

2023-2024 CAPITAL BUDGET
2024-2028 CAPITAL IMPROVEMENT PROGRAM

MAYOR'S MARCH
BUDGET MESSAGE



Memorandum

TO: CITY COUNCIL
FROM: Mayor Matt Mahan
SUBJECT: MARCH BUDGET
MESSAGE FOR FISCAL
YEAR 2023-2024
DATE: March 13, 2023

APPROVED:

Date: 3/13/2023

RECOMMENDATION

Direct the City Manager to submit a balanced budget for Fiscal Year 2023-2024, guided by the policy direction and framework of priorities outlined in this March Budget Message.

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In accordance with Section 1204 of the San José City Charter, I present my Fiscal Year 2023-2024 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 2023-2024 Proposed Budget.

OVERVIEW

I. The Case for Focus

There perhaps has never been a more important moment for our city to focus on the basics. As we emerge from a global pandemic that pulled City Hall in many directions, grapple with widespread displacement and homelessness that touches nearly every area of our lives, and face an uncertain economic future, the choices we make today will determine San José's trajectory for years to come. It is vital that we make meaningful progress in a limited number of strategic areas.

These strategic opportunities for improvement are clear. Again and again, when we ask our residents what they most want from their city government, they point to the same challenges: crime, blight, homelessness, and the high cost of living. When surveyed, 65% of residents

respond that they feel unsafe downtown.¹ 89% rank homelessness as a very or extremely serious issue.² Concerningly, 53% say they are likely to move out of the Bay Area in the next few years.³ Our residents are frustrated that their basic expectations for quality of life are not being met. As we emerge from a pandemic that understandably shifted our attention to other unexpected and urgent needs, we need to refocus on the challenges our residents face every day.

Due to our constrained tax base, San José, more than most cities, must aggressively prioritize where we strive to have a transformative impact. While a large city, we have a modest budget on a per capita basis. Most cities in California generate a large portion of their tax revenue from business-related activity, but because of our historical land use pattern San José's relative size and population do not match our public sector resource capacity.

In the 1950s and 1960s, San José was built out (largely through annexation) as a bedroom community to complement the job growth occurring in small neighboring cities. Even today, San José has relatively little land dedicated to jobs. According to staff in our Office of Economic Development and Cultural Affairs, most cities devote 20–30% of land to employment. In San José, the figure is closer to 15%. Thus, San José is the only major city in the country whose daytime population is smaller than our nighttime population as residents travel out of the city to work in nearby job centers. While Palo Alto, for example, has nearly 3 jobs for each employed resident, San José has fewer than 1.

In addition to our relatively small per capita tax base, San José is also grappling with the legacy of unfunded pension and health care obligations to our retirees. Thanks in large part to past reform efforts led by Mayor Reed and Mayor Liccardo, and above all support from our voters on critical ballot measures, we've begun to increase our retirement funds' funding ratios and bend the curve on our unfunded liabilities. However, we will be paying off these debts for nearly two more decades – debts that currently consume nearly 15% of our General Fund each year.

Between our small tax base and the burden of unfunded liabilities, we continue to have one of the most thinly staffed City Halls in the nation. San José employs fewer than 7 city employees per 1,000 residents. Despite progress in recent years, we still have not even achieved our staffing levels in the early 2000s and we continue to trail far behind other big California cities – both

¹“2022 Bay Area Council Poll Registers Big Jump in Concerns about Crime and Safety.” Bay Area Council, 31 Mar. 2022, <https://www.bayareacouncil.org/press-releases/2022-bay-area-council-poll-registers-big-jump-in-concerns-about-crime-and-safety/>

² “Silicon Valley Poll 2022.” Joint Venture Silicon Valley, 2022, <https://jointventure.org/images/stories/pdf/sv-poll-2022-report.pdf>

³2022 Survey, Bay Area News Group and Joint Venture Silicon Valley, Oct. 2022, <https://www.mercurynews.com/2022/10/02/bay-area-exodus-residents-still-want-out-new-poll-finds/#:~:text=Most%20people%20who%20live%20here,in%20the%20next%20few%20years>

overall, and staffing of public safety personnel in particular. For comparison, the cities of Los Angeles, Oakland, and Sacramento each employ over 10 people per 1,000 residents.

This context is important as we look ahead to the city’s future budgetary position. With at least a modest recession likely looming, the City Manager’s 2024-2028 Five-Year General Fund Forecast estimates a small ongoing surplus in 2023-2024 followed by a small shortfall in 2024-2025. Any budget actions for 2023-2024 must take into account the projected shortfall in 2024-2025 and position the city to weather economic conditions that could potentially worsen.

2024-2028 General Fund Forecast Incremental Surplus						
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Five-Year Surplus
Incremental Surplus/ (Shortfall)	\$29.9M	(\$18.8M)	(\$0.1M)	\$9.4M	\$0.1M	\$20.5M
% 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.

We must also recognize that the figures above do not include any programs or services previously funded on a one-time basis in the General Fund, nor do they include the continuation of the dwindling resources from the federal American Rescue Plan (ARP). Last year’s budget process allocated the remaining \$59.3M dollars in one-time federal funding for a range of programs. When combined with prior allocations still in the process of being spent down, nearly \$95 million of ARP resources are currently budgeted in 2022-2023. Maintaining funding for just 50% of the services provided by ARP funds in FY 2022-2023 would automatically generate a \$32.2 million budget shortfall in FY 2023-2024. While we will stretch any remaining ARP funds as far as possible to continue supporting a few critical needs, such as youth programming and scholarship opportunities, we clearly will not be able to continue supporting all the programs that were once within reach. Even if the Council were to allocate zero ongoing funding to programs

currently funded by ARP, the City would still have \$15 million in current programming in the General Fund that has been funded on a one-time basis.

Estimated Service Level/Structural Shortfall in 2023-2024 for Planning Purposes (\$ in Millions)	
	2023-2024
February 2023 Incremental Surplus/(Shortfall)	\$29.9 M
Community and Economic Recovery Workstreams in the American Rescue Plan Fund Continued at 50% of 2022-2023 Modified Budget Level	(\$47.2 M)
2022-2023 Programs Funded on a One-Time Basis in the General Fund	(\$15.0 M)
Estimated Service Level/Structural Shortfall for Planning Purposes	(\$32.3 M)

Fortunately, many of the services provided by ARP funds were specific needs that only the government could step in and provide during the pandemic. As we seek to return focus to our core issues, we have tried to slowly scale back pandemic relief operations so as to reduce the burden on the communities most reliant on these services.

The bottom line is that the road ahead requires tough decisions. Unless we are disciplined in focusing our resources on fewer priorities, we will not move the needle on any of the big challenges our residents have asked us to make significant progress in solving.

Fortunately, our pandemic response demonstrated City Hall’s extraordinary ability to solve problems when we focus. We quickly pivoted from an array of city services to tackle life-saving work that had never before fallen under our jurisdiction. It was one of our finest moments. We supported our residents through a moment of deep uncertainty, risk, and loss. We took on food distribution, vaccinations, and rent relief. Together, we distributed 2.5 million meals each week to families in need, provided financial and rental relief to over 14,000 households, and placed 4,100 people in temporary housing. We were a lifeline for our residents as unemployment spiked, food insecurity doubled, and neighbors lost their livelihoods and lives to a novel virus. We showed what our city is collectively capable of when we direct our focus and act with urgency.

As we pivot to focus on what are now the most pressing challenges facing our community, we have an immense opportunity to make San José a better city for all of our residents. Focus enables momentum – placing greater Council and city staff attention on a few foundational issues gives us the chance to experiment, accelerate our learning and ultimately design and

implement better solutions. Focus gives us our best shot at solving our biggest challenges, which will in turn unlock new possibilities for our community.

