seismic, drought, grid instability, and the rest – have grown only more ominous. We have a historically unique moment of substantial federal and state resources to drive progress, if we’re only able to focus our attention, develop deliberate strategies, and coordinate with partners to secure funding. The City Manager is directed to create a team within her office to drive results on key resilience objectives with primarily one-time funding that will ultimately take the form of some combination of grants and ongoing General Fund support, and with ongoing funding, appoint, promote, or hire a lead Resilience Officer to drive this work, and to demonstrate to potential funders the City’s commitment to accelerating outcomes:

A. Drought Resilience: All of the evidence suggests that the Sierra snowpack will no longer support the Bay Area’s water needs and our local underground aquifers have become more constrained as the threat of land subsidence grows. It is critical to develop more resilient local water sources, and our most drought-proof source is recycled water. We currently filter 8 million gallons of our recycled water daily to a level of purity clean enough to drink – if we obtained state certification to create a potable source. In 2015, we launched a public campaign with the Water District to encourage local and state investment to boost water recycling through the expansion of our jointly-owned Advanced Water Purification treatment plant. The momentum in expanding that system waned and waxed, and negotiations have since stalled over the deposition of the waste effluent from recycled water purification. In my view, there is a larger obstacle, however: the City still has not defined clear objectives and long-term strategy for utilizing City-owned assets to maximize our resilience. As we clarify our objectives, we can better engage with the Water District and other private sector parties to co-create a path to achieve them. The City Manager is directed to allocate sufficient funding to hire consulting expertise to identify the most promising combination of approaches among several – including direct potable recycling, indirect potable recharge, desalination, expansion of stormwater retention and use of greywater, and greater conservation – to secure a drought-resilient future for San José. Such study should not interfere with any

ongoing discussions or investigation of existing options; given the urgency of need for solutions, such processes should occur on a parallel track.

B. Sea Level Rise: The latest projections anticipate an increase in the Bay’s sea level by at least 8 inches by 2050. Coupled with the risks of standard coastal flooding from a 10-year storm or king tides, [residential communities in Alviso and other parts of North San José](#) face considerable vulnerability to [inundation](#), which also threatens the San José-Santa Clara Regional Wastewater Facility and the well-being of 1.5 million residents who rely upon it. Construction of an Army Corps of Engineers levee project has suffered setbacks due to construction cost escalation, and requires substantially more state and federal funding. Success requires multi-agency coordination and strong advocacy in Washington D.C. and Sacramento.

C. Microgrid Development: The inability of PG&E to maintain a reliable grid has imperiled thousands of medically vulnerable residents and created excessive risks for reliability-sensitive employers, such as hospitals, dialysis centers, laboratories, and data centers. City emergency response infrastructure depends on century-old technology – diesel backup generators – that depend on fuel supply chains that will become unreliable after any catastrophe. Bandwidth and funding constraints have undermined implementation of past Council direction to use Measure T funding for microgrid development at the EOC and fire stations. We cannot spare any more time, as our residents’ lives will depend on the reliability of electricity supply to our critical facilities in any disaster. We have unique opportunities to partner with innovative companies to pilot and demonstrate projects integrating clean energy generation and storage into key facilities, and even to help take entire neighborhoods “off the grid.”

D. Urban Forest: The dramatic decline in San José’s tree canopy will have lasting and increasingly severe impacts on human health, air quality, neighborhood livability, and energy consumption. These impacts will be most directly felt through the “urban heat island effect,” particularly given [the anticipated increase in daily high temperatures of 4 degrees by 2050](#). The City Manager is directed to guide the successful growth and management of our urban forest to reduce heat islands and create a greener, more beautiful city, with a priority on those neighborhoods with the sparsest canopy, such as those in Districts 4, 5, and 7.

E. Seismic Safety: The United States Geological Survey (USGS) estimates that the Bay Area has a 72% likelihood of experiencing a 6.7 earthquake by 2043, most likely centered along the Hayward fault which runs east of San José. A 2003 report from the Association of Bay Area Governments estimated that soft-story apartments would account for two-thirds of the residential buildings rendered uninhabitable in an

earthquake. A 2002 study by SJSU's Engineering Department estimated that San José had approximately 1,100 soft-story multifamily buildings, imperiling more than 22,000 mostly low-income residents in nearly 11,000 older apartments in neighborhoods such as South University and Cadillac. Eight years ago, several colleagues and I co-authored a memorandum, which Council approved, urging Staff to explore incentives and other mechanisms for seismic retrofits of soft-story buildings. A recent grant award by CalOES Hazard Mitigation Grant Program will fund consultant work, and the City Manager is directed to accelerate our progress dramatically to return to Council with options to incentivize or require seismic upgrades in these perilous structures.

