

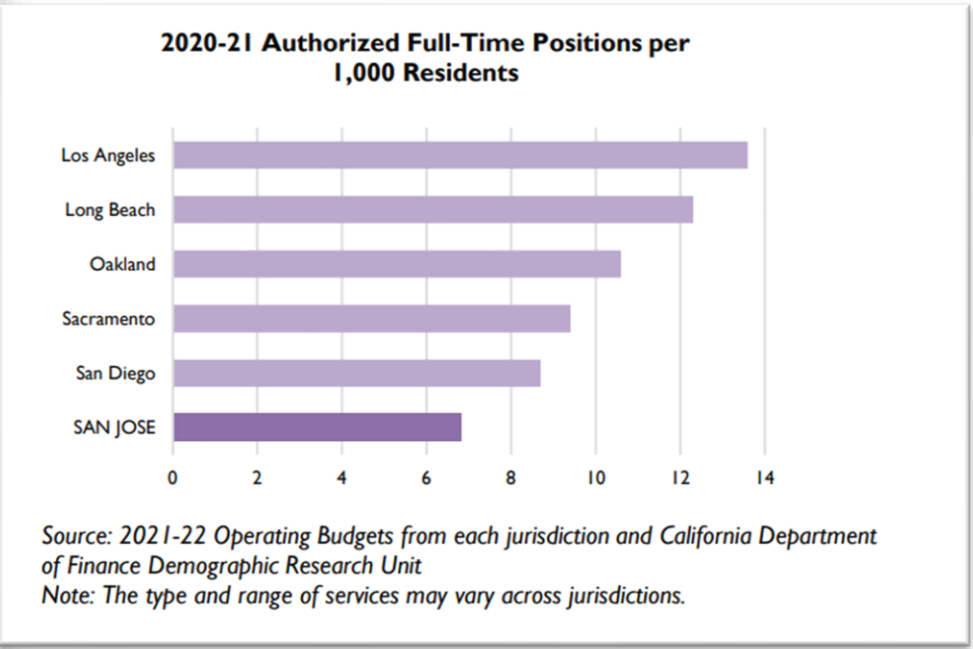
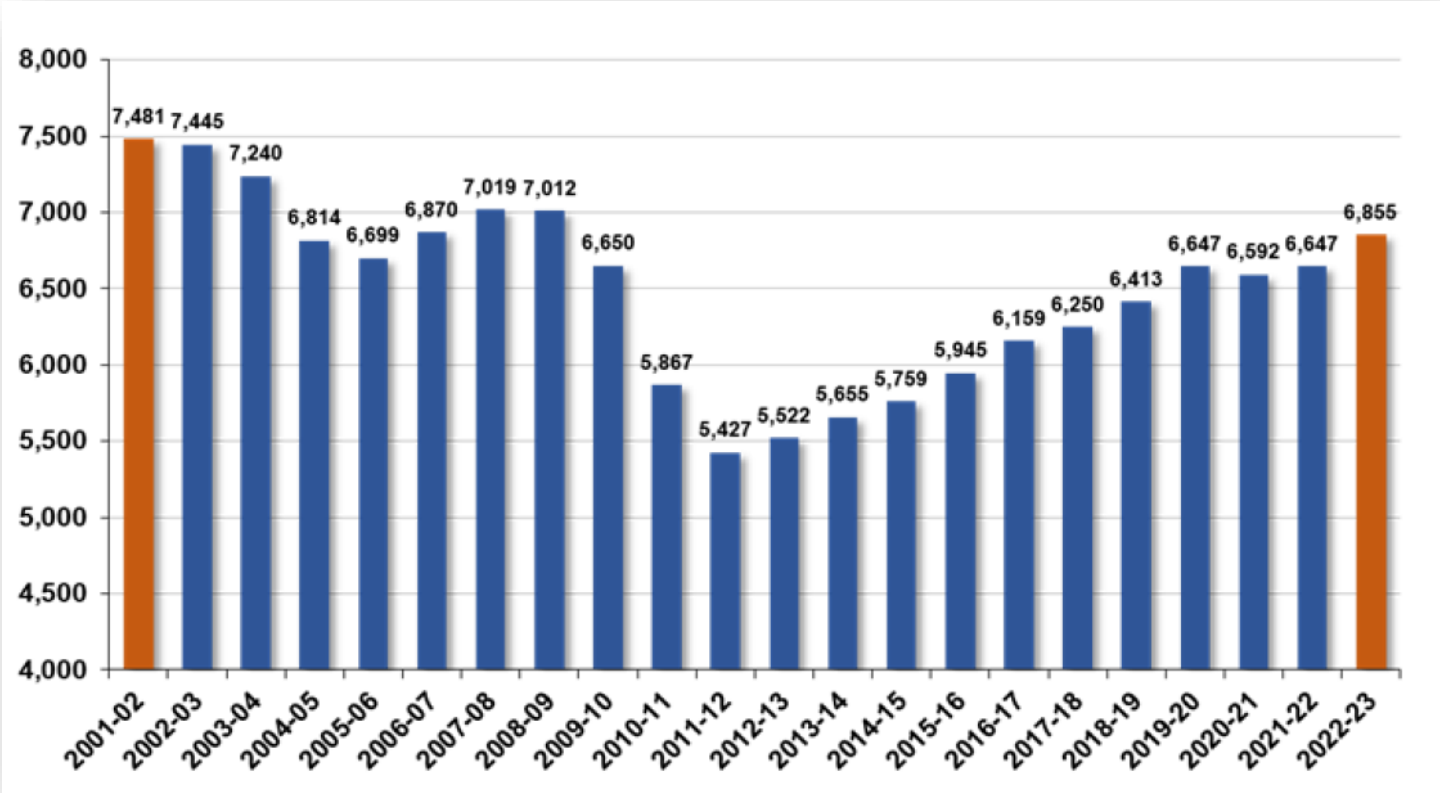
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SAN JOSE

Staffing

San Jose Budgets 626 fewer full-time positions than 20 years ago, the lowest staffing of any large city in California.

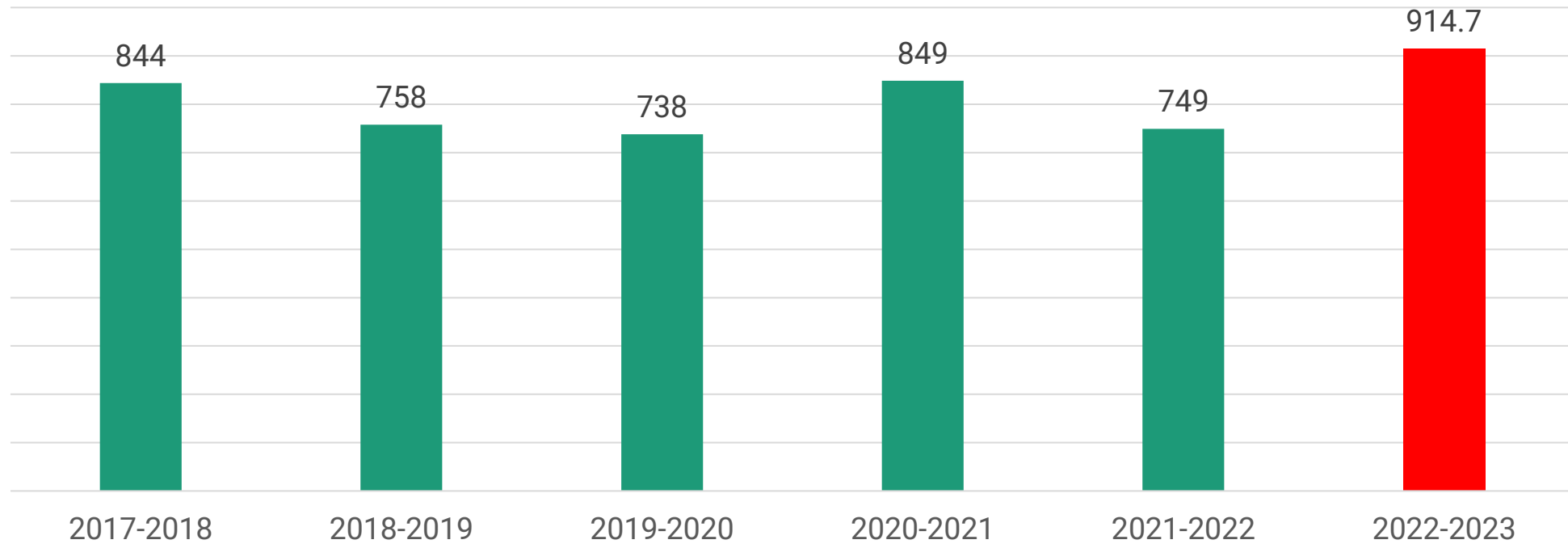


Source: 2021-22 Operating Budgets from each jurisdiction and California Department of Finance Demographic Research Unit
 Note: The type and range of services may vary across jurisdictions.