With this in mind, and with an acknowledgement of the many challenges facing our city, the 2023-2024 fiscal year marks a moment of opportunity for San José. A moment to choose the problems we will take on and drive forward the solutions our residents urgently need.

II. Staff: Our Most Precious Resource

Today, City Hall lacks the staffing capacity needed to address our greatest priorities. Before diving into department-specific budget recommendations, I want to highlight the importance of addressing our high turnover and vacancy rates. While we are not alone in struggling to attract and retain talent – especially in our extremely expensive region – we must do everything in our power to reduce vacancies and make the City of San José a preferred employer for workers. Recently, our Human Resources Department launched new initiatives to modernize our hiring processes. In addition, the City Manager has approved the centralization of recruitment for Parks, Recreation, and Neighborhood Services Department (PRNS), Housing Department, and Code Enforcement division of Planning, Building, and Code Enforcement (PBCE) in an effort to better streamline and prioritize recruitment of talented people who reflect the diversity of our community. The City Manager also has begun a larger recruitment initiative, which is outlined below in this Budget Message (Section V). The City Manager is directed to continue this prioritization, including the allocation of one-time and ongoing resources, throughout the organization and especially in our community-facing departments as this is the greatest need we have across the entire organization. Furthermore, I know from my conversations with the City Manager how much she values employee feedback and her commitment to continuing to incorporate feedback from frontline workers and those closest to service delivery into ongoing improvements in how we work.

Given the severity of the staffing crisis that the City is experiencing, emerging solutions implemented in other governmental agencies should also be evaluated. The City Manager should not limit herself to the ideas provided above. The states of Utah and Pennsylvania have eliminated 4-year degree requirements, shifting to skills-based hiring and allowing consideration of alternative qualifications, like direct experience. This idea may have merit, as it would open up opportunities for many of our own residents to access City jobs otherwise inaccessible to them.

III. Focus Areas

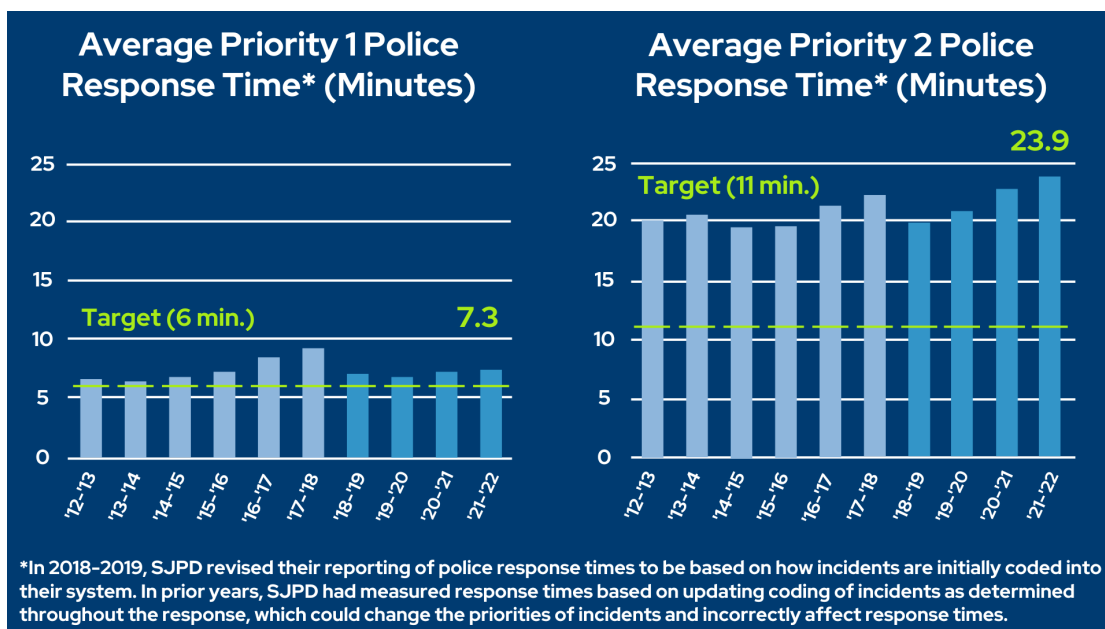
We begin the March Budget Message with a straightforward recommendation: that the City Manager bring greater organizational focus, staff resources, and regular governance-level reporting to bear on a small number of foundational goals:

- *Increasing Community Safety*
- *Reducing Unsheltered Homelessness*
- *Cleaning Up Our Neighborhoods*
- *Attracting Investment in Jobs and Housing*

A. Increasing Community Safety

Our government’s most fundamental responsibility is ensuring safety for all of our residents. While we’ve made significant progress in rebuilding our Police and Fire Departments since the Great Recession, residents continue to rank public safety, and especially slow emergency response times, as a top area of concern.

San José has hundreds of committed, community-centered first responders. We just do not have enough of them. Over the past decade, SJPD response times for both Priority 1 and Priority 2 calls have remained slower than the Department’s performance targets, with wait times for Priority 2 calls growing in recent years to more than double our target as increased call volume has outstripped the Department’s capacity.



SJPD response times from city auditor report.

Since 2020, incidents of violent crime in San José have risen by over 15%. When one of our neighbors is threatened with violence, the extra minute it takes for help to come can mean the difference between life and death, which is why it is all the more important that we achieve appropriate staffing levels within our Police Department.

While increased crime affects our entire city, it is important to note that lower income neighborhoods in San José bear a disproportionate impact. We owe a special obligation to residents who are already struggling economically to not add the burden of unsafe streets, parks and neighborhoods. Public safety through increased patrols, improved response times and community policing by officers who are from and reflect the diversity of our community, is central to creating an equitable and opportunity-filled city.

Public Safety Staffing Levels

To begin, the City Manager is directed to allocate ongoing funding sufficient for a headcount increase of 15 additional personnel in SJPD beginning in 2023-2024 – doubling the rate at which the Department is adding roles. The City Manager should determine whether a proportion of the additional budgeted positions should be reserved for Community Service Officers (CSOs).

While current Academy class sizes are not large enough to make full use of these resources, it is important that we dedicate ongoing funding for continued headcount growth that puts us on the path to full staffing even as economic conditions fluctuate. As the Department invests in expanded recruitment strategies (next section) to fill our Police Academy classes and catch up with these aggressive hiring targets, the City Manager is further directed to reallocate, on a one-time basis, the 2023-2024 cost of new officers that will not start until 2024-2025 toward high-impact, one-time investments in technology, recruitment, and other capacity-building opportunities within the Department, as well as crime prevention strategies outlined below. Moreover, the City Manager is directed to work with the Department to explore methods of reducing our reliance on mandatory overtime, which reduces officer morale and increases costs.

