



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Zulma Maciel
Jim Shannon

SUBJECT: BUDGETING FOR EQUITY

DATE: June 6, 2022

Approved

Date: 6/6/2022

BACKGROUND

Over the past three budget cycles, the City of San José has expanded the practice of intentionally embedding additional equity considerations into the budget development process. This Manager's Budget Addendum (MBA) provides an overview of how the consideration of equity impacted the City's 2022-2023 budget development process and a look ahead at actions anticipated for the 2023-2024 budget development process, including: the General Fund budget balancing strategy and examples of key budget actions grounded in equity, a review and lessons learned from the Budgeting for Equity Worksheet (BEW), a review and lessons learned from the Results Based Accountability pilot project, and a preliminary overview of the upcoming work on the "Outcomes, Equity Indicators, and Performance Management" initiative on the 2022-2023 City Initiatives Roadmap.

ANALYSIS

Equity Considerations in Developing the 2022-2023 Proposed Budget

The City anticipated significant challenge at the beginning of this budget process. While the recent infusions of one-time funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP) Act allowed for hundreds of millions of dollars targeted to San José's most vulnerable communities (homeless support, rental assistance, food distribution, etc.), these one-time funding sources were largely spent or committed – meaning that the City would be faced with difficult choices on which programs could continue. The relatively unexpected, good news was the improved budgetary forecast for the General Fund attributable to increased revenues and declining retirement costs, which provided some much-needed, though limited capacity to prioritize the City's most critical services and projects.

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However, as described in the City Manager’s transmittal message of the 2022-2023 Proposed Operating Budget¹ and the 2023-2027 Five-Year Forecast² there are many services only funded on a one time basis that residents not only expect, but more importantly depend upon, for life and livelihood. The ongoing projected General Fund surplus of \$30.1 million in 2022-2023 omits significant expenditure levels in 2021-2022 funded by either one-time resources in the General Fund or funded through external sources such as the ARP Fund. If many of these services were to cease in 2022-2023, the community would view such as action as a budget cut, and therefore service reduction. From a practical perspective, the City had to approach the 2022-2023 budget development process acknowledging that it still faced a significant service level/structural shortfall.

Further, nearly all of these services funded on a one-time basis in 2021-2022 impact people of color and low-income community members, such as Restoration of Library Branch Hours for Lower-Resource Communities, Project Hope, Parks Rehabilitation Strike Team, Beautify San José, Police Activities League Stadium and Program Support, Viva Calle/Viva Parks, and Foot Patrols in Downtown and High Needs Neighborhoods. As a result, in addition to the priorities identified in the City Council-approved Mayor’s March Budget Message, a clear goal of the 2022-2023 Proposed Budget was to ensure the ongoing funding of as many as practical of these one-time funded activities. Additional work is required in future budget cycles – as a number of important programs still leverage one-time funding and not all of the pre-pandemic reductions have been restored; however, – the Administration’s focused approach is demonstrated by the fact that 75% of the recommended ongoing budget adjustments in the General Fund (\$23.9 million) support services currently funded on a one-time basis in 2021-2022.

As General Fund resources are not sufficient to meet all of City Council’s identified priorities, the 2022-2023 Proposed Budget also recommends that nearly 90% of the estimated remaining \$59.3 million from the ARP Fund be allocated for services primarily targeted to San José’s most vulnerable community members, with the largest allocations that include Emergency Interim Housing (\$18.5 million), Child and Youth Services (\$10.5 million), Beautify San José Consolidated Model (\$7.0 million), Continued Food Services (\$4.8 million), and San José Bridge (\$3.0 million).

While the City Manager’s transmittal message to the 2022-2023 Proposed Operating Budget listed a number of higher dollar budget actions that align to the “Equitable Economic Recovery” category directed by the March Budget Message, a number of other actions and work efforts recommended in the 2022-2023 budget development process that reflect deliberate considerations of equity, including the following:

¹ 2022-2023 Proposed Operating Budget City Manager’s Transmittal Message:

<https://www.sanjoseca.gov/home/showpublisheddocument/85306/637872629004770000>

² 2022-2023 City Manager’s Budget Request and 2023-2027 Five-Year Forecast:

<https://www.sanjoseca.gov/home/showpublisheddocument/82635/637817119151470000>

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Fees and Fines. The 2022-2023 Proposed Fees and Charges Report³, deliberately kept cost recovery rates below 100% for many fees services critical to lower-resourced communities, including a 50% overall cost recovery rate for the Parks, Recreation, and Neighborhood Services (PRNS) Department and a 20% recovery rate for the Library Department. Should City Council approve MBA #31, *PRNS Fee Cost Recovery Levels and Title I School Programming Options*⁴, which was generated from a memorandum from Councilmembers Arenas, Esparza, and Carrasco approved as part of the March Budget Message, the City formally provides additional flexibility to set lower than 100% cost recovery rates for child and youth-serving activities that aligns with recent practice. Should the City Council approve MBA #38, *Accounts Receivable Amnesty Program Pilot (Equity Lens)*, which was generated by a memorandum from Councilmember Esparza as part of the approval of the 2021-2022 Proposed Budget, the City will initiate a program to waive penalties and interest for unpaid fees and fines incurred from April 2020 through August 2021, with targeted outreach and education to low-income areas with higher concentrations of people of color as identified by the San José Equity Atlas.

Place-Based Equity in the Capital Improvement Program. As described in the City Manager's transmittal memorandum to the 2022-2023 Proposed Capital Budget and 2023-2027 Proposed Capital Improvement Program⁵ (CIP), the technical analysis necessary to identify new or deferred infrastructure rehabilitation needs is increasingly being supplemented by the explicit consideration of equity. This includes the incorporation of race and income data as a factor to help prioritize the future rehabilitation of deteriorated sanitary sewer pipe, to the extent legally permissible, and as a prioritization criterion for the Local and Neighborhood Pavement Maintenance Program. Attachment A overlays safety-related capital projects in the Traffic Capital Program – going back three years and including projects currently programmed – with the San José Equity Atlas, illustrating that 50% budget allocations for traffic signal, safety/Vision Zero, bike facilities, and grant projects have been made in equity score areas of 8-10, and approximately 32% of projects were implemented in 12% of the City where the combined equity score is 8 or above.

While the above highlights meaningful progress the City has made in centering equity as part of the budget development process, the Administration is dedicated to additional work that needs to be accomplished, as discussed in the following sections.

³ 2022-2023 Proposed Fees and Charges Report: <https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents/2022-2023-budget-documents/2022-2023-proposed-fees-and-charges>

⁴ MBA #31, PRNS Fee Cost Recovery Levels and Title I School Programming Options: <https://www.sanjoseca.gov/home/showpublisheddocument/86713>

⁵2022-2023 Proposed Capital Budget and 2023-2027 Proposed Capital Improvement Program: <https://www.sanjoseca.gov/home/showpublisheddocument/85146/63786859298760000>

Budgeting for Equity Worksheet

The Office of Racial Equity (ORE) partnered with the Budget Office to integrate and refine this year's budgeting for equity worksheet (Attachment B). Similar to other large cities such as San Antonio and Dallas, the budgeting for equity worksheet is a continuous improvement process and will evolve as best practices grow and are shared amongst jurisdictions

The budgeting for equity worksheet is a product but more importantly a process. The worksheet is designed as a series of questions to guide departments in assessing how their budget proposals impact communities, specifically communities of color and low-income communities. The worksheet aims to analyze equity implications so that there are strategies and actions to reduce racial and economic inequities.

The budgeting for equity worksheet provided guided questions and instructions on the following:

- Analyze potential burdens of budget reductions or benefits of reallocations from existing resources or limited additions.
- Use disaggregated data and/or any data indicators that monitored progress.
- Identify future methods of collecting and analyzing disaggregated data that would inform budget decisions.
- Provide explicit steps that would be taken to focus existing resources to advance racial equity.

This year and consistent with ORE's iterative philosophy, departments were asked to focus the worksheet on a community-serving Core Service. ORE noticed an increase in quality in worksheet responses due to the following factors. First, this budget cycle marks the third year of implementation. With practice and exposure, departments were able to anticipate equity considerations and analysis into the budgetary process. Second, ORE led over 13 hours of verbal and written technical assistance to several departments and offered a supportive learning environment, in addition to other ongoing training for employees. Third, this year's worksheet provided the opportunity for departments to focus their analysis on specific program areas and revenue streams.