F. Coyote Valley Open Space Implementation: In addition to the many environmental and recreational benefits of preserving Coyote Valley, it can play a critical role in boosting our resilience to drought, flood, and wildfires. San José made history on November 6, 2019 when it ended more than three decades of development battles in Coyote Valley by voting to approve land purchases of 937 acres in concert with the Open Space Authority and the Peninsula Open Space Trust. Council's changes to the General Plan in November of 2021 will protect another 2,400 acres of open space from industrial development, for a total of 3,300 acres. In 2020, OSA, POST, and the City initiated a master planning process for protected lands in CV to restore and reconnect creeks and floodplains, identify connections to nearby parks and regional trails, enhance agricultural operations, and develop opportunities for unique visitor amenities. Staff from my office has served on the executive committee for the planning process, but we must ensure City participation continues beyond my term, and that will require active staff management and engagement.

G. Electrification of our Local Economy: In addition to being a major source of carbon emissions, natural gas dependence increases fire risk in homes and undermines emergency preparedness with uncertain fuel supply lines. In 2019, San José became the largest city in the nation to require all-electric utilities in new commercial and residential development, and our metropolitan area has the highest utilization of electric vehicles of any major city metro in the U.S. To achieve our climate goals, however, we must do much more, including the rapid build-out of vehicle-charging infrastructure, and the retrofit of our existing housing stock, prioritizing the reduction of utility costs for struggling residents. We need to aggressively push for existing federal and state grants, and deepen philanthropic partnerships, such as our successful efforts with Bloomberg's What Works Cities.

H. Citywide Infrastructure Backlog Prioritization and Funding: While we have made considerable progress in reducing our massive infrastructure backlog in recent years – particularly through the passage of Measure T and the VTA Measure B – we have much more to do to replace deteriorating bridges, public safety facilities, storm water and sewer pipes, and other infrastructure essential for resilience. We need focused management of grant-writing and lobbying to secure necessary funding for critical projects.

2. Resilience Corps

The creation of the Resilience Corps in 2020 has enabled more than 460 young adults to serve our community in a wide variety of ways, such as by distributing food to families in need, supporting vaccination in low-resource neighborhoods, helping young students struggling with learning loss, and clearing defensible space for neighborhoods threatened with wildfire risk. Increasingly, we are paving pathways for Corps members to careers in public service, by filling longstanding vacancies in PRNS and other departments. More than 90% of the young women and men are people of color, and nearly that share come from high-poverty census tracts. More than 91% have remained working in the program since they started. Funding to continue this program through 2023 has been secured through the Californians For All Youth Workforce Program grant, a program created from the advocacy of the Big City Mayor’s Coalition with the Governor’s office. With a change in leadership of the BCM and my departure in January, there is uncertainty about future funding of the program. The City Manager is directed to set aside sufficient one-time funding to enable a “glide path” to secure grants or advocate for ongoing state funding to enable the City to continue leveraging the energy and idealism of our young people.

E. EQUITABLE RECOVERY

1. Child Care

Staff will return to Council ahead of the budget process with a spending plan for the \$10.5 million of American Rescue Plan funding previously allocated for child-focused needs in the Fall. That spending plan should reflect prior Council direction to include \$2 million for innovative tutoring programs that can help our young students struggling with learning loss, a \$1 million investment in helping small child care providers expand their services in affordable housing developments and empty retail spaces, and continued investments in scholarships for after-school recreation and learning programs. Of the remaining funding, staff should prioritize child care funding to meet our short-term goal of expanding child care to 1,000 children from low-income families. The City Manager is further directed to allocate ongoing funding into the base budget for continued support of the Family, Friends, and Neighbors program, to help childcare providers build skills and earn their license.

2. Small Business Support

Small businesses have struggled mightily here and throughout the country during this pandemic. While the City's budgetary limitations do not enable it to make a meaningful impact in the same way that we saw with business assistance grants funded by the hundreds of billions of American Rescue Plan dollars last year, we can do more to help. Specifically:

- A. Al Fresco/ Storefronts Activation Grants:** San José Al Fresco kept many struggling small businesses viable during the pandemic, in addition to activating our streetscape to take full advantage of our sunny climate. Using one-time funding, extend the duration of activation grants that will help more cafes, restaurants, exercise studios, and other small businesses conduct commerce outdoors.