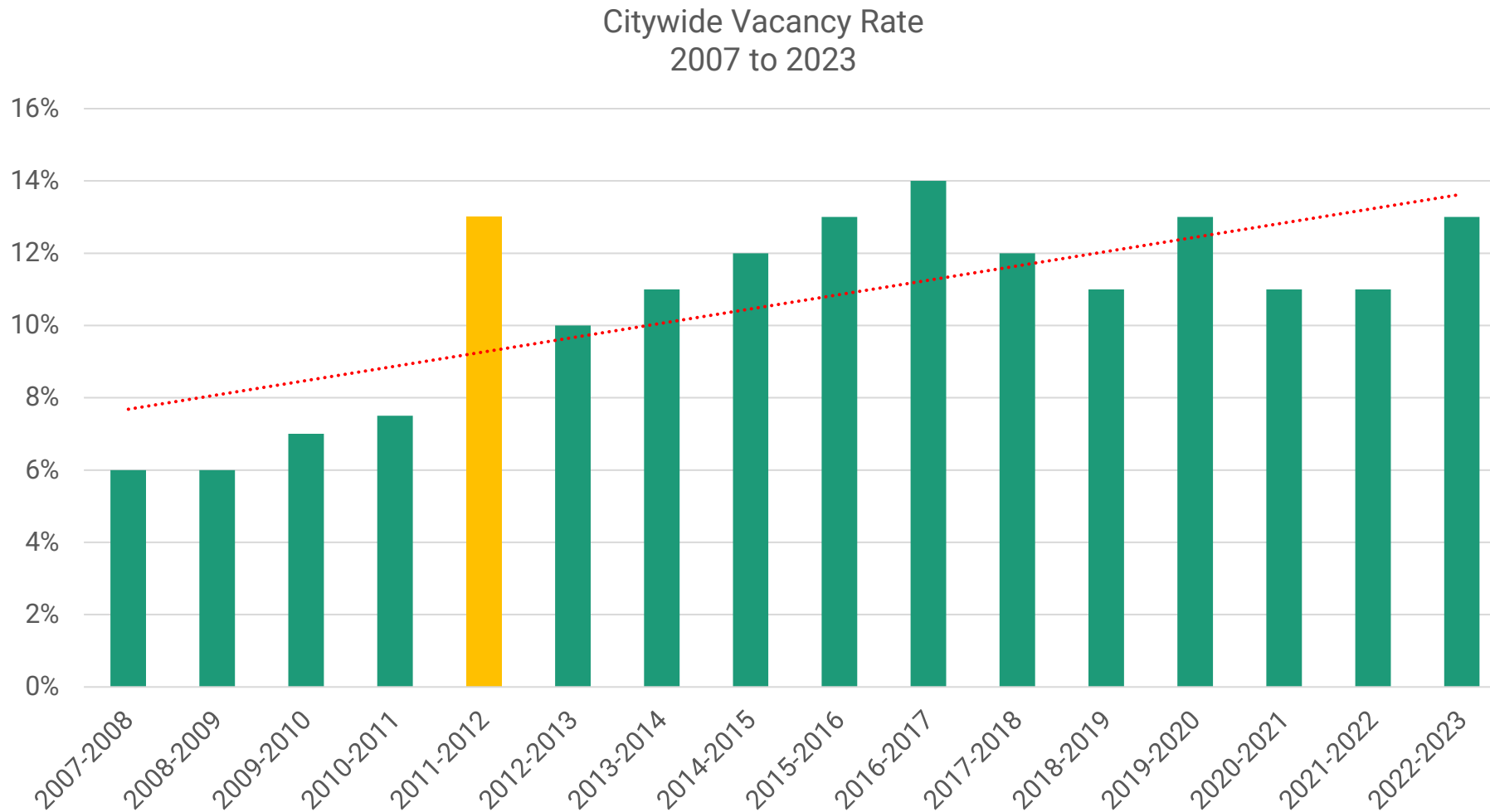
Source: Mayor's March Budget Address, 2022; Annual Report on City Services, 2021-2022

In addition to low budgeted staffing levels, over 900 positions are vacant.

Total Full-Time Equivalent Vacancies by Fiscal Year



The Rate of Job Vacancies more than Doubled in 2012 and has Averaged 12% Since



As Budgeted Staffing Levels Dropped and Vacancies Grew, Residents Reported Less Satisfaction with City Services

Full Time City Staff per 1,000 Residents and Reported Satisfaction with City Services
2002 - 2022



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Recruitment

Recruitment: What Candidates Say

Figure 3

What Candidates Care About the Most



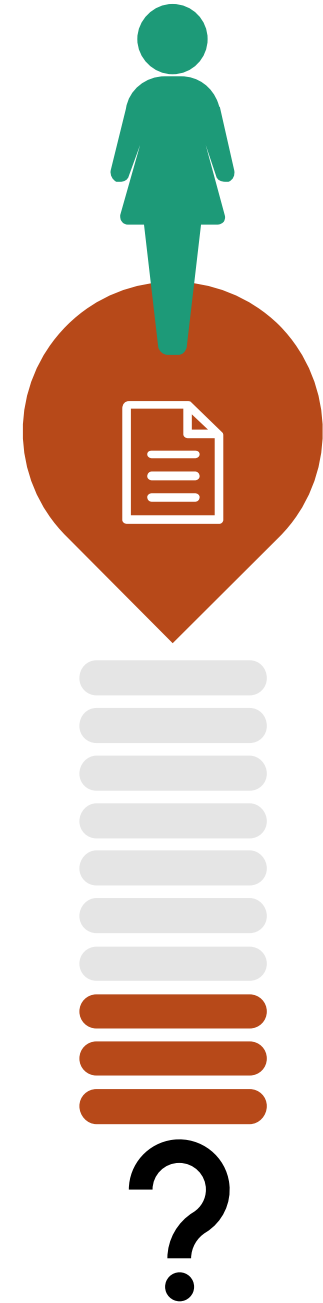
Figure 3 is the average of all respondent rankings on a scale of 1–6.

Source: NEO GOV HR Trends Report 202. Cited by Jennifer Schembri in February 1, 2023 Memo: Strategies for Recruitment, Hiring, and Retention.

<https://www.neogov.com/hubfs/2023%20Trends/Full%20NG%20HR%20Trends%20Report%202023.pdf>

San Jose is the only known agency in the Bay Area that doesn't have metrics for determining "hard-to-fill" classifications.

It's common practice for agencies nationwide and particularly for Bay Area public entities to have metrics, both percentage and time based, that can be measured to determine which job classifications are determined to be hard to fill, hard to maintain, or that are transitory.



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Retention

From the HR Director's Strategies For Recruitment, Hiring, and Retention – Memo:

“After five years of service, the City is retaining only 60% of its employees. Said another way, the City is losing about 40% of staff after 5 years of service”.

– Jennifer Schembri

PSFSS COMMITTEE: 2/1/2023
FILE: (d)5

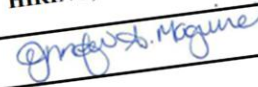
 **Memorandum**

TO: PUBLIC SAFETY, FINANCE, AND STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer Schembri

SUBJECT: STRATEGIES FOR RECRUITMENT, HIRING, AND RETENTION

DATE: February 1, 2023

Approved  Date 2/8/2023

RECOMMENDATION

Approve this update on strategies for recruitment, hiring, and retention.

BACKGROUND

In May 2022, staff submitted a Manager's Budget Addendum (MBA) (Attachment A) that reviewed challenges and presented strategies to alleviate staffing vacancies, including both investments in the Human Resources (HR) Department as well as strategies to enable Departments to more effectively recruit, hire, and retain workers. This memorandum also included information on hiring process changes.

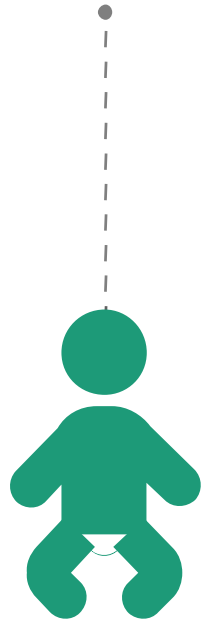
As a result of this MBA, the City Council directed staff to provide regular updates to the Public Safety, Finance and Strategic Support (PSFSS) Committee. This memorandum is the first of those updates, and while most of the focus is on non-sworn recruitment, hiring, and retention efforts, additional detailed information on Police Department and Fire Department sworn recruitment and hiring work is provided to the PSFSS Committee through separate agendized items.

In addition, former Councilmember Arenas submitted a memorandum to the Rules and Open Government Committee on December 7, 2022, and the direction from that meeting is incorporated into this memorandum. During that meeting, it was requested that staff meet with various stakeholders and that meeting occurred on January 27, 2023, and is discussed in further detail later in this memorandum.

As indicated in the May 2022 MBA, the Administration recognizes that it is having challenges recruiting and retaining employees. The City's challenges are complex, yet we are not alone. In September of 2022, a Washington Post article, "A slow moving crisis is paralyzing states and cities," drew our attention to the fact that positions in the public sector are being filled slower than our private sector counterparts. In a recent presentation from NeoGov, an organization specializing in providing recruiting software and tools specifically to local government, it was