As a result, 100% of departments completed and submitted the budgeting for equity worksheet, Departments were observably eager and willing to learn more about racial equity concepts, and leveraged ORE staff and resources (such as the San José Equity Atlas) to strategically think about diversity, equity, and community impacts in their programs. A few examples of departmental use of the worksheet that informed recommended budget actions include:

- Environmental Services Department / Sustainability and Environmental Health Core Service – In acknowledgment of the importance of inclusivity and facilitating the transition to the clean energy economy envisioned by Climate Smart San José for disadvantaged communities, the significant expansion of the Climate Smart team and program allocates funds to implement specific programs targeted for disadvantaged communities, including low-income electrification incentives and equity-based community engagement initiatives conducted in partnership with the Community Energy Department.

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- Fire Department / Fire Prevention Core Service – Underserved immigrant and low-income community members often reside in older homes more susceptible to fire, and may have more limited internet access, a common public education outreach tool. The recommended addition of 1.0 Public Information Representative will develop multi-lingual public education materials for a diverse audience and help proactively execute targeted educational programs in neighborhoods, school, multi-housing complexes, mobile home communities, and senior/retirement communities.
- Office of Economic Development and Cultural Affairs / Arts and Cultural Development Core Service – Leveraged disaggregated data to inform the recommended allocation of \$2.0 million from the American Rescue Plan to supplement cultural grants funding, including the percentage of BIPOC-led or predominantly BIPOC-serving grant recipient organizations (35%). Resources should be used not only to support BIPOC institutions, but to engage in targeted, multi-lingual outreach and workshops to make more BIPOC groups aware and eligible for funding opportunities.

Still, though these and other examples are positive improvements in equity-focused budgeting, challenges exist and there is more work to do. Specifically, there are gaps in knowledge, understanding, and skills around equity principles and concepts. While completing the worksheet is important, the analysis process is critical to exercising the equity muscle. The equity mindset requires a shift in culture and is also a hard skill that requires continual practice, education, and repetition.

One significant observation is the variance in levels of understanding racial equity concepts and the skills necessary to do the work. The level of understanding ranges from beginning to intermediate. In a brief survey, approximately 75% of departments reported that they “somewhat understood” the worksheet. This gap may be due to lack of training, skill development, and regular practice with equity analysis.

An additional challenge is the lack of availability or inconsistent use of disaggregated data collection across the organization. Some departments can provide racial and ethnic data and zip codes by program areas, while other departments do not have the tools nor have received the training to understand the value of using race to track outputs, performance measures, and outcomes. Work in this area continues to evolve and ongoing training lead by ORE will be critical for longer term success.

To provide a more broad-based and solid grounding in equity concepts, all City employees will take a mandatory two-part training prior to June 30, 2022, including all new employees hired in the future. The 2022-2023 Proposed Operating Budget includes one-time funded positions for several departments and adds \$100,000 in ongoing non-personal/equipment funding to support other various learning and skill-building opportunities to build the knowledge base and skill sets to incorporate considerations of equity into day-to-day and budgetary decision-making.

In the spirit of continuous improvement, there are several areas where the Budget Office and ORE can enhance services to departments for next year’s budget process:

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- Iterate and improve the worksheet and ensure that it is optimally used when making budgetary recommendations and decisions.
- Promote the use of disaggregated data, community engagement principles, and staff input to inform proposals.
- Provide post-feedback to departments on this year's submitted worksheet to improve next year's responses.
- Provide the worksheet and an accompanying training earlier in the budget process to allow the time needed for more in-depth analysis and considerations.
- Host a townhall with Administrative Officers and department budget staff that offers a space for directions and questions.

Results Based Accountability Pilot Project

In addition to ORE's budgeting for equity strategy, the Budget Office, ORE, and the Human Resources (HR) Department piloted a Results Based Accountability (RBA) training and tool with eight City departments.

This pilot served as a learning opportunity for the organization in operationalizing and practicing racial equity concepts and tools. ORE and HR experimented with RBA as the framework is used among many national and international jurisdictions embedding a racial equity practice. Additionally, this was an opportunity to build and develop skills with a select group of departments in two ways: 1) reassessing or further analyzing impact of a program's performance measures among communities of color 2) practicing racial equity tools and analysis.

Eight city departments were selected based on several factors including interaction with the community and awareness of racial equity concepts: Environmental Services (ESD), Housing, HR, Library, Office of Economic Development and Cultural Affairs (OEDCA), Police (PD), Parks, Recreation, and Neighborhood Services (PRNS), Transportation (DOT). HR supported the project through its Learning and Development program and ORE provided staffing to project manage and completion. ORE and HR contracted with Clear Impact, a renowned organization offering RBA training nationwide. Clear Impact provided two trainings in Fall 2021 and followed the training with additional technical assistance.