- B. Waiving Fees on Small Commercial Tenant Improvements:** Empty storefronts can drag down an entire block or business district, attracting blight, and repelling foot traffic that might otherwise support neighboring businesses. If this message is approved, the City Manager must set aside one-time funding to enable 50 businesses to waive up to \$10,000 in city fees and permit costs per business to fill vacant storefronts, prioritizing neighborhood business districts and Downtown.

- C. Employee Transit Passes:** Restaurants and other small new businesses are challenged mightily to attract workers in Downtown, many of whom struggle to afford parking at Downtown garages and commercial parking lots. During the Great Recession, we launched a parking waiver program for small businesses in Downtown that spurred considerable new lease-up activity. We have greater constraints on our Downtown parking inventory today, however, but we can use revenues from public garages and meters to help reduce transportation costs for the many workers – waitstaff, bartenders, retail staff, and bank clerks – with a free VTA SmartPass. In the same way that the City and other large employers encourage their workers to use transit with a SmartPass, small businesses could have the same opportunity, with City help. The City Manager is directed to allocate one-time funding from the Parking Fund to support VTA SmartPasses for small businesses in the Downtown and surrounding business districts subjected to parking meters, such as East Santa Clara Street and Japantown. An allocation of \$200,000 could serve more than 500 employees for two years.

3. Food Access

At the County's request, the City assumed leadership of the effort to fund and coordinate food and necessities distribution to residents and families across the County. We quickly built and sustained an infrastructure with our amazing partners that has delivered nearly 225 million meals from the onset of the pandemic through the end of this fiscal year at a cost of approximately \$87 million.

Although job growth has rebounded, persistent barriers around child care and service industry shutdowns have left many families still scrambling for necessities, and high inflation has taken a toll. While the exhaustion of federal sources leaves us with little choice but to reduce funding from the historic levels during the peak of the pandemic, the City should support food access for our most vulnerable residents.

A. Waiving Fees: Lighthouse Ministries, Loaves and Fishes, Second Harvest of Silicon Valley, and other food providers seek to expand operations in our City to meet the pandemic-era need. The City Manager is directed to create a one-time fund of \$500,000 to eliminate or reduce fees for these essential organizations, and to enable them to focus their scarce resources on their important work.

B. Community Impact: The preliminary results of a countywide study of food need and response provides an opportunity for the County, City, and non-profit providers to best align scarce resources and address this growing challenge in our community. Staff is directed to deliberate with the County, Second Harvest of Silicon Valley, and other providers, and return to Council through the budget process with an allocation that will leverage our collective impact in addressing the food insecurity of thousands of our families.

4. Disparity Study

Vice Mayor Jones has sought to implement a disparity study to identify barriers that local minority-, women-, and veteran-owned businesses face in the procurement processes of the City and other local public agencies. Given that the County has recently secured a consultant to begin this work, there should be opportunities for our agencies to work together to achieve a mutual goal of more equitable procurement and small business development. The City Manager is directed to allocate funding for this purpose, to explore opportunities to coordinate with the County's effort, and to leverage matching dollars from foundations, businesses, and governmental agencies.

5. School of Arts and Culture/ Escuela de Artes y Cultura: Beyond the Plaza

The School of Arts and Culture at Mexican Heritage Plaza (SOAC) seeks to acquire and redevelop a mostly vacant 45,000-square-foot building on Alum Rock Avenue, across the street from the Plaza. The project will expand the SOAC's cultural impact with new performance and rehearsal spaces, a theater and café, and bring a major behavioral health services provider to the Mayfair community through its equity partner, Gardner Healthcare. Success could enable a dramatic increase in the number of families served by these two anchor institutions in East San José. The City Manager is directed to allocate \$1 million to provide a \$1 match for every \$1 that SOAC raises from other organizations to facilitate their fundraising efforts. This infusion of support will help SOAC leverage approximately \$20 million, which is the total cost of the

project funded by SOAC, Gardner, New Market Tax Credits, bank financing, and philanthropic sources. The commitment shall be maintained for a duration of 2 years, and if unused, the dollars shall be kept with the City to be distributed to local arts organizations through the Cultural Funding Portfolio.