City Employment Longevity Demography

22%



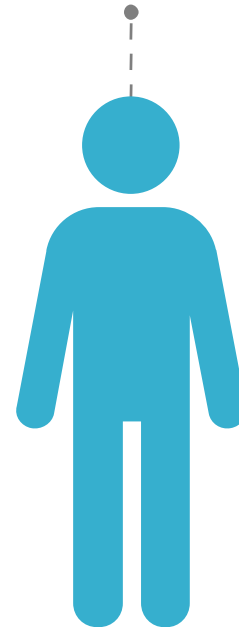
Won't Last
Longer than
1-Year

18%



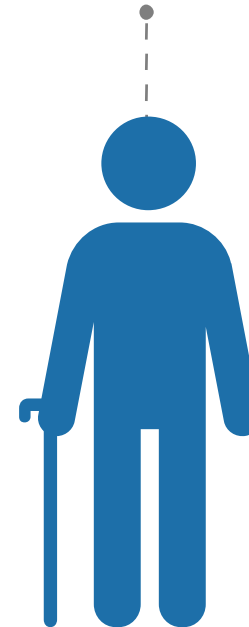
Won't Last
Longer than 5-
Years

43%



Journey Level.
Performing the Work
for Group 1, 2 and
soon 4

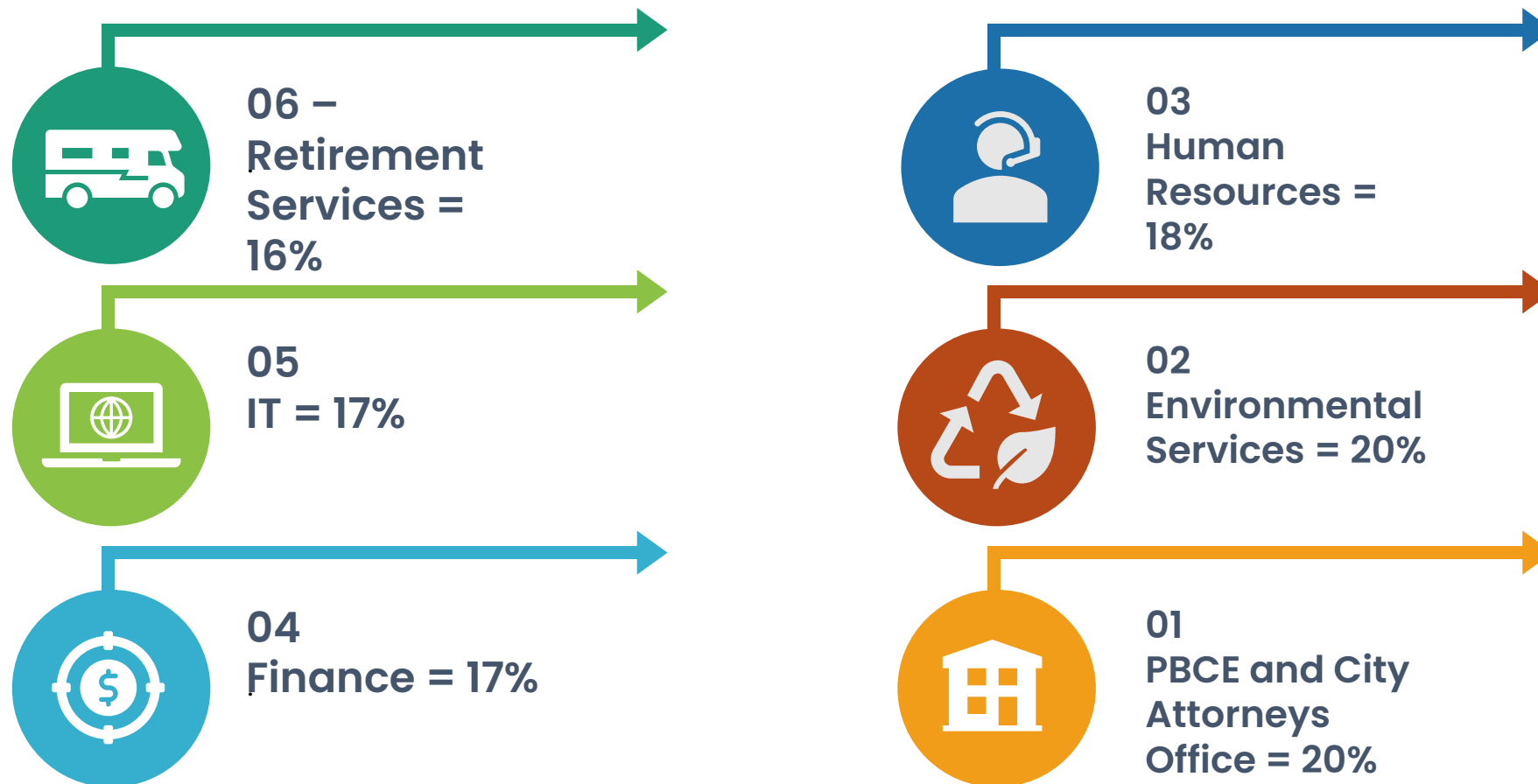
17%



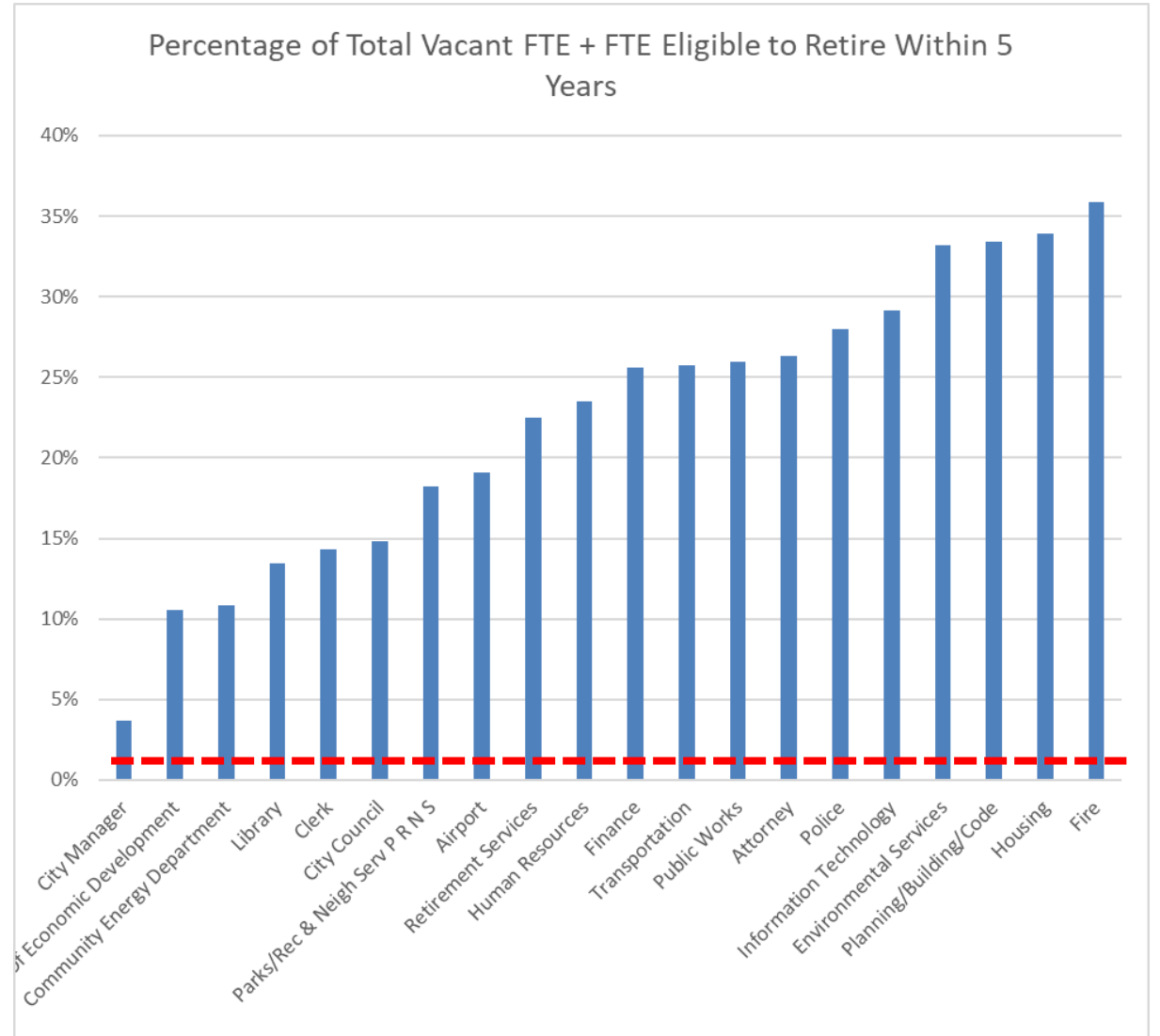
Eligible to Retire
in the next 5
Years

1 in 6 Employees Can Retire within 5 Years

Most retirement-eligible employees are in **9 city departments**
For non-sworn personnel, the highest rate of retirement eligibility is in:



**In Over Half of
City
Departments,
at Least 1 in 5
Jobs is Vacant
or Soon to Be
Vacant due to
Retirements**



Top Reasons for Employee Turnover in 2021 & 2022

Figure 4

Top Three Reasons for Employee Turnover in 2021 and 2022



Source: NEO GOV HR Trends Report 202. Cited by Jennifer Schembri in February 1, 2023 Memo: Strategies for Recruitment, Hiring, and Retention.

<https://www.neogov.com/hubfs/2023%20Trends/Full%20NG%20HR%20Trends%20Report%202023.pdf>

Why New Employees are Leaving: It's pretty straightforward...



The Cost of Staff Replacement

The ramifications of employee turnover are enormous. Each departure costs about one-third of that worker's annual earnings. Here's where that money goes:

67%
Soft Costs
Such as reduced productivity,
interview time and lost knowledge.



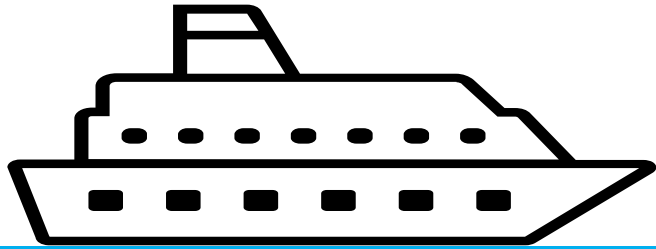
33%
Hard Costs
Such as recruiting, background checks,
drug screens and temp workers.

San Jose's Total Lost Resources Resulting from Employee Turnover

- Total Wasted Dollars in Employee Turnover Costs (non-sworn)

\$ 20,000,000 Per Year

Source: SHRM HR Today: Cited by NEO GOV HR Trends Report 202. Cited by Jennifer Schembri in February 1, 2023 Memo: Strategies for Recruitment, Hiring, and Retention. : <https://www.shrm.org/hr-today/news/all-things-work/pages/to-have-and-to-hold.aspx>



900 Vacancies

The Unseen Looming Crisis

The City has MAJOR problems on the immediate horizon that, left unaddressed, will balloon into insurmountable negative effects for resident services.

Great Resignation

17% of employees are eligible to retire in the next five years

Retention Emergency

The City is spending millions on rehiring and retraining 40% of its workforce every 5 years

Recruitment Efforts from Other Agencies

Other Agencies are already implementing tactics to stand out as employers to ensure their service delivery levels, leaving San Jose further in jeopardy.

City's Plan to Address Recruitment and Retention

The City has created a Vicious Cycle for itself by employing the following methodology and staffing philosophy.