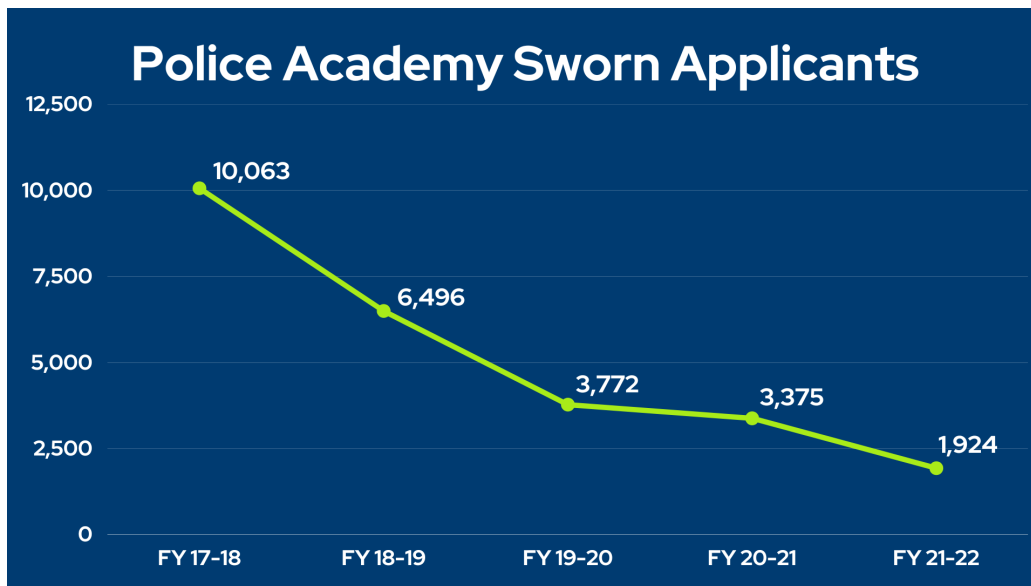
To expedite the hiring process and reduce the dropoff of qualified candidates, the City Manager is directed to evaluate the potential impact and ongoing funding requirements associated with additional capacity for human resources software solutions that can accelerate the hiring process by multiple weeks.

Our excellent Fire Department also needs additional staffing capacity, especially firefighters who are certified paramedics. Last year, the Council took action to increase filled paramedic staffing levels by initiating a lateral paramedic hiring incentive pilot program, in addition to modest pay raises. As part of the 2021-2022 Annual Report, the City Manager recommended and the City

Council approved a lateral firefighter/paramedic academy to quickly bring on experienced paramedic personnel. Even so, our paramedics are routinely asked to work extra shifts to ensure we have appropriate call response coverage, risking staff burnout and attrition. To address this staffing challenge, the City Manager is directed to explore additional solutions and funding needs related to paramedic recruitment and retention, including the potential for additional Fire Academy classes each year. The City Manager is further directed to bring forward budget requests to ensure new fire stations funded through Measure T coming online are equipped and supported through commensurate and necessary staffing levels.

Recruitment

Increasing budgeted headcount and improving our hiring processes won't translate into greater capacity unless we also improve our ability to attract applicants. In recent years, like other departments across the country, we've seen a worrying decline in the number of applicants to our Police Academy.



To counter this nationwide trend, we must redouble our efforts to attract qualified, diverse candidates, ideally from our community. We will do this by affirming our commitment to being the most community-engaged big city Police Department in the nation and investing greater resources in recruitment strategies. The City Manager is directed to explore a range of potential investments to enhance our recruitment efforts, including potential increases to officer referral and signing bonuses, a one-time officer relocation stipend, and programs designed to engage youth interested in law enforcement careers. The City Manager is further directed to allocate additional funding to the Department's budget for marketing and campus outreach.

We must also deliver on the promise to complete the new Police Training and Academy Facility. Completion is essential both to help with recruitment and also to open the Chaplain Dave Bridgen Southern Police Substation in South San José, which will be occupied by a Southern Patrol Unit.

Retention

Rebuilding public safety staffing also requires focusing on staff retention. Mid-career turnover is extremely costly for the City, as dedicated employees with deep institutional knowledge walk out the door, necessitating new spending on recruitment and training. The City's and POA's recent successful contract negotiations will keep SJPD officer pay competitive with other Bay Area departments over the next three years. Beyond pay, we can improve morale by empowering officers to focus on the work they were hired and trained to do, namely addressing serious crime.

The City Manager is directed to identify types of 911 calls that might be assigned to capable public safety or health personnel, including in partnership with the County or other service providers, evaluate potential staffing and cost implications, and initiate preliminary conversations with the Police Officers' Association (POA). Recently, the City of Los Angeles kicked off a collaborative process between city leaders and the police union to identify types of 911 calls for service that are promising candidates for diversion to alternative response resources, such as non-sworn officers and social workers. Locally, we've seen success with the Psychiatric Emergency Response Team (PERT) that pairs an SJPD officer with a licensed mental health clinician provided by the County. We should build on this innovative model by exploring other types of calls that may be suitable for an alternative response model, especially calls involving mental health crises, homelessness and youth.

The City Manager is directed to explore additional strategies to supplement Police Department staffing levels, such as the use of rehired retirees as previously negotiated with the POA, and also to identify any legal and/or charter prohibitions to such rehires working more than 960 hours a year, and return through the City Manager's Proposed Budget with related recommendations.

Utilizing Technology

While we work to rebuild staffing levels through improved recruitment and retention, we should continue to invest in technology to give our Department more tools to keep our community safe. Automated License Plate Reader (ALPRs) have shown great success recently, however, the 76 ALPRs currently in use are funded on a one-time basis from an Urban Areas Security Initiative (UASI) grant. As this funding expires at the end of December 2023, the City Manager is directed to allocate sufficient funding to continue the use of these cameras on an ongoing basis.

The City Manager's Budget Request establishes the initial Police Equipment Replacement Sinking Fund at \$1 million on an ongoing basis to anticipate and save for future equipment needs, including the Department's mobile data computers (MDCs) and eventual replacement of AIR-3. While this a good start, we should look to increase this funding in future years given the high cost of equipment replacement. We also need to ensure capacity to engage in experimentation with new technologies to improve the efficiency and effectiveness of our lean staff. These pilots should be deeply informed by the frontline users to ensure that they are increasing our officers' capacity, not adding a new, unnecessary burden to an already difficult job. The City Manager should use one-time funding not to exceed \$250,000 to test, plan and implement technology applications in various units. Initial efforts could include transcription software to automate interview transcriptions. As new technology becomes available, this fund will provide the opportunity to test software performance before going through a full implementation. Of course, new technology adoption should comply with the City's technology use policies that protect privacy and ensure cybersecurity.

Crime Prevention

While responding to crime is a core responsibility of local government, we should also strive to prevent crime by investing in our youth and funding programs proven to reduce recidivism. To this end, the City Manager is directed to bring forward recommendations for using remaining previously allocated American Rescue Plan (ARP) funds to invest in programs proven to support at-risk youth, via City-sponsored programs such as the Clean Slate Program, the Safe Schools Initiative, intra-agency partnerships like Trauma to Triumph, and the Bringing Everyone's Strengths Together (B.E.S.T.) grant program, which provides funding to qualified organizations that enhance and broaden the City's ability to prevent youth violence. Participation in B.E.S.T. has been associated with reductions in juvenile recidivism. After enrolling in a B.E.S.T. program, youth were 82% less likely to be referred to Santa Clara County Probation Department (SCCPD) for an alleged delinquent offense and 87% less likely to be charged with a delinquent offense after enrolling in a B.E.S.T. program.

Additionally, as noted by the Reimagining Public Safety (RIPS) Task Force, we should proactively explore ways of engaging the community in crime prevention and violence reduction solutions. The Racial Equity Action Leadership (REAL) Coalition has proposed a community-based pilot program in conjunction with Next Door Solutions to address these issues. The proposed strategy aims to centralize resources and volunteers that can provide meaningful interventions that support survivors of domestic violence and traumatic events. To further this endeavor, the City Manager is directed to allocate one-time funding toward the exploration of additional community-based violence solutions.

The City Manager is further directed to explore, in collaboration with the County, programmatic opportunities for recidivism intervention for high-risk populations such as those exiting jails, prisons, and hospitals who all too often end up as repeat offenders and members of our unhoused community. The goal of any related program should be to help people successfully and productively reintegrate into society.