What is RBA?

RBA uses a simple framework that is a data-driven, decision-making process. According to Clear Impact, RBA starts with an "end." For example, an "end" could be community outcomes such as 'Residents with good jobs,' or 'A safe and clean neighborhood.' Then, RBA works backward, with a step-by-step process towards means.

Using the RBA framework, Clear Impact provides a step-by-step guide and product: a 'Turn the Curve' plan. A Turn the Curve plan is both a visual and narrative product that asks the following questions:

1. What is the indicator or performance measure that we are using?
2. How are we doing?

- a. Graphing a historical baseline and forecasting for the indicator or performance measure
3. What is story behind the curve of the baseline?
 - a. Explaining what the story is behind the baseline
 - b. What are the factors? Internal or external?
 - c. What is strongly influencing the curve of the baseline?
4. Who are the partners who have a role to play in turning the curve?
 - a. Identifying partners who might have a role to play in turning the curve
5. What works to turn the curve?
 - a. Determine what would work to turn the curve of the baseline
6. What do we propose to do to turn the curve?

City of San Jose RBA Pilot

Through the RBA framework and turn the curve plan, participating departments were able to:

1. Measure their existing performance through an illustrative graph
2. Explain their data and why their performance is meeting or not meeting their goal
3. Determine whether there was enough disaggregated data to better support communities of color
4. Determine which partners, both internally and externally, who would work to turn the curve of the baseline

Departments used an existing program budget performance measure to develop a Turn the Curve plan.

Department	Performance Measure
DOT	Weighted average of pavement condition index for equity priority communities in CSJ council districts
Housing	% of households with completed emergency safety and accessibility home repairs by Race and Ethnicity
HR	# of workers compensation disability hours
Library	% of CSJ Library accounts that dropped off, adjusted for population by Census Tract
OEDCA	% of Black, Indigenous, and People of Color (BIPOC) led or predominately BIPOC serving nonprofit organizations that receive grants through Cultural Affairs
Police	# of Community Presentations on Crime Prevention Topics
PRNS	% of Council District 5 youth participating in summer camp/after school programs making healthier decisions

In the turn the curve plans, City departments identified several areas to improve their performance, such as:

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- Performing a condition assessment to re-evaluate Pavement Condition Index of streets in Equity Priority Communities
- Providing language access services, website, and marketing material translation with existing community groups
- Expanding curriculum offerings that meet current trends with Police Community presentations
- Reviewing disaggregated Census racial and ethnicity data and compare to a grant portfolio
- Diversifying recruitment strategies to hire more multi-lingual staff and residents from desired neighborhoods
- Implementing a multi-lingual outreach plan for summer programs

Despite several limitations, departments met the RBA pilot with genuine interest and dedication. Additionally, several departments reported that the additional sessions with the Clear Impact consultant was helpful in broadening their understanding of RBA and how to use the “turn the curve” plans.

Although there were accomplishments, staff observed challenges, lessons learned, and recommendations:

- This pilot asked departments to examine both performance measures and racial equity concepts. Both of these processes are complex and require leadership to support and commit to staff skill development.
- To understand whether services are equitably administered and budgeted, it is essential to have data disaggregated by race and ethnicity. Some departments have not begun to collect these disaggregated data. While the implementation team was able to identify proxy racial and ethnic measures and data, the sustainability of equitable budgeting requires that departments address the gap of readily available disaggregated data.
- This pilot focused exclusively to the city’s budgeting performance measures which may have limited departments access to disaggregated data. It would be beneficial to conduct a thorough review of the organization’s performance measures that are currently in place, eliminating measures that are not meaningful, and elevating measures that assess how residents are better off because of City services (see below discussion on *Outcomes, Equity Indicators, and Performance Management*).
- Data collection is not standardized across departments, creating inconsistent data across Departments.

The findings of this pilot program will be integrated into the workplan for the City Initiatives Roadmap: Outcomes, Equity Indicators, and Performance Management.