The Union Coalition Plan

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Raise Wages Significantly

City workers need above-market wage increases to make us competitive and retain staff.



Attract New Professionals Entering the Workforce

We need benefits like Paid Family Leave and childcare help that compete with other Silicon Valley employers and are attractive to newer professionals.



Retain Existing Staff

Provide incentives to keep existing employees from leaving and stop the endless cycle of costly recruitment and training.



Union Specific Enhancements

Make improvements as determined by each Union in their respective contracts.



Stop the Staffing Problem from Returning

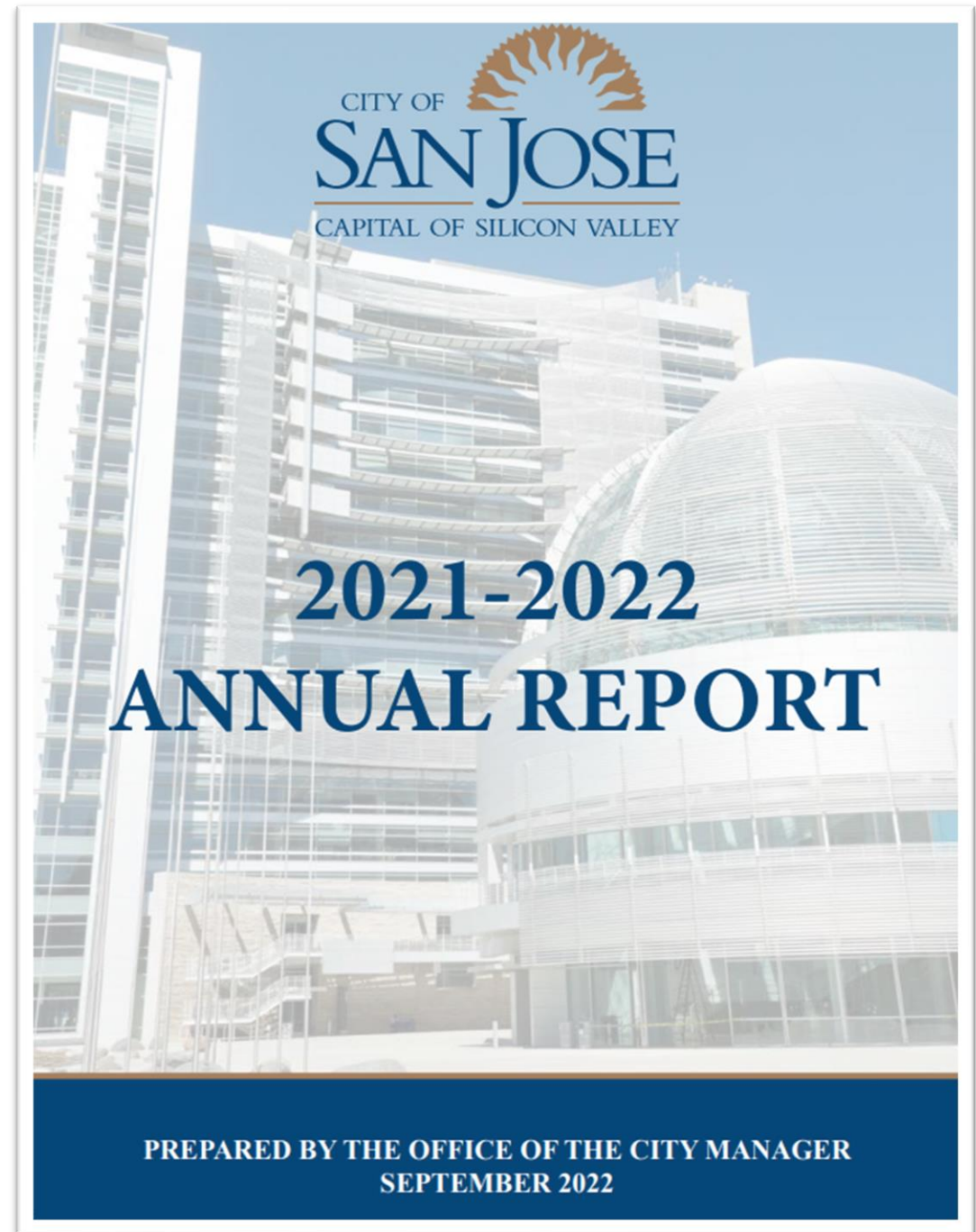
Put metrics and processes in place that stop classifications from becoming understaffed and addressing where it becomes an issue

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Budget

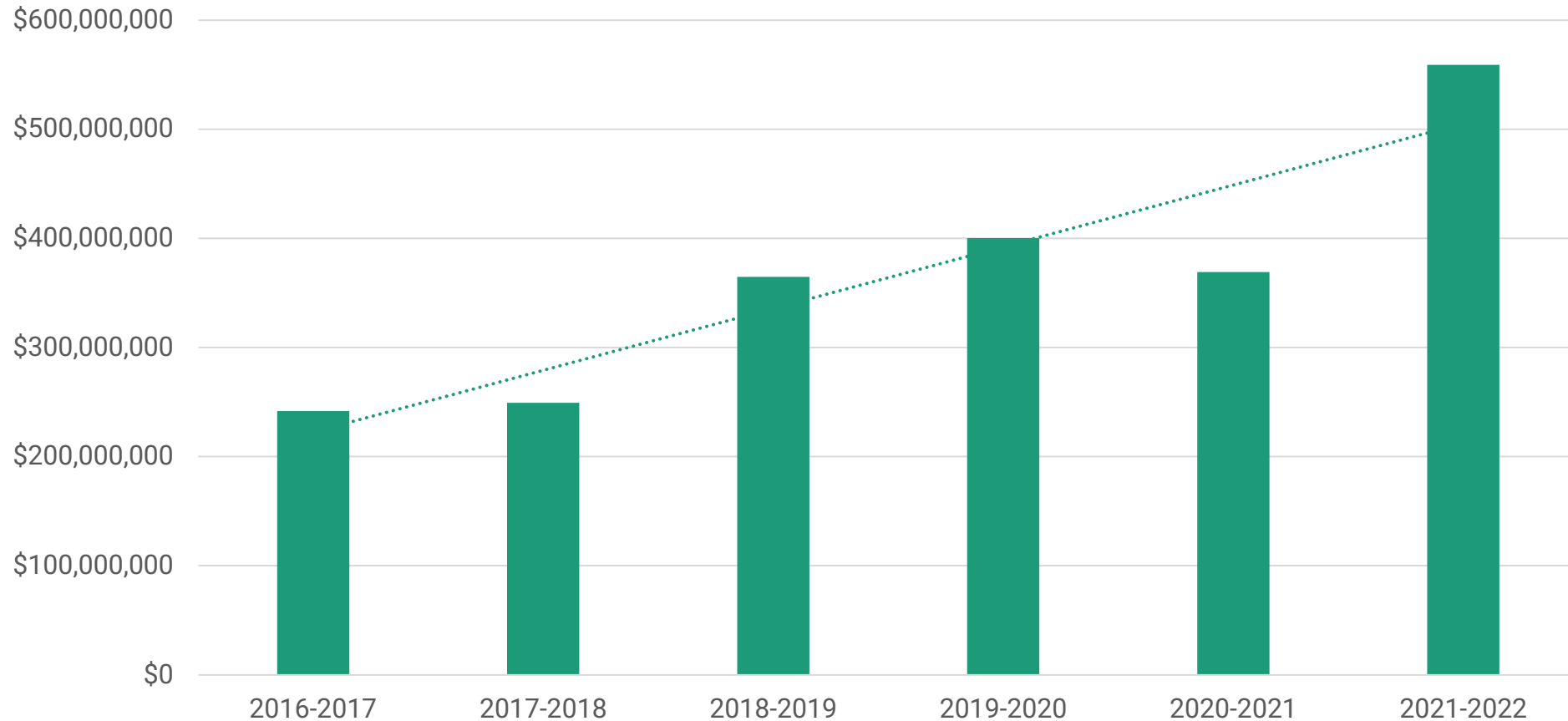
From the City Manager's 2021- 2022 Annual Report:

“The broader economic recovery happened more quickly and robustly than many anticipated, providing a surge of revenues across several City funds, including the General Fund, that helped to significantly change the City’s budgetary position in 2021-2022 and into 2022-2023.”