Traffic Safety

In 2022, 65 people died in traffic collisions – surpassing our homicide rate. The previous high mark was 60 traffic deaths in 1997. Based on the disproportionate representation of pedestrians within this figure, the City Manager is directed to explore accelerating the development of the Pedestrian Safety Program, Safe Routes to School and the deployment of quick-build solutions aligned with our Vision Zero plan.

Accountability reporting is an essential piece of the work the Department of Transportation does to understand which tactics are having the greatest impact on the preservation of human life. The City Manager is directed to evaluate the impact of hiring or designating a staff member responsible for assessing programmatic success of Vision Zero programs to determine future investments and better inform grant proposals and community engagement initiatives. This role would accelerate our grant acquisition process, which has proven successful – bringing in over \$60 million just last year.

Councilmembers are also encouraged to consider using their budget document requests for the allocation of the Essential Services Reserve to recommend the interventions that will best improve traffic safety in the neighborhoods they represent. No one knows their district better than the people elected to represent it and in the past we have seen a number of successful neighborhood street-scaled traffic safety projects prioritized and funded through Councilmembers' advocacy in this process.

Ghost Guns

Between 2015 and 2021, the number of ghost guns recovered at crime scenes increased by over 70% in our county. Last year, the Council took an important step by unanimously approving a ban on these privately manufactured, unserialized and untraceable weapons. The Police Department recently instituted a Gun Offender Suppression Team (GOST) unit to address the increase in ghost guns and gun related crimes. This unit should increase the capacity of the firearms unit working on managing the large volume of firearms cases and ghost guns handled by the Department. The City Manager is directed to report on the effectiveness of this unit at a future meeting of the Public Safety, Finance and Strategic Support Committee (PSFSS) as part of the Bi-Monthly Police Department Operations and Performance Status Report.

B. Reducing Unsheltered Homelessness

Each night, nearly 5,000 neighbors sleep on our streets, along our creeks, and in vehicles. Last year, 246 of these individuals died outdoors. Many of these deaths were likely preventable with access to basic housing and supportive services. We face a vast humanitarian – as well as ecological and fiscal – crisis that requires even greater focus, investment and experimentation.

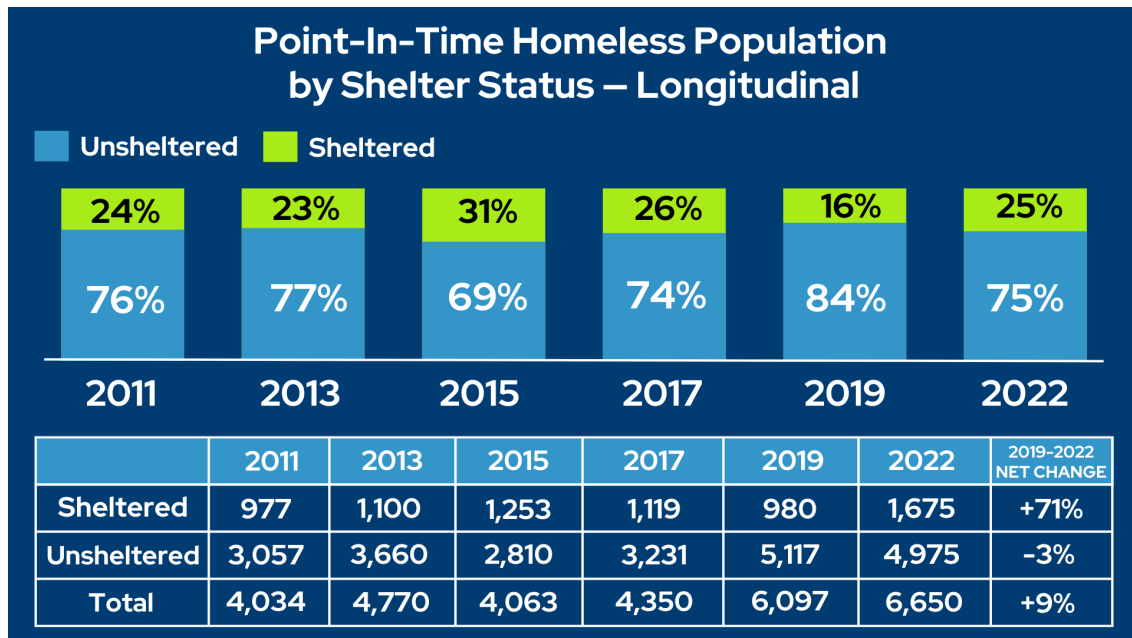
Fundamentally, everyone should have access to safe, secure housing and everyone should be expected to live indoors. To date, despite tremendous effort at the local level, we've struggled to achieve this basic goal. A combination of low housing production across the state, inadequate funding for affordable housing, a dearth of federal Section 8 vouchers, and historical disinvestment in our mental health care system have all contributed to the crisis we see on our streets every day.

San José remains committed to funding and supporting the construction of affordable housing, including permanent supportive housing. As such, the City Manager is directed to follow through on the City's funding commitments related to all Council-approved affordable housing projects currently in the pipeline and to continue seeking opportunities to support new affordable housing projects with land, financing, or both.

However, we cannot ignore the crisis in front of us and need to take advantage of all available funding resources to allow the sufficient focus and execution of strategies that can rapidly reduce the number of people living in unsheltered and unmanaged conditions in San José. This component of our homelessness crisis entails the greatest human suffering and highest public costs, and demands urgent action. Accordingly, the City Manager is directed to explore the use of uncommitted Measure E resources for reallocation to homeless prevention, support and management investments as part of the overall strategy to fund the priorities described in this message.

Scaling Interim Solutions

We know that unsheltered homelessness can be resolved even in a city with a high cost of living, limited housing supply and high levels of homelessness. Numerous cities around the world, from New York to Dublin, have low single-digit unsheltered homelessness rates despite having similar or higher overall rates of homelessness. San José's unsheltered homelessness rate, in comparison, currently stands at 75%, slightly down from 84% in 2019. While multiple factors may have contributed to this modest reduction, it coincides with the City's significant investment in nearly 500 new bridge housing units, emergency interim housing units, and other types of transitional placements from 2020-2022.



We can most quickly continue to bring down the number of people living in encampments and other unsheltered conditions by expanding our emergency interim housing (EIH) sites that take less than one year to build at approximately one-fifth the cost of traditional affordable housing.

Thanks to Mayor Sam Liccardo’s leadership, the FY 2022-2023 budget included significant resources for construction and operations to help us scale EIH development. The talented, cross-departmental team charged with delivering multiple EIH communities is currently only budgeted on a time-limited basis and needs additional resources to facilitate faster processing of EIH siting and construction. The City Manager is directed to identify expanded staffing and other resources needed, including staffing resources in the Public Works Department, to deliver at least 500 new EIH units by the end of this calendar year to meet our collective goal of operating 1,000 interim units citywide.

In parallel with delivering the 1,000 units already sited, we should begin identifying sites for the next 1,000 units. Considering the challenges and delays associated with securing and developing publicly-owned sites outside of the City’s control, the City Manager is directed to allocate a sufficient amount of one-time funding to enhance staffing efforts to identify and lease or acquire privately-owned properties that can convert quickly to EIH. The City Manager should also explore strategies that would expand her authority to approve and advance sites expeditiously in coordination with Council offices – including appropriate community engagement.