6. Eastside Education Initiative/ Latino Education Advancement Foundation

The Silicon Valley Education Foundation is working to launch a pilot program with about 750 students and their parents at Piedmont Hills High School and two junior high schools to develop programs that will increase academic achievement among students in grades 6 through 9 in under-resourced schools. The City Manager is directed to identify one-time funding that will assist in the launch of this program, in an amount to be determined by staff's engagement with SVEF to better evaluate the program's focus and efficacy.

7. San José Abierto and the Cultural Funding Portfolio

With the persistence of this pandemic, hotels have suffered steep declines in revenue commensurate with the pain endured by performing arts organizations. Their fates are linked through the transient-occupancy tax paid by hotel guests that supports the City's cultural programs. Another year of severely diminished TOT revenues will require us to find other sources to support the arts, albeit at lower levels of public funding. Through last year's budget, we launched San José Abierto to bring arts, music, and culture out to the community, inviting residents to participate safely in 58 outdoor events, and engaging 44 non-profit organizations. With approval of this message, the City Manager is directed to:

- A.** Allocate one-time funding to extend the San José Abierto grant program to support arts and cultural organizations focused on activating and convening our community in the Downtown and neighborhood business corridors;
 - Support existing contracts with the San José Jazz, the San José Downtown Association, the School of Arts and Culture, and Filco for the distribution of grant funding;
 - Prioritize funding events that support multiple cultural groups, or attract a critical mass of attendees, such as Music in the Park, San José Symphony, and the Urban Vibrancy Institute;
 - Allow greater flexibility of ticket pricing for those organizations hosting larger events, to enable them to secure acts likely to attract greater public attendance.
- B.** Buttress the City's Cultural Funding Portfolio with a one-time allocation to support arts grants through another low-revenue year in the TOT accounts;
- C.** After a dramatic and painful shutdown of its main event mid-festival during the pandemic's rise in March of 2020, Cinequest has an opportunity to revive the annual event—bringing filmmakers, audiences, and actors from around the globe—in August of 2022. In order to re-launch the first successful live Cinequest event in three years, a substantial upgrade of technology for filming, editing, and projection is needed. As the group scrambles to restore sponsorships, it also must shoulder rising costs of rental and

operations at the California Theater and other venues. The City Manager is directed to allocate \$75,000 to Cinequest for a portion of these “reboot” costs to reignite the Cinequest Film & Creativity Festival in San Jose.

8. Downtown Ice

The San José Downtown Association has produced Downtown Ice for 25 years. Beginning with the 2004-05 holiday season, the ice rink relocated to the Circle of Palms. The incorporation of 32 palm trees in the rink design has created an iconic feature central to San José’s family holiday tradition. The rink needs updating to improve the visitor experience and to counter the deterioration of this important capital asset. SJDA has expressed a willingness to share the costs of these capital improvements, but appropriately points to the substantial revenues that this amenity generates for the Downtown Parking Fund. The City Manager is directed to allocate \$100,000 from the Downtown Parking Fund to fund the City’s share of this partnership.

9. Airport Connector and Diridon Station

A transit connector to the Mineta San José International Airport has been a long-sought but inadequately funded ambition of our city for more than two decades. It would improve the daily commutes for hundreds of airport employees, and create more convenient and less costly airport access for millions of residents and visitors. Although strongly supported by voters in the countywide 2000 Measure A, several recessions have taken their toll on the Measure A capital account, leaving the airport connector largely unfunded.

In 2018, I worked with many partners to fundraise and urge voter support for Regional Measure 3 (“RM3”), the approval of which enabled the allocation of bridge toll revenues for the BART Silicon Valley extension, the Eastridge Light Rail extension, and Diridon Station. The enabling statute specifically provides that RM3 funding shall be allocated to “[r]edesign, rebuild, and expand Diridon Station to more efficiently and effectively accommodate existing regional rail services, future BART and high-speed rail service, and...light rail and buses. The project sponsor shall consider accommodating a future connection to Norman Y. Mineta San José International Airport...” Frivolous litigants have held up the distribution of RM3 funding, and after their defeat in superior court, they continue to press their case on an unlikely appeal. The Metropolitan Transportation Commission has since enabled some RM3-funded projects to move forward by advancing their RM3 commitments where the sponsoring agency agrees to identify interim & back-up sources of funding.