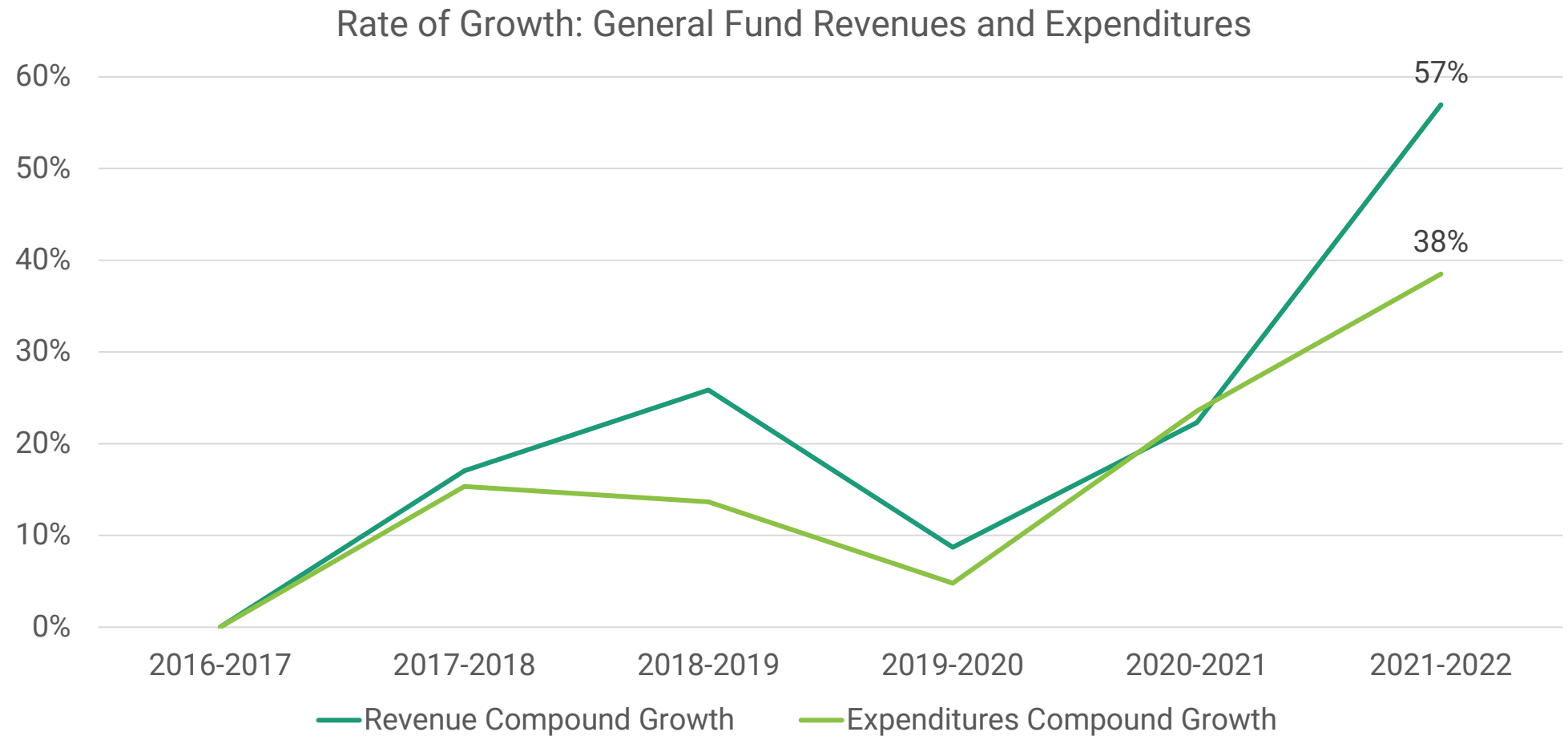


End of Year General Fund Balance has Grown 131% to \$559 Million

Ending General Fund Balance
FY 16-17 to 21-22

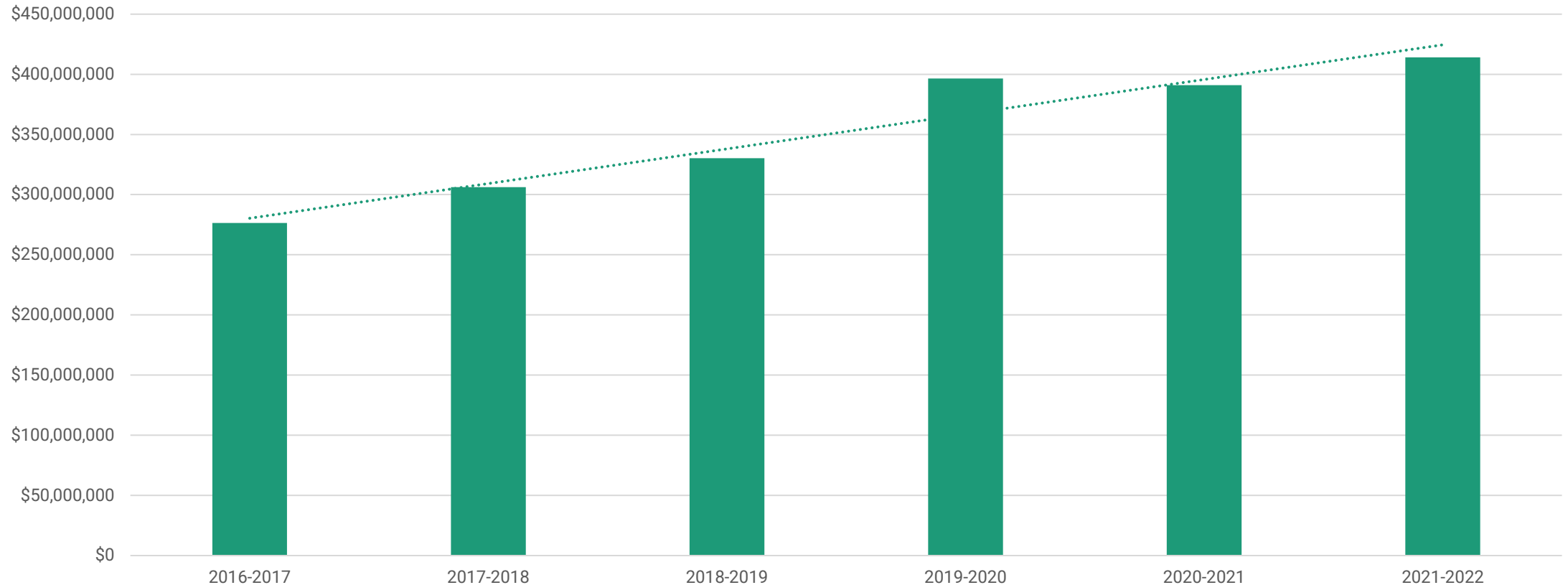


General Fund Revenues have Grown Faster than Expenditures



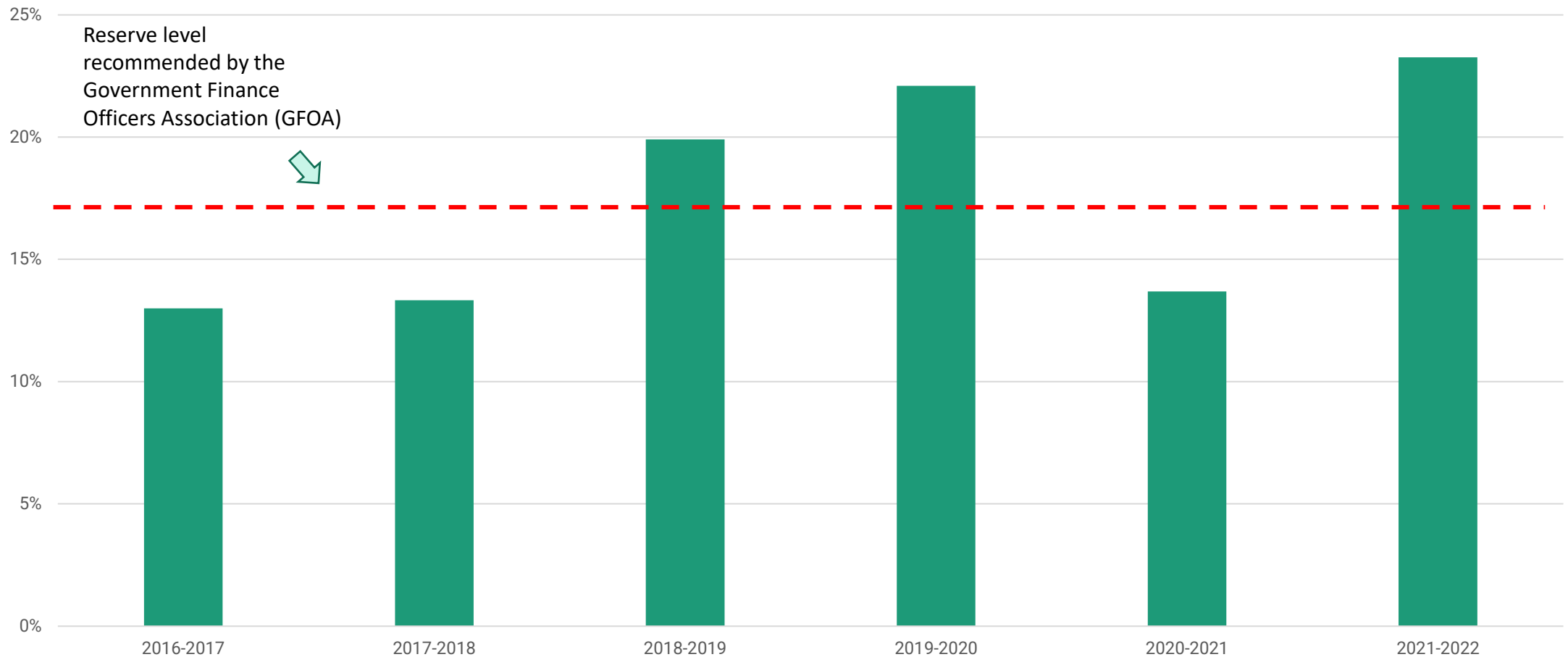
Property Tax Revenues, the Largest and Most Stable Source of General Fund Revenues, Have Grown 50% Since 2017