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Budgeting for Equity Strategy Next Steps

ORE's role is to support City departments in embedding an equity practice that will examine and improve San José's internal policies, programs, and decision-making so that, ultimately, we improve outcomes for immigrants and communities of color. This includes providing continuous departmental learning opportunities focused on developing shared understanding of terms, collecting and analyzing disaggregated data, facilitating courageous conversation with diverse community residents and staff. As well as acknowledging the depth of historical inequities that shaped the conditions of communities of color. Furthermore, departments will need to continue building capacity to consider equity implications in other decision-making processes in addition to the budget process and scope. ORE believes it is necessary to have a foundational understanding of these strategies and continually engage the budgeting for equity tool that yields meaningful outcomes for the communities that are in the most need and so that all communities have an opportunity to thrive and prosper.

As summarized above, the City continues to learn and embrace an equity mindset. Practice and repetition have been helpful not only to reflect on budget proposals but also to integrate the set of questions in other decision-making areas such as policy and program design. Based on feedback from departments, it has become evident that more training and practice is needed. As such, ORE will be developing a Racial Equity Impact Assessment Guide that can be used by anyone throughout the year – not limited to the budget cycle. Workshops will accompany the guide as a mechanism to develop skills in this area.

Outcomes, Equity Indicators, and Performance Management – City Roadmap Initiative

The City of San José has a strong history of making strategic and operational performance decisions based on data, best practices, and professional expertise to improve the quality of life for residents of San José. The City's City Service Area (CSA) performance management framework which includes but is not limited to the CSA's core mission, qualitative outcomes, strategic goals, performance measures, performance targets, actual performance achieved, and Core Service budget allocation have been considered a local government best practice taught in many educational forums. It has been many years since this framework has been refreshed and now is an appropriate time to imbed racial equity practices and the City Initiatives Roadmap into an improved performance management framework.

The 2022-2023 City Initiatives Roadmap includes the *Outcomes, Equity Indicators, and Performance Management* initiative, which will pilot and then scale implementation of a refreshed performance management framework work to define and/or refresh and manage outcomes, equity indicators and performance management metrics and measures within and across City Service Areas/Core Services and the City Roadmap embedding racial equity practices throughout this work.

This initial work effort is expected to span a multi-year period; funding of \$350,000 to support this work is recommended in MBA #37, *2022-2023 Revised General Fund Revenue Estimates and Recommended Expenditure Allocations*⁶.

⁶ MBA #37: <https://www.sanjoseca.gov/home/showpublisheddocument/86789/637900655046511267>

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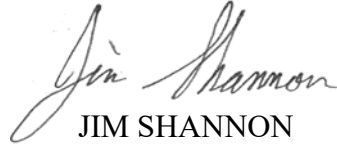
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/s/

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Director, Office of Racial Equity



JIM SHANNON

Budget Director

For questions, please contact Zulma Maciel, Director of the Office of Racial Equity, at Zulma.Maciel@sanjoseca.gov, or Jim Shannon, Budget Director, at Jim.Shannon@sanjoseca.gov.