Beyond interim housing, we should test other low-barrier, low-cost solutions that will enable us to move people out of unmanaged encampments and into safe, managed spaces with basic sanitation and security. The City Manager is directed to identify strategies and recommend associated funding for securing and experimenting with such sites – including leasing

underutilized private land and revisiting publicly-owned land assessed for EIH communities – that can serve multiple purposes, from safe parking to safe sleeping spaces and shelter. We should learn from and iterate on our success establishing temporary evacuation facilities, when city staff came together in January to evacuate unhoused residents living along rising creeks and transitioned them into safe spaces at our existing EIH communities. As we expand emergency bed capacity, we should also coordinate with the County to develop a live, public-facing inventory of emergency beds, looking to Washoe County’s [shelter census dashboard](#) for inspiration.

Having dedicated executive leadership to manage and execute on these programs is imperative. The City Manager is directed to make permanent the Deputy City Manager role overseeing homelessness and quality of life issues to ensure sustained multi-year progress, with a focus on delivering EIH communities and rapidly deploying other alternatives to unmanaged encampments. As a prime example, the City should continue collaborating with the County to explore and secure external resources for a shared shelter and services delivery model, akin to the Haven for Hope community in San Antonio, which offers the full continuum of care onsite, from low-barrier shelter with basic services to interim and permanent housing with wrap-around services.

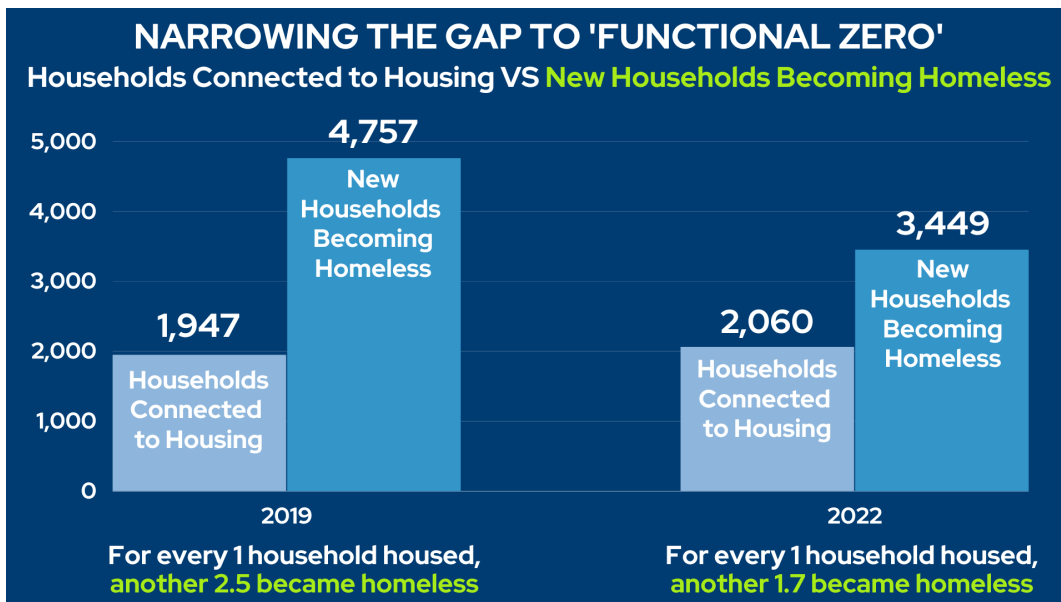
Across all of these strategies – from EIH to other low-barrier solutions, including safe parking sites – the City Manager should allocate sufficient resources and funding to create new capacity to move at least 1,000 people who are currently living in the most environmentally-destructive and unsafe encampments into safer alternatives by the end of the calendar year.

Preserving Our Progress

While we expand interim housing and other safe spaces, we should expect unhoused residents to accept alternatives to unmanaged encampments when offered, and keep public spaces clean and clear as encampments are decommissioned. The City Manager should develop a framework that identifies areas in the city where the impacts of encampments are most costly and create unsafe conditions for all residents and the environment. The City Manager is further directed to explore piloting a small team of trauma-informed specialists working in close concert with BeautifySJ and SJPD who can keep identified areas free of encampments while adhering to the City Attorney’s guidance relative to the standards set by the 9th Circuit Court’s *Martin v. Boise* decision. Depending upon the success of this pilot, the City Council may explore the creation of explicit no encampment zones, including in Downtown and key commercial districts, for public safety, environmental and/or economic reasons, along with the designation of other areas where unsheltered residents could be better accommodated.

Homelessness Prevention, Intervention, and Eviction Diversion

We also must not lose sight of the importance of prevention as the most cost-effective, successful and humane tool at our disposal. Thanks to tremendous partners like Destination:Home and Sacred Heart Community Service, since 2017 we've helped 12,367 individuals from 4,455 households countywide avoid homelessness and the associated trauma. Happily, 96% of these individuals remain stably housed. We've also started to make progress reducing the inflow of individuals into homelessness.



For years we have found that for every one person we housed, two to three more fell into homelessness, but we've finally started to turn a corner and the ratio has dipped below 1:2. On average, each household receives less than \$10,000 in rental assistance and services – a far cry from the more than \$65,000 per person per year estimated cost of managing unsheltered homelessness. The City Manager is directed to double the 2023-2024 Measure E set aside for Homelessness Prevention on a one-time basis.

Rental assistance and eviction diversion are core tenets of homelessness prevention. Residents continue to face eviction risk with the end of California's COVID-19 Rent Relief program. In 2022, the City implemented an Eviction Diversion and Settlement Program in response to growing eviction rates, connecting tenants to rent relief funds, education, and legal resources. The program has served over 300 individuals at risk of displacement since June 2022, financed up to this point by a mix of State Emergency Rental Assistance funds, grants, and Measure E dollars. The City Manager is directed to explore the use of one-time funding to continue rent stabilization and eviction diversion efforts in 2023-2024.

As referenced in the Community Safety section, we should also identify opportunities to expand intervention resources for unhoused residents who cycle through public systems such as jails, foster care and hospitals, only to end up back on the street. The City Manager is directed to work with the County's Office of Reentry Services, Office of Supportive Housing, Department of Family and Children's Services, and local health plans to explore partnerships and associated funding needs for a jail "in reach" intervention program that would focus on helping incarcerated unhoused residents navigate from custody straight to a home, increase housing support for unhoused residents recovering from hospital stays, and opportunities to support self-sufficiency and housing for former foster youth.

Mental Health Care

Today, 42% of our homeless neighbors self-report experiencing a psychiatric issue, 36% report experiencing PTSD, and 32% report substance abuse challenges. While primarily a State and County responsibility, we must ensure that our government is adequately addressing mental health needs if we are to significantly reduce the rate of unsheltered homelessness and broader community impacts.

In the 1960s, the United States had 337 psychiatric treatment beds available per 100,000 residents. Today, that number has plummeted to 12. Thankfully, we are beginning to see a reversal of this trend as the State of California and local jurisdictions focus greater attention and resources on the devastating lack of treatment options and the impact of untreated mental illness on our entire community.

Just last month, Santa Clara County broke ground on an Adolescent Psychiatric Facility and Behavioral Health Services Center with 35 beds for young people and 42 for adults. At the state level, following the passage of CARE Court last year, Senator Susan Eggman has authored new legislation modifying conservatorship laws to enable the judicial system to mandate in-patient care for gravely disabled individuals and requiring counties to publish an online dashboard displaying the real-time availability of beds in a range of psychiatric and substance abuse facilities.

We should do what we can on the local level to help propel this effort forward. The City Manager is directed to (a) initiate exploratory conversations with Santa Clara County related to opportunities to create and help facilitate a secure mental health facility in San José with support from the city, (b) explore the potential to reserve Measure E funding and identify potential philanthropic resources for the construction of such a facility and, (c) expedite permitting for in-patient treatment options.