Our efforts to spur both an airport connector to Diridon and to advance the new station design lag due to lack of funding, despite the ostensible \$100 million allocation from RM3. This Spring, the City will release an Airport Connector RFP for a Predevelopment Agreement. The City then intends to go into a Design-Build Finance Operate and Maintain (DBFOM) with the successful bidding developer. The project needs approximately \$2 million in funding to support environmental work, project development consultants, and internal staffing. Making modest investments now will position the project for much larger grants available from the

federal Infrastructure Investment and Jobs Act and anticipated state transportation investment with the current budgetary surplus.

The City Manager is directed to work with the VTA and MTC to advance City funding necessary to get work underway for the airport connector and the City's acquisition of property relevant to the Diridon Station build-out, subject to future Council approval. The City Manager is directed to consider the Autumn Parkway Reserve as an interim funding source, among other potential sources.

10. CreaTV

CreaTV will become the anchor tenant of a strategically important site in the heart of Downtown's Historic District on 2nd Street, with very costly tenant improvements. The site will provide space for several other arts and media nonprofits, and will construct high quality audio-visual capabilities for hybrid events. The City Manager is directed to negotiate with CreaTV a one-time City contribution that will also provide the City with a future "credit" for the City's use of the space over a designated duration, such as five years.

11. Recovery Task Force

When the Recovery Task Force recommendations come forward in Fall, some or all will require funding. The City Manager is directed to create a modest reserve of one-time funding to implement those recommendations that Council adopts from the Recovery Task Force.

F. FISCAL SUSTAINABILITY

1. Savings – Building Our Reserves

The Budget Office's projections of budgetary balance emanate from a much faster recovery than most economists predicted, yet many factors justify wariness. High inflation will prompt rising interest rates. The Russian invasion of Ukraine has only begun to ripple through financial markets. The historic surge in the stock market has already waned and a correction appears imminent. Another deadly COVID variant may lurk around the corner. To buffer the impacts of an economic downturn on our residents, we need to deploy discipline to build reserves. The City Manager is directed to allocate one-time funding to the:

A. Budget Stabilization Reserve, to make meaningful progress toward achieving the goal of City Council Policy 1-18 to increase our reserves – currently 7.5% of our General Fund expenditures – to 10%. The City's careful budgetary management and use of this reserve was instrumental in staving off the worst of budget reductions at the pandemic's onset.

B. Essential Services Reserve: 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 Council. I request that my Council colleagues make their cost

requests strategically in the weeks ahead, mindful of their impact on the workload of overstretched City budget staff.

2. Fellowships and Service

Since the launch of the Mayor’s Office of Strategic Partnerships in 2015, we have successfully injected new ideas and approaches from our innovative community into City Hall by hiring talented people on fellowships. Partnerships with FUSE and the Packard Foundation brought mid-career professionals to City Hall, enabling superstars like Dolan Beckel to leverage fellowship opportunities for a “second act,” in Dolan’s case, to lead efforts for digital inclusion, pandemic response, and food distribution. We’ve also matched city dollars with grants to bring recent graduates from top business and graduate schools into City Hall to make a one- or two-year impact before they launch their careers. A relatively modest amount of public dollars can leverage substantial matching resources from organizations like Bloomberg Philanthropies, U.S. Digital Response, and the Knight Foundation to bring unique and technical skills to our efforts, particularly as we contemplate a new effort focused on Resilience. For example, for only a couple thousand dollars, Stephen Caines of our Mayor’s Office of Technology and Innovation brought several high-performing students with diverse skills – engineering, coding, design, and law – into City Hall last summer to create a portal to improve transparency and public access to records of police misconduct that will be launched by our Independent Police Auditor.

With my departure in December, we must institutionalize funding support for these important partnerships, and embed this cost-effective approach to infusing new talent, skills, and enthusiasm for public service into the City. The City Manager is directed to allocate ongoing funding to support fellowships, in partnership with key philanthropic organizations.

3. Encouraging Philanthropic Support for Our City: a Donor Wall, and San José Forward Foundation

In recent years, our most vulnerable residents have unknowingly benefitted from an unprecedented level of philanthropic support for critical initiatives: more than \$7 million for residents’ flood recovery, tens of millions for families struggling in pandemic recovery and against the digital divide, and more than \$10 million for quick-build apartment communities for our unhoused. As I engaged in all of this fundraising, it became increasingly apparent that despite this recent surge, San José still receives a relatively small share of philanthropic investment relative to our city’s contribution to the region’s GDP. Other large cities routinely see far greater direct philanthropic support for civic endeavors, particularly for arts, museums and other cultural institutions, and schools. Various explanations abound – for example, a huge share of our region’s wealth is created by people who come from other parts of the globe, and may have a stronger affinity to helping those in need in Bangalore or Shanghai than in San José.