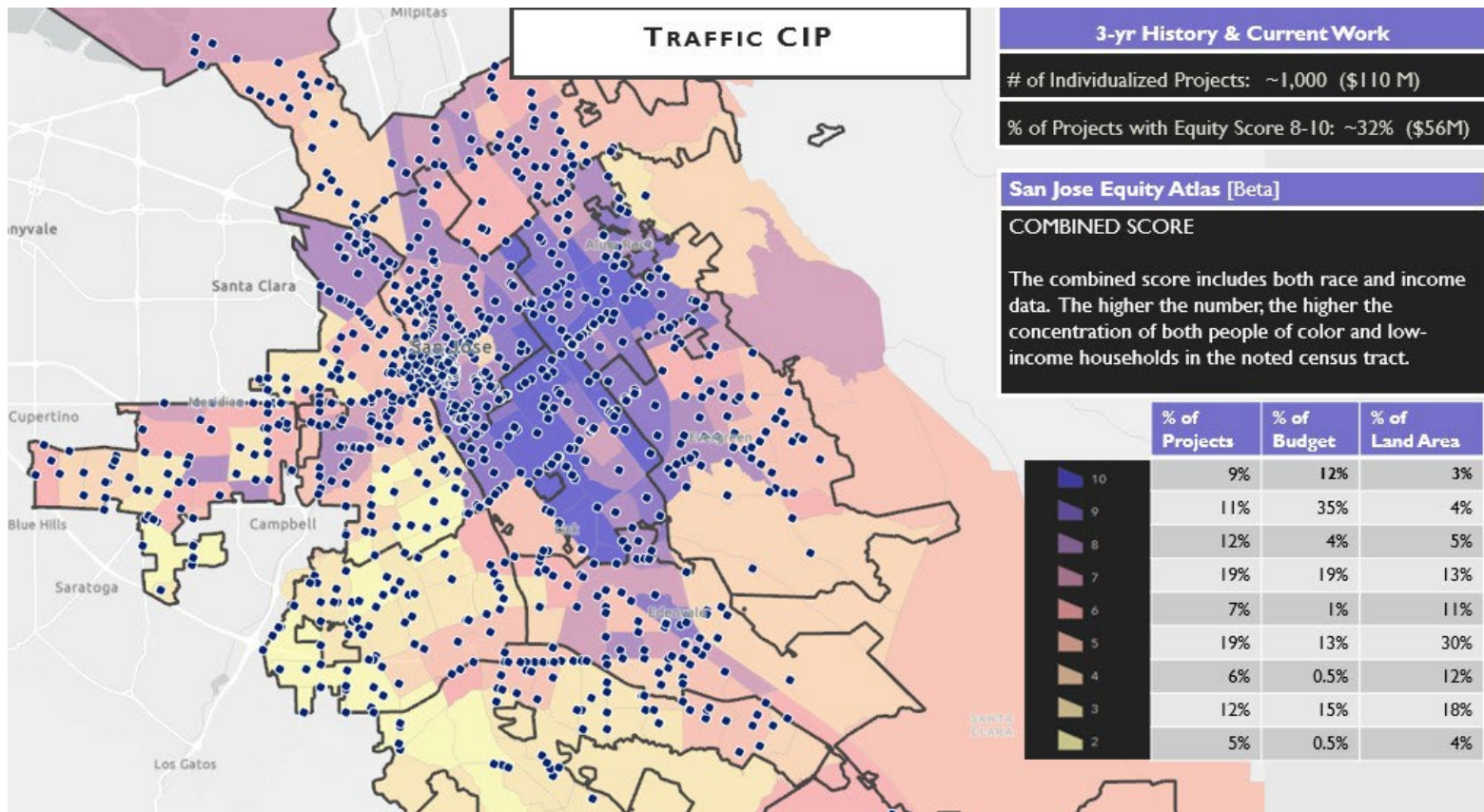
Attachment A: Mapping Traffic Capital Projects to the San José Equity Atlas

Attachment B: Budgeting for Equity Worksheet

Mapping Traffic Capital Projects to the San José Equity Atlas

Traffic Signal, Safety/Vision Zero, Bike Facilities and Grant projects

- Over 50% of Traffic CIP budget allocations for safety-related projects have been made in equity score areas of 810.
- Approximately 32% of projects were implemented in 12% of the City where the combined equity score is 8 or above.



Attachment B

Budgeting for Equity Worksheet

Department: Click here to enter text.

Department Contact: Click or tap here to enter text.

Reviewed/Approved by: Click or tap here to enter text. (Director Signature)

Date Click or tap to enter a date.

Equity Lens-Budgeting at a Glance

Questions 1 & 2:

- These questions provide an assessment of data that departments have at their disposal and asks how disaggregated data informed the proposal package.

Questions 3-5:

- These questions offer each department an opportunity to assess their specific budget development process for the chosen division and/or program and consider potential benefits to communities of color and low-income communities.

Be Data Informed

1. How does disaggregated data and any of the corresponding analysis inform the proposal package? What was the source and type of data used to analyze and develop the proposal package?

Click or tap here to enter text.

2. Moving forward, what disaggregated data will you collect and track to help understand how outcomes will affect people of color or other vulnerable communities?

Click or tap here to enter text.

Assess Impact

3. What areas of the city or what demographics of people are benefiting the most from your program or division's service reductions, reallocations, or additions? Is there a larger than average population of people of color and/or low-income communities in these areas? [Click or tap here to enter text.](#)

4. What do you believe are the root causes or factors creating any racial or social inequities identified in the data?
[Click or tap here to enter text.](#)

5. What explicit steps will be taken in FY2022-2023 to focus existing resources to advance equity? (e.g. staffing allocation shifts for the purposes of advancing equity, diversity, and inclusion; equity groups or trainings that are happening in the Department; and/or programmatic commitments that are intended to reduce or eliminate disparities experienced by communities of color and low-income communities.)
[Click or tap here to enter text.](#)