General Fund Property Tax



General Fund Unexpended Reserves are Above Recommended Levels

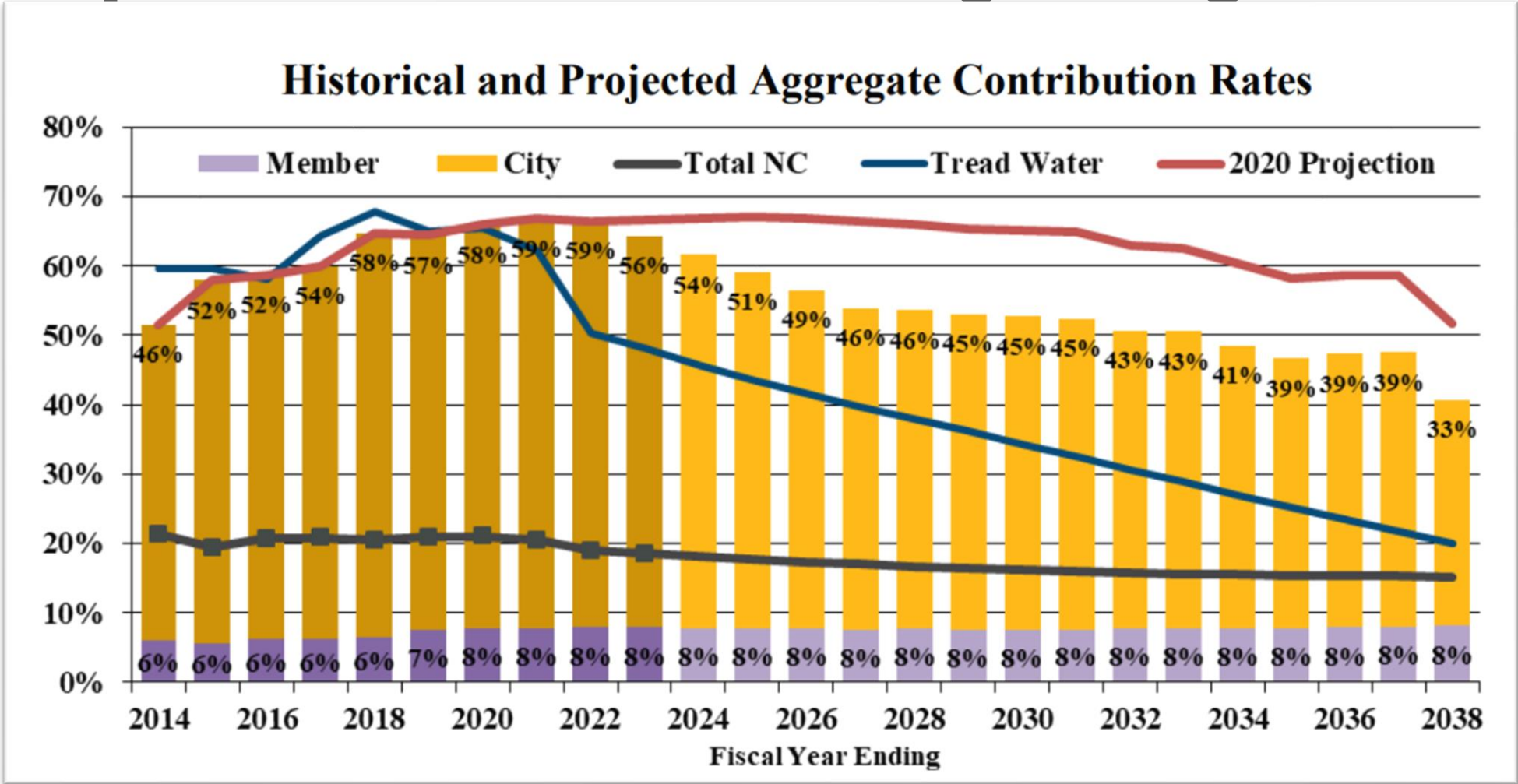
General Fund Unexpended Reserves as a Percentage of General Fund Expenditures





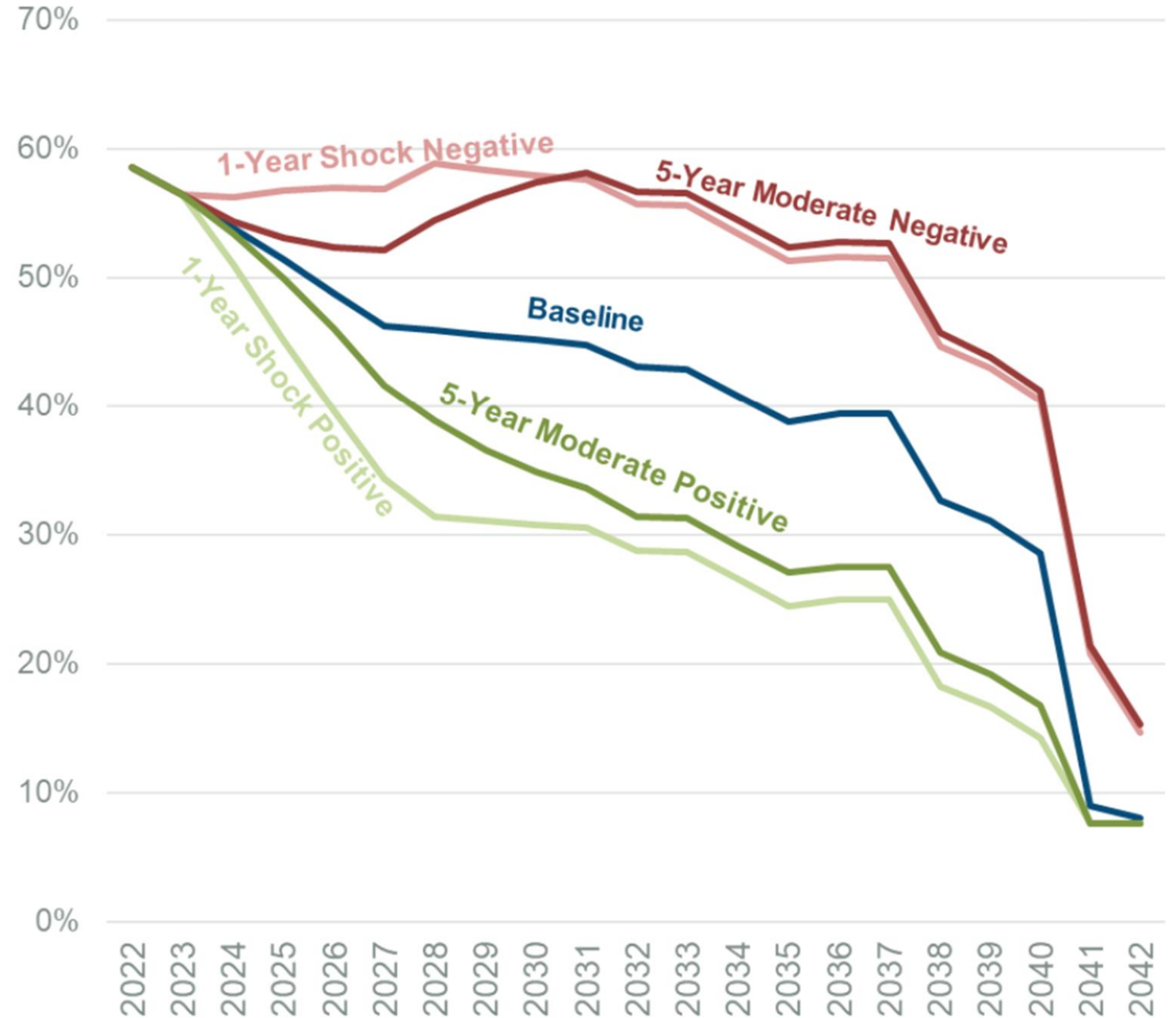
Pension Reductions

While Revenues have Grown, Federated Employee Retirement Plan Costs are Expected to Decrease Beginning in 2024