Measuring Impact

As we accelerate the solutions outlined above, we must also accelerate measuring our impact to ensure they are working. Because of our limited resources, we need to be agile in our efforts, and move dollars around if we find what we are doing is not having the anticipated impact.

Currently, we rely on data gathered through a biannual Point in Time (PIT) count that measures the number of sheltered and unsheltered homeless residents in San José every other year. The City Manager is directed to identify and allocate the funding required to gather data on unsheltered homelessness more frequently without relying on a model that is as onerous and resource-intensive as the PIT count, and potentially embedding staffing resources in the County Homeless Management Information System (HMIS) with direct reporting to her office as an alternative to manual field counts.

As we increase the regularity of data capture, these metrics should be shared with the larger community. Increasing transparency not only displays the scope of the problem, but promotes accountability as we understand the impact of our programs. The City launched a Homelessness Program Dashboard in early March which includes information regarding funding, programs and outcomes related to homelessness in San José. The City Manager is directed to explore further improvements to this data collection and reporting tool to increase its usefulness.

C. Cleaning Up Our Neighborhoods

We all want to live in a beautiful city. Beyond aesthetics, the trash, graffiti, abandoned vehicles and blight littering our streets – particularly centered in low-income neighborhoods – reduces traffic safety and economic investment, while increasing crime and polluting our trails, parks, and waterways. It also weakens civic pride – which plays a significant role in boosting social capital, participation and trust in government.

The presence of existing litter is strongly predictive of littering behavior. Blight creates blight. If we don't do more to proactively clean up our streets, they will fall further into disarray.

BeautifySJ

Many of the programs outlined below will fall under the purview of BeautifySJ. To ensure our investments into BeautifySJ are sustained, the City Manager is directed to transition the one-time non-personal/equipment and contractual costs in the BeautifySJ program to ongoing expenditures to the extent feasible and explore associated vehicle procurement needs.

Clean Gateways

As we face a fiscally strained time ahead, we need to focus on a more deliberate allocation of our limited resources within the BeautifySJ program. The City Manager is directed to design and recommend a "Clean Gateways" approach that identifies the top blighted gateways (i.e. heavily trafficked intersections and corridors) citywide, and evaluates strategies for keeping them clean, along with required staffing and funding levels. In addition, the City Manager is directed to explore cost-sharing with Caltrans on physical deterrents along key city gateways that are consistently encamped and freeway signs that are repeatedly tagged.

Interagency Coordination

Like many of our city gateways, our BeautifySJ teams often field complaints from residents regarding blighted public properties that are outside our control. We're excited about the BeautifySJ interagency team's progress working with the County, Valley Water, Caltrans, and Union Pacific to establish maintenance agreements and reimbursement commitments to help clean up their blighted properties. The City Manager should accelerate these interagency partnerships and explore whether additional gap funding is needed to meet the need.

Encampment-related Blight

Our BeautifySJ team removed more than 3.2 million pounds of trash at encampments in 2021. While we work to reduce human suffering by moving people out of unmanaged encampments, we need to confront the blight, safety, and health concerns associated with the crisis and mitigate environmental impacts. Considering our waterways and creek trails bear significant damage from fires, inoperable vehicles, and waste, the City Manager is directed to pilot funding for two waterways teams to provide focused, weekly trash pickup at encampments along creeks. Additionally, the City Manager is directed to analyze and bring back cost estimates for enforcing the prohibition of private vehicles on city trails and in parks.

We also need to involve homeless residents in solutions and provide pathways to self-sufficiency. Successful programs like SJ Bridge provide job training and transitional employment for homeless neighbors working to beautify our city. The City Manager is directed to continue the SJ Bridge program in the next year and explore opportunities to increase the impact of the program, represented by the amount of trash removed and number of participants connected to living wage jobs. Cash for Trash has also proven effective in mitigating blight, reducing encampment footprints, and building rapport between unhoused residents and outreach teams. The City Manager is directed to return with cost estimates to increase Cash for Trash by

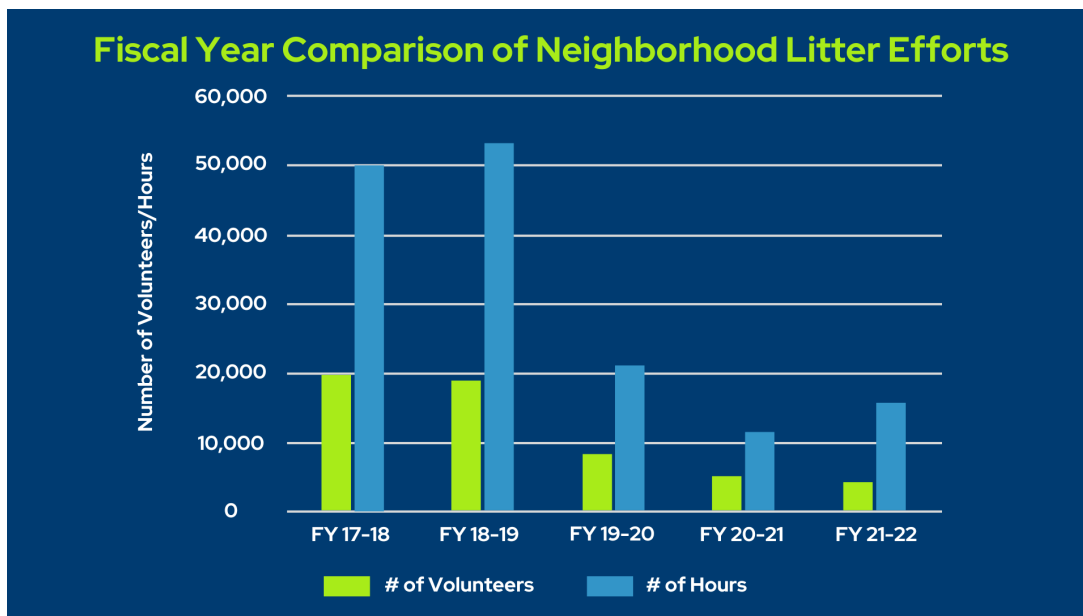
at least 200 participants while doubling the weekly limit of bags that participants can be compensated for.

Finally, our BeautifySJ teams provide weekly trash service to approximately 185-200 active encampments. To streamline garbage pickup, the City Manager should evaluate and return with a recommendation to expand the use of garbage cans or dumpsters at encampments and integrate these locations into the city’s garbage hauler’s routes.

Beautify SJ staff are often tasked with cleaning up hazardous waste. As we look to expand and support this program we must also be proactive about ensuring safe work conditions and protocols as well as providing sufficient health and mental health benefits.

Community Engagement

BeautifySJ cannot clean up the city alone – collective action is needed to solve a problem of this magnitude. In just four Inaugur-Action cleanups, hundreds of residents from across the city came together and removed over 6,000 pounds of trash. We need to build out this community engagement to pre-pandemic levels. Before 2020, nearly 20,000 residents volunteered on an annual basis – of which 5,000 volunteered monthly – to eradicate and report blight in their neighborhoods through the “Adopt a Block” program born out of the Strong Neighborhoods Initiative.



To inspire residents to once again become part of the solution to blight, the City Manager is directed to pilot on a one-time basis “Beautify Your Block” – a program modeled after “Adopt a

Block" – to train and support residents and local businesses in keeping their neighborhoods clean by regularly covering up graffiti, picking up litter, and reporting blight. The “Beautify Your Block” pilot program should be augmented with at least \$150,000 in BeautifySJ grants for neighborhood associations and businesses for tree planting, landscaping, murals, and other small scale beautification projects.

Several existing community groups and nonprofits (e.g. Keep Coyote Creek Beautiful, South Bay Clean Creeks Coalition, and TrashPunx) have long been leaders in engaging residents in beautification efforts. Previously we’ve been able to accelerate their progress by providing grants to perform targeted clean up of specific areas. The City Manager is directed to explore funding avenues to expand our community partnerships in high-need areas.

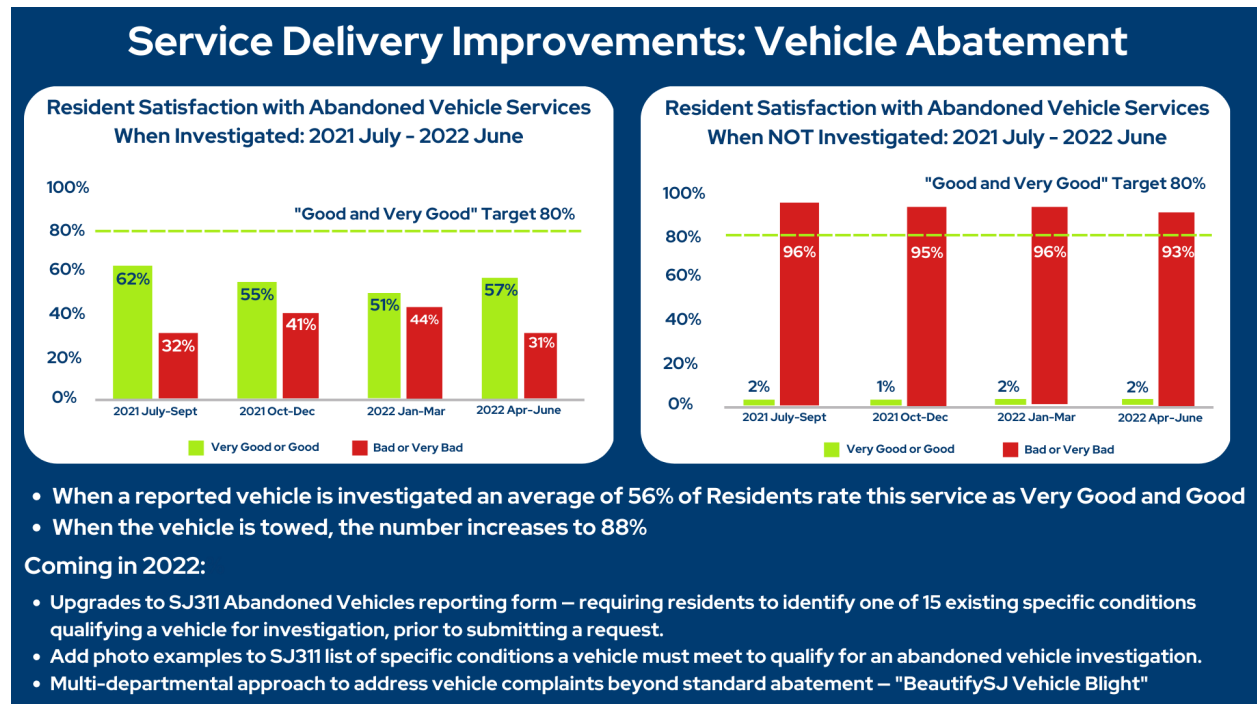
To help organize residents and fully leverage their capacity, we should invest in expanding San José’s 311 system. The 311 app experience, specifically, has steadily improved in recent years, and with additional investment, could become our greatest tool for activating and engaging with San José’s one million residents and tens of thousands of businesses. The City Manager is directed to recommend investments that increase the ease of use and effectiveness of our overall 311 system as a two-way communication platform for requesting and fulfilling basic city services, including improved language accessibility, warm handoffs to other departments and agencies, enhanced loop-closing (e.g. residents who request a service are sent a photo of completed work), and eventually, the ability to participate in volunteer opportunities.

Expanding Our Tree Canopy

Trees beautify our neighborhoods, improve our climate resiliency, clean our air, and reduce heat island effects. Last year, we allocated sufficient one-time and ongoing resources to plant 1,000 trees annually, but a recent audit revealed that we’re leaving dollars on the table collected through tree removal permit-in-lieu fees. To better leverage this nearly \$1.5 million, the City Manager is directed to explore whether additional staff or contracts with community partners will result in more trees in the ground by the end of this year, and – as previously directed by Council – focus tree planting efforts in districts with the lowest tree canopy.

Vehicle Abatement

Residents routinely express their frustration regarding abandoned or inoperable vehicles that litter their neighborhood streets and the City’s incomplete response.



The City Manager is directed to propose budget and program changes that will measurably improve the effectiveness of and resident satisfaction with vehicle blight complaints. Based on extensive “Reimagining Vehicle Abatement” human-centered design sessions last year, the City Manager should return to City Council by mid-May 2023 to review staff’s proposed direction and receive feedback. A Manager’s Budget Addendum (MBA) and/or future City Council Action shall address changes that enhance the City’s vehicle blight outcomes, including shifting funding and staffing to processes that produce desired performance and customer service standards, optimizing City processes and department coordination, and improving communication with service requestors. The City Manager is further directed to track the progress of this reinvigorated program and regularly report back to Council until performance significantly improves.

Furthermore, increased demand for parking calls into question the City’s ordinances and policies for the storage of boats, unhitched trailers, and other devices impacting mobility on local streets and bicycle lanes. These are not conventional vehicles like passenger cars, trucks, and RVs, which at least have the capability of being brought into compliance with existing parking regulations. The City Manager should explore new solutions for administering street parking capacity and allowing accelerated removal of boats, trailers, and similar vehicles or accessories impacting public rights-of-way, including the cost and staffing implications of this level of enforcement.

Blighted Properties

While the city has made great strides in addressing graffiti on property it controls, graffiti persists for far too long on many privately-owned properties and those of other public agencies. The City Manager is directed to work with Code Enforcement, BeautifySJ and the City Attorney's office to explore and propose strategies to ensure the rapid resolution of blighted private properties, including piloting a fee-for-service program in which private property owners can pay an annual fee and consent to allowing BeautifySJ to access their property and address graffiti in a timely fashion. For public lands not owned by the City, the City Manager is directed to accelerate efforts to establish memoranda of understanding with other public agencies such as VTA and Caltrans that would allow the City – in exchange for a fee or other cost-sharing agreement – to proactively address graffiti and other blight.

D. Attracting Investment in Jobs and Housing

To thrive in the years ahead, San José must continue to attract investment and economic activity. Whether we are concerned with our childrens' ability to afford the cost of housing, workers' access to good jobs and our regional economic competitiveness, or the City's ability to properly staff and deliver core services, our long-term health as a city depends upon a dynamic economy that creates jobs, builds housing and supports commerce. And we are certainly well-positioned to do just that. Between our wealth of diverse talent, culture of innovation, exceptional weather, and strategic location in the heart of Silicon Valley, San José's best years are surely still to come.

However, to maintain our competitive edge, grow our tax base, and create greater opportunity for all of our residents, we will need to make San José an easier place to do business, upgrade our infrastructure, and turn our Downtown into the true urban center of Silicon Valley.

Planning, Permitting and Development Services

Investment fuels our economic competitiveness and grows the tax base that funds all city services, yet chronic vacancies in PBCE and in other departments that support development services result in slow permit processing time, fragmented communication, and – worst of all for prospective investors – uncertainty. Currently, PBCE is grappling with a five-month backlog of approximately 500 building permits that are waiting for review. In order to reduce this backlog and improve outcomes for those trying to build housing and enable job growth in our city, we must overcome chronic staffing shortages in PBCE, improve customer service, and be a predictable partner in the development process.

Severe staffing shortages unfortunately place additional burdens on existing staff. This is certainly true in PBCE, where planners also often take on administrative tasks like grant

management and other compliance work. This constrains the ability of the Department and reduces the time planners have to do the work we hired them to do: plan for and enable the City's growth. The City Manager is directed to prepare an MBA evaluating the need for administrative support for PBCE, including grant managers, potentially with General Fund support. The MBA should, at a high level, attempt to quantify the time planners spend doing administrative work that could otherwise be spent on key policy objectives, including completing the Housing Element or other General Plan and land use planning. Further, the MBA should discuss the costs necessary to implement the highest priority policies and programs in the Housing Element.

Managers within PBCE drive progress on our most pressing and demanding planning and permitting objectives, however we've seen high turnover in these classifications due to competition from neighboring cities who can offer higher pay for lighter workloads. To address staffing shortages that result in unnecessarily slow approval processes, the City Manager is directed to explore creative ideas for new methods that enable the City to better recruit and retain mid-level planners and supervisors.

We must also tap opportunities to attract entry-level planners and leverage our educational institutions as bridges between graduates and careers. As such, the City Manager is directed to explore and evaluate the cost to establish a paid fellowship program with local post-secondary institutions such as San José State University (SJSU) to create a pipeline of part-time student employees who would be eligible for employment upon graduation.

As we work to improve recruitment and retention, we should also attempt to reduce workload per team member. Many of our planners spend significant hours supporting development projects through processes required by the California Environmental Quality Act (CEQA). The City Manager should prioritize the existing resources allocated for CEQA preclearance for "market ready" urban villages and explore ongoing funding opportunities for this work. A March 2022 Audit of the City's environmental review process also identified 12 recommendations that, when implemented, can help reduce the burden of CEQA compliance. The City Manager is directed to explore one-time funding to implement the recommendations that will have the biggest impact on streamlining CEQA work, especially for housing, and explore ways of recovering some of the cost of the CEQA work conducted by the city.

Providing excellent customer service should be a pillar of our PBCE Department, but without a single point of contact, clients often get stuck in what is a long and complicated permitting process. Currently, there are 16 active affordable housing projects moving slowly through the process – were these projects to receive approvals, we would have over 2,500 additional units ready to receive financing and commence construction for those in need. Every day that passes only increases the ultimate cost of building these units.

To provide better customer service, key project types need success managers to ensure that projects are facilitated through multiple city departments involved in development services. The City Manager is directed to explore launching a pilot program to dedicate project managers within PBCE with the responsibility of shepherding high-priority project types, such as affordable housing and tenant improvements, through the application process and serving as a single point of contact for applicants. The City Manager is further directed to explore upgrading our Planning and Building web portal with additional functionality that provides greater transparency into the approval process, average time of completion for various tasks, and application status. This consideration should include assessment of PBCE's technology needs and the staff resources required to deliver high-quality customer service.

Many of the recommendations outlined above will help facilitate faster construction of much needed affordable housing. Beyond making it easier to build affordable housing, we need to preserve our greatest existing stock of naturally-affordable housing: Mobile Home Parks. Residents of mobile homes are more likely to be lower income and older communities that have few other housing options. To protect these neighbors, the City Manager is directed to change the General Plan's land use designation for the remaining mobile home parks not yet redesignated from multifamily residential to "mobile home" park, and begin allocating the funding needed.

Downtown Vibrancy

We have an immense opportunity to make our city's center a destination for residents and visitors from around the world. Between Caltrain electrification, the expansion of BART to Silicon Valley, future plans for High-Speed Rail and an expansion of Diridon Station, San José will one day host the largest transit hub on the West Coast. More generally, San José is well-positioned to serve as the premier entertainment and cultural destination for Silicon Valley. We are also home to nearly half of Silicon Valley's workforce, which creates new opportunities as employees spend more time working from home and resist long commutes. A vibrant downtown can become a greater source of tax revenue that can fund higher staffing levels and quality service delivery across our entire city.

Currently, responsibility for a vibrant downtown is decentralized and spread amongst too many staff members and a wide variety of organizations. While the City is currently recruiting for two positions in the Office of Economic Development and Cultural Affairs (OEDCA) focused on downtown, one of these positions is temporary. The City Manager is directed to explore allocating ongoing funding to make this position permanent. This position should have the appropriate authority to manage and coordinate across all city departments, liaise with businesses, the community, other government agencies, and lead on downtown economic

development activities and policy development. This position would ideally be made permanent and be empowered to ensure consistent 365-day programming, expand Downtown marketing efforts, help coordinate responses to safety concerns, and otherwise facilitate a greater collective impact from the various downtown stakeholders. The position should be filled by someone with the experience and vision to take Downtown San José to the next level.

We should also make it easier to bring events to San José and uplift our arts and culture community. Today, hosting an event in Downtown entails permit fees and security requirements that are cost prohibitive for most nonprofit organizations. The City Manager is directed to explore and recommend methods of reducing these barriers, including experimenting with a permit-free pilot zone and relaxing the security requirements associated with smaller scale events. In order to encourage art-related events and programming, the City Manager is also directed to explore allocated limited gap bridge funding for the arts community as we bring visitors back to our urban core.

High-quality lighting is an integral component of successful events, activation, and public safety, yet high-traffic areas in Downtown often lack consistent lighting. The San José Downtown Association (SJDA) recently completed a comprehensive study of Downtown lighting needs, identifying over \$5 million worth of potential lighting investments that would make our urban center more welcoming and safe. The City Manager is directed to evaluate the SJDA report and issue a MBA identifying the cost of an initial phase of high-impact lighting investments for future budgetary consideration.

Like lighting, more eyes on the street help us create a sense of safety within our city. A major request of downtown stakeholders is to add more sworn police officers, SJDA ambassadors, and other private security employees to a downtown beat. To enhance Downtown safety, the City Manager is further directed to explore adding CSOs as a supplement to the downtown foot patrols.

We can also revitalize Downtown by reducing the number of vacant storefronts. Today, new businesses face numerous barriers to entry, including understanding the availability of space and any incentives for which they may qualify. The City Manager is directed to explore allocating staffing for citywide Business Recruitment to engage in active recruitment efforts with prospective businesses, reducing or eliminating fees for new entrants, and simplifying permit requirements for pop-ups to easily open in vacant spaces. The City Manager is further directed to explore establishing a partnership with San José State University and the SJDA whereby the City may subsidize the rent of storefronts for authorized uses by SJSU students, departments and organizations and for entrepreneurs interested in exploring the downtown market before committing to a long term lease. In a similar vein, the City Manager should also approach large anchor institutions in Downtown, including SJSU, Adobe and Sharks Sports & Entertainment to

explore the potential for creative partnerships around pop-ups, programming and public art that will contribute to vibrancy.

IV. Important Ongoing Work

While focusing on a few foundational issues will enable City Hall to make faster progress where we need it most, staff and the Council will continue to ensure that we deliver the wide range of city services upon which our residents depend. As outlined in the City Council Priority Setting process in February, the City’s service delivery is complex and vast, spanning six CSAs that comprise of 98 core services and 264 programs. Beyond day-to-day functions such as road paving and sewer operations there are several important initiatives we have committed to completing, from enhancing youth services and preventing wage theft to reducing carbon emissions and expanding broadband access.

CSA Urgent, Important, and Continuing Work			
Neighborhood Services	Public Safety	Community & Economic Development	Environment & Utility Services
<ul style="list-style-type: none"> • Animal Care & Services • Children & Youth Services Master Plan • Education, Digital Literacy, Digital Equity, & Broadband • Park Maintenance & Capital Improvements