One additional explanation: we do very little to celebrate the tremendous benefactors who do step forward—in recent years, for example, people such as Kieu Huang, Susana and Peter Pau, Jay Paul, Chuck Robbins, and John and Sue Sobrato have helped thousands of struggling San

Joséans through their giving. If we wish to inculcate more giving, we need to elevate the stories of generosity. We have created a San José Community Champion Award for this purpose, but we can also encourage greater philanthropic engagement by identifying a specific, highly visible location where we can highlight and celebrate those who give.

Working with our team at the Mineta San José International Airport, we have identified a wall where recent and future donors to the City and our civic endeavors can be recognized as part of a larger display. That “donor wall” might be digital and interactive – as befits the city at the heart of Silicon Valley – or merely a set of engraved plaques, but the design must be distinctive. The City Manager is directed to (1) work through our Office of Cultural Affairs to identify a local artist to design such a display, and (2) set aside \$150,000 for the development of such a display.

Finally, with the dissolution of the programmatic services of the Work2Future Foundation, the entity has rebranded as the San José Forward Foundation (“SJ Forward”) to serve as a fiscal sponsor for City initiatives requiring philanthropic support. As a 501(c)3, SJ Forward Foundation manages donations for community programs, and through this partnership, our City has access to low-cost fund management led by former local non-profit leaders and public servants in the City of San José who understand the importance of our community programs. The City Manager is directed to determine, after engaging with leadership of SJ Forward, an appropriate path forward (which may or may not include a modest one-time allocation of funds) that ensures that future administrations have a fiscal sponsor for City initiatives—such as for disaster relief or homelessness or jobs programs—that do not fit well under the charter or mission of the San José Parks Foundation or San José Library Foundation.

4. Infrastructure and IT Reserve

Maintenance and capital replacement is typically the first line-item cut in any tough budget – and the most punishing in the long run. We continue to bear the impacts of decades of underfunded infrastructure investment, despite our success in accelerating our road repaving through Measure T. The City Manager is directed to allocate one-time funding to address long overdue capital replacement in our infrastructure, particularly in IT.

CONCLUSION

Prior One-Time Funded Items: The City Manager is directed to evaluate all of the remaining services funded with the \$125.4 million in one-time allocations in fiscal year 2021-22 to determine which can and should be funded in next year’s budget.

Budget Balancing Strategy Guidelines: In addition to the principles described in this memorandum, the City Manager is directed to deploy the familiar Budget Balancing Strategy Guidelines, as described in Appendix A, to guide her approach to crafting a balanced budget in the year ahead.

I have coordinated this March Budget Message with the City Manager and City Attorney and their respective offices.

I respectfully request my colleagues' support of this Message.

Any questions may be directed to Mackenzie Mossing, the Mayor's Deputy Chief of Staff, at Mackenzie.Mossing@sanjoseca.gov.

ATTACHMENTS

Appendix A – FY 2022-2023 Budget Balancing Strategy Guidelines

APPENDIX A

2022-2023 Budget Balancing Strategy Guidelines

1. As directed by the priorities identified in the City Council-approved Mayor's March Budget Message, 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. As the City remains committed to balancing ongoing expenditures with ongoing revenues over the long term to maintain the City's high standards of fiscal integrity and budget management, use a combination of ongoing and one-time solutions to achieve a structurally balanced budget over a two to three-year period that prioritizes the incorporation of items previously funded on a one-time basis in the General Fund in 2021-2022 and community and economic recovery workstreams currently budgeted within the American Rescue Plan Fund.
4. 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.
5. Evaluate program-level budgets and determine if there are opportunities to shift resources or reconfigure operations to improve service delivery, 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 2021-2022, and/or respond to specific City Council direction. 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.
6. 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).
7. 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.
8. 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.
9. 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.
10. Explore expanding existing revenue sources and/or adding new revenue sources.
11. 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.
12. Focus any available one-time resources on investments that 1) continue high-priority programs funded on a one-time basis in 2021-2022 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) accelerate the pay down of existing debt obligations where applicable and appropriate; 5) 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.
13. Engage employees in department and/or city-wide budget proposal idea development.
14. 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.
15. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.