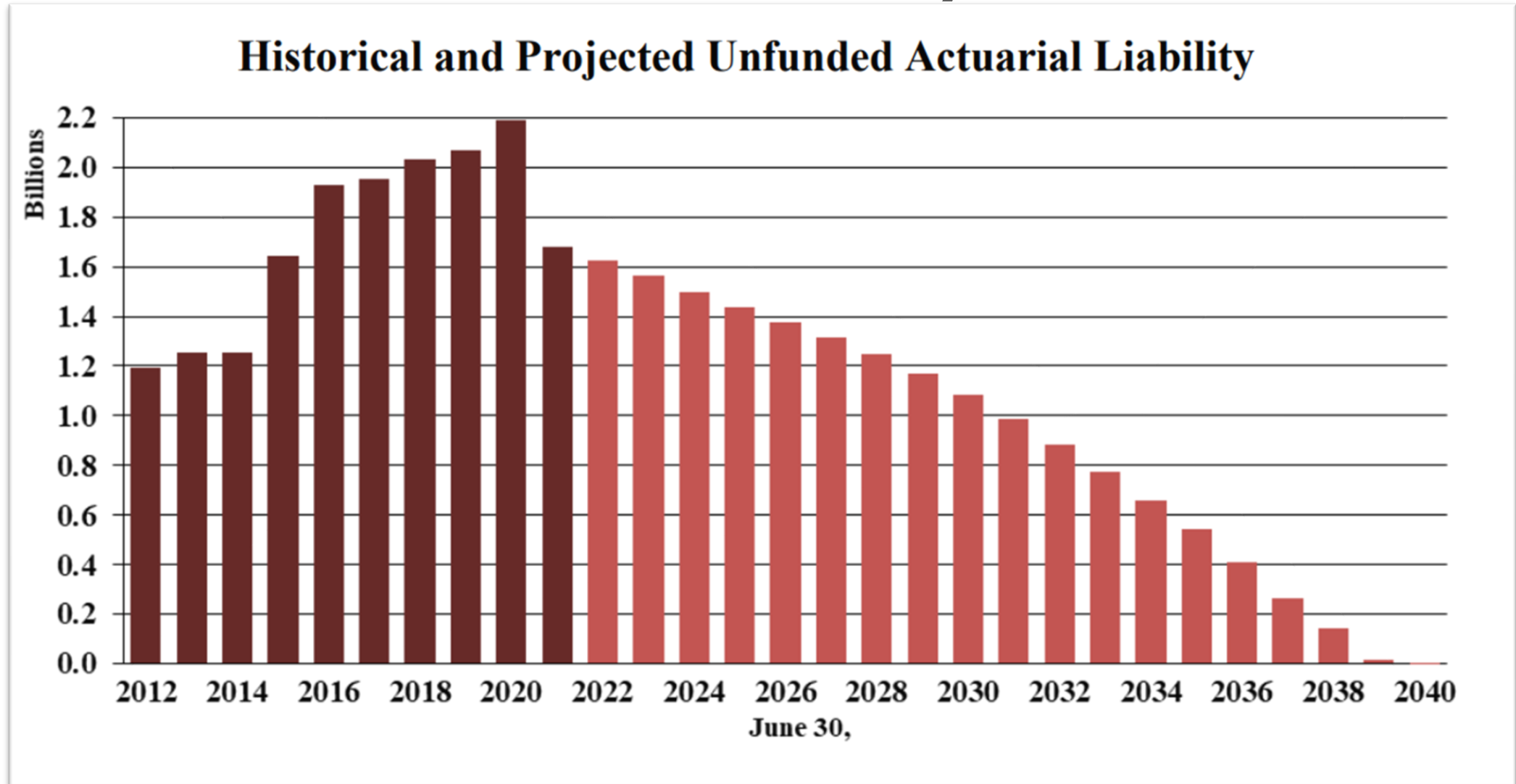


**Even in
Downturn
Scenarios,
Contribution
Rates will
Decrease in the
Next Few Years**

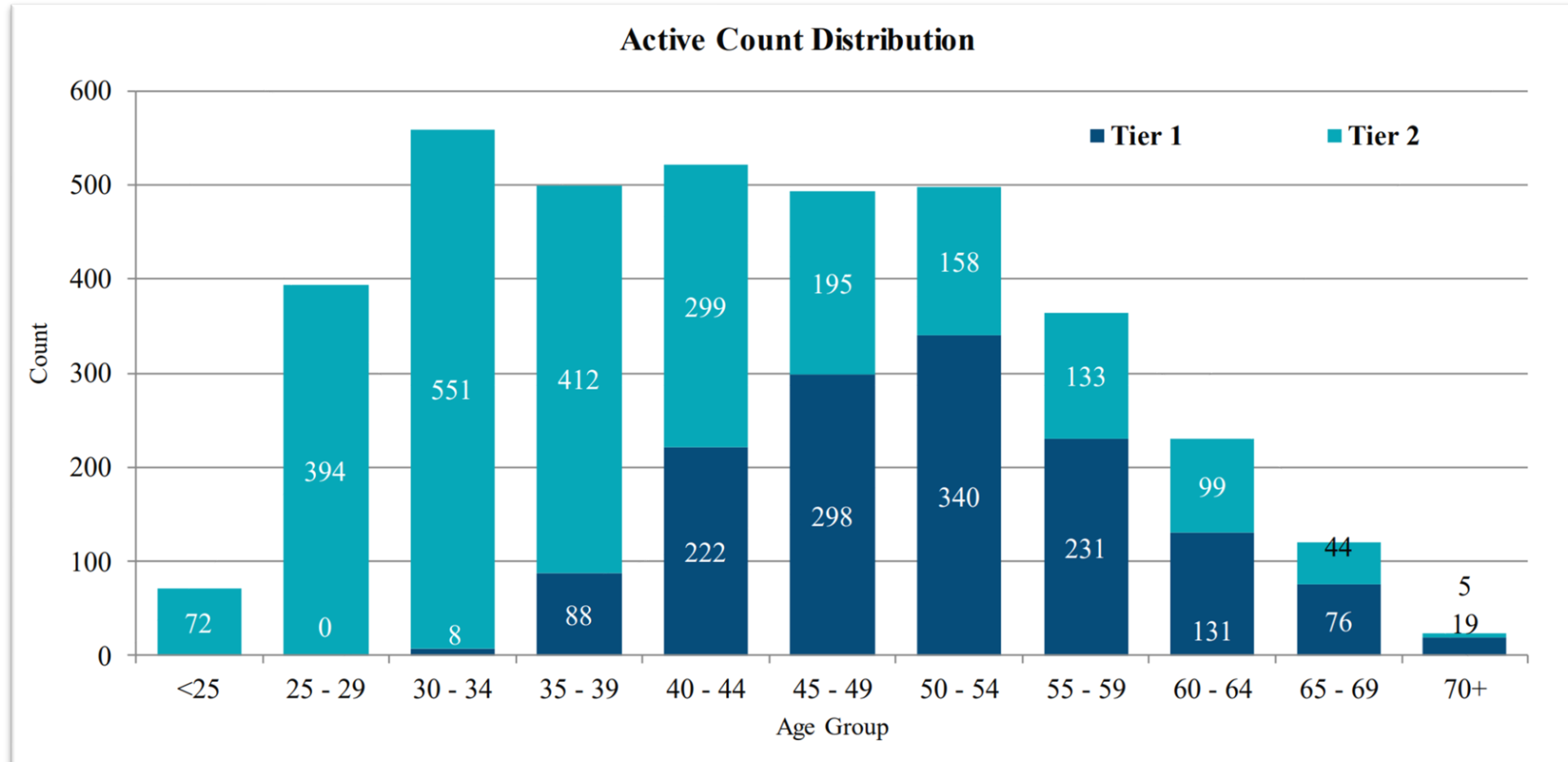
City Aggregate Contribution Rates



Why is this happening? We are paying off unfunded liabilities and the pension tier for new hires has little unfunded liability



Tier 2 Members are now 63% of Active Employees





**2023 Five-Year
Forecast**

Five-Year Forecast Highlights

- Surplus of \$29.9 million in the first year.
- “Incremental” deficit of \$18.8 million if the initial surplus is entirely allocated.
- Remaining years have either a small deficit or a surplus.
- The “incremental surplus” is ***not*** the surplus/(deficit) of revenues over expenditures forecasted each year. It is ***the change in surplus*** from year to year.

2024-2028 General Fund Forecast Incremental Surplus

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Five-Year Surplus
Incremental Surplus/(Shortfall) ¹	\$29.9 M	(\$18.8 M)	(\$0.1 M)	\$9.4 M	\$0.1 M	\$20.5 M
% of Budget (Based on Expenditures)	2.1%	1.3%	-	0.6%	-	

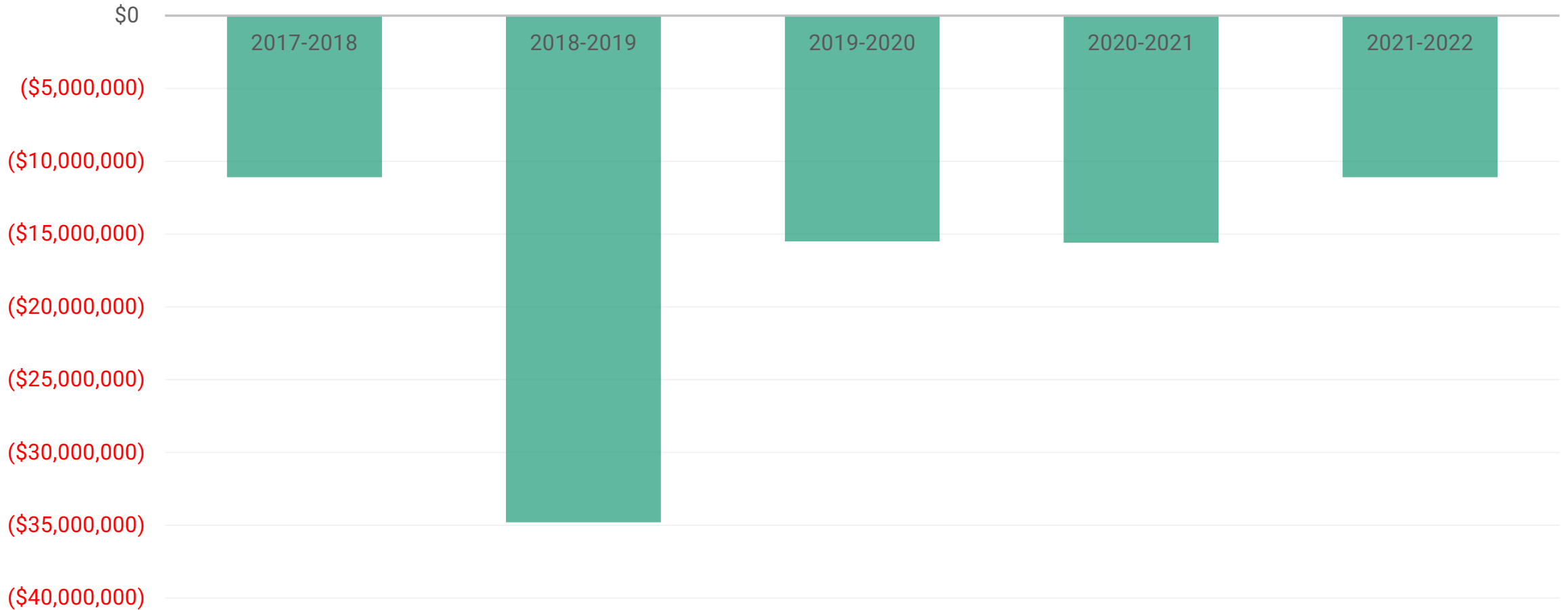
Note: Does not include 1) costs associated with services that were funded on a one-time basis in 2022-2023; 2) costs associated with unmet/deferred infrastructure and maintenance needs; and 3) one-time revenue sources or expenditure needs.

Forecast Shows Annual Surpluses of Between \$29.9 million and \$11 million Each Year of the Forecast

	MODIFIED BUDGET	FEBRUARY FORECAST				
	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2027-2028</u>
BASE EXPENDITURES (w / COMMITTED ADDITIONS)						
GRAND TOTAL REVENUE	2,223,562,597	1,464,128,606	1,495,296,000	1,544,693,000	1,601,902,000	1,665,494,000
GROWTH RATE		(34.15%)	2.13%	3.30%	3.70%	3.97%
TOTAL BASE EXPENDITURES (w / COMMITTED ADDITIONS)	2,223,562,597	1,434,204,231	1,484,218,046	1,533,724,422	1,581,569,634	1,645,031,331
GROWTH RATE		(35.50%)	3.49%	3.34%	3.12%	4.01%
OPERATING MARGIN	0	29,924,375	11,077,954	10,968,578	20,332,366	20,462,669
ONGOING OPERATING MARGIN CHANGE		29,924,375	(18,846,421)	(109,376)	9,363,788	130,303
<i>From Prior Year</i>						

Deficits are Almost Always Projected in Year Two of the Forecast

Projected Shortfall when Selected Fiscal Year was Year Two of the Forecast



For Example! Here's the five-year forecast the City showed us in our 2021 negotiations.

Due to projections that are entirely too conservative and tens of millions in salary savings, the “doom and gloom” scenarios presented to Labor rarely come to fruition.

**2022-2026 General Fund Forecast
Incremental General Fund Surplus/(Shortfall)**

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Incremental Surplus/(Shortfall)	(\$48.1 M)	\$3.3 M	\$0.2 M	\$4.4 M	\$1.9 M
% of Budget (Based on Expenditures)	(3.8%)	0.3%	0.0%	0.3%	0.1%



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: David Sykes
SUBJECT: 2021-2022 CITY MANAGER'S BUDGET REQUEST AND 2022-2026 FIVE-YEAR FORECAST
DATE: March 1, 2021

INFORMATION

EXECUTIVE SUMMARY

In compliance with City Charter Section 1204, and the City Council's Adopted Budget process, this document provides both the recommended 2021-2022 City Manager's Budget Request (2021-2022 Budget Balancing Strategy Guidelines) and the 2022-2026 Five-Year Forecast and Revenue Projections for the General Fund and Capital Improvement Program. Major highlights of this report follow.

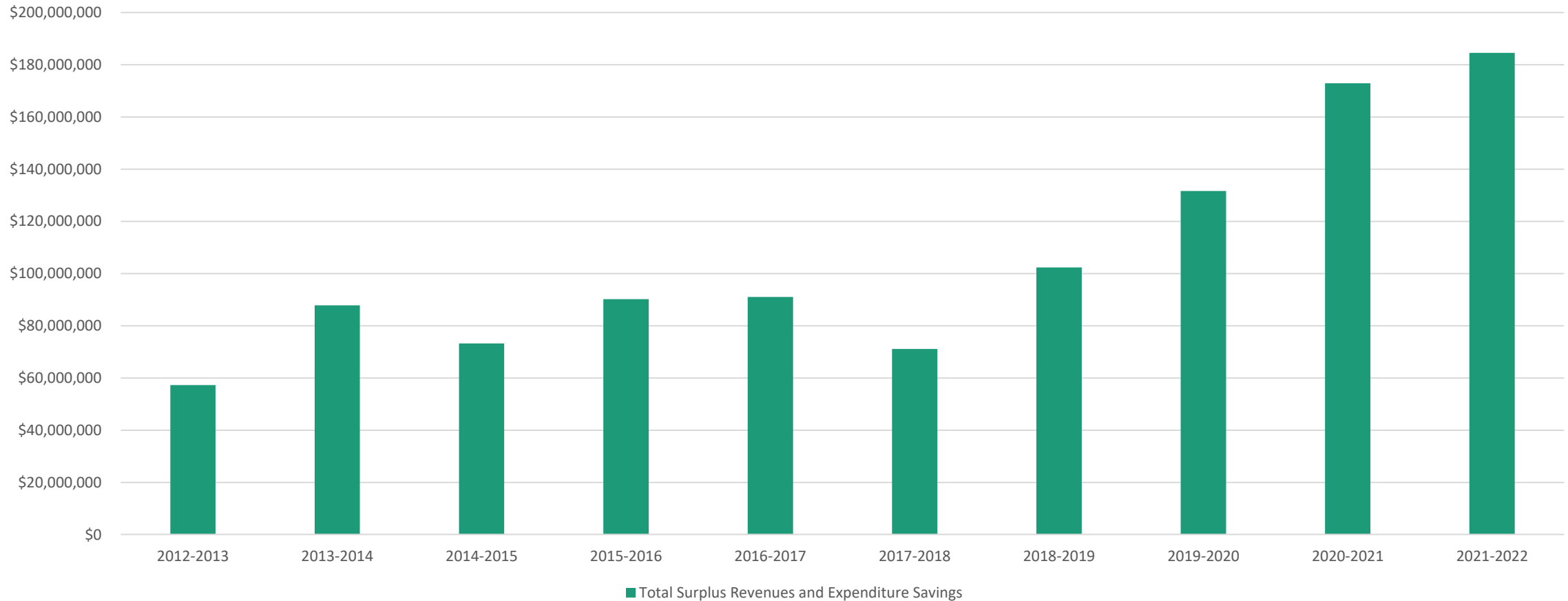
As shown in the chart below, a significant General Fund shortfall of \$48.1 million is projected for 2021-2022, which constitutes almost 4% of the General Fund Base Budget. This projection is derived by comparing estimated revenues with the cost of delivering City Council-approved ongoing services as well as the services for which the City has already committed, such as the operation of new facilities or other capital projects scheduled to come on-line next year. However, if the 2021-2022 shortfall is fully resolved with ongoing solutions, the remaining four years of the Forecast are essentially flat, with very small General Fund surpluses ranging from \$0.3 million to \$4.4 million (0.0% - 0.3%). Over the five-year period, a total net General Fund shortfall of \$38.2 million translates to an average annual shortfall of \$7.6 million, which equates to 0.6% of the projected General Fund Base Budget.

**2022-2026 General Fund Forecast
Incremental General Fund Surplus/(Shortfall)**

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Incremental Surplus/(Shortfall)	(\$48.1 M)	\$3.3 M	\$0.2 M	\$4.4 M	\$1.9 M
% of Budget (Based on Expenditures)	(3.8%)	0.3%	0.0%	0.3%	0.1%

Despite Deficit Projections, The General Fund has Experienced Significant Surpluses for 10 Years.

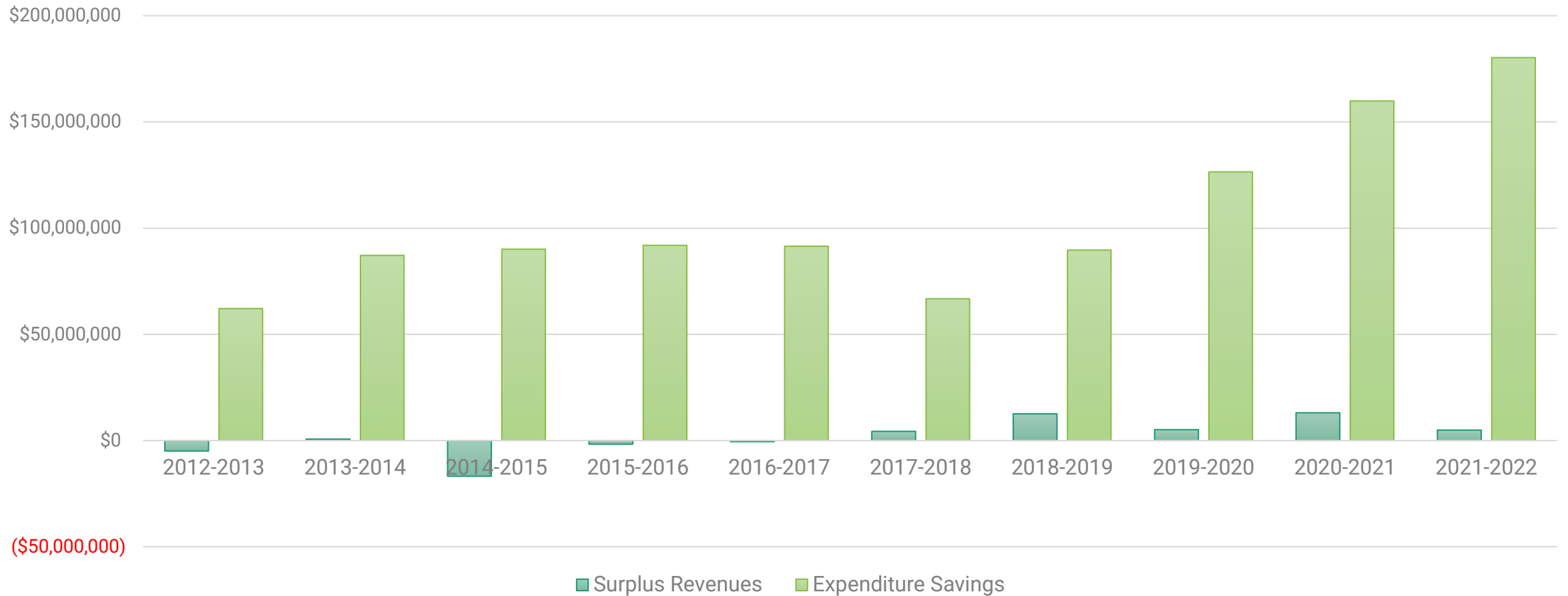
Total Surplus Revenues and Expenditure Savings



Source: Annual Reports

For the past 10 fiscal years, surplus revenues averaged \$1.6M per year while expenditure savings averaged \$104 million annually.

Surplus Revenues and Expenditure Savings Compared to Budget





Solution Proposals

MEF Core Proposals



- **Contract Term:**

3-Year Term: July 1, 2023 – June 30, 2026

- **General Wage Increase:**

9% Effective July 1, 2023

8% Effective July 1, 2024

7% Effective July 1, 2025

- **5% Non-Pensionable Restoration:**

- Restoration of the 5% non-pensionable wage increase. Retroactive to January 1, 2023, 100% of employee wages shall be included in retirement calculations for active employees.

MEF Core Proposals continued...



- **Placeholder: Retention Pay Proposal**
- **Paid Family Leave & Childcare proposals** (proposal given to City previously)
- **Defining the Market and Establishing Hard-to-Fill metrics** (proposal given to City previously)
- **Placeholder: Market Increase for certain Classifications**
- **Create Five (5) Social Worker Positions for SJPL Branches to assist and perform casework for our community's most vulnerable populations.**

MEF Core Proposals continued...



- **The Union will join the City at twelve (12) in-person recruitment events or “Hiring Pipeline Activities.”** including but not limited to San José State University Related Engagements like New Graduate Bootcamp, Business, Financial Services, and Logistics Job/Internship Fair, Veterans Day Celebration, African American Community Service Agency Career Fair, Work2Future Career Fair, Cristo Rey Jesuit High School Expo Event, or any others identified by the City to help recruitment and retention efforts and to give credibility to the City as a good employer. (pending agreement on full-time loss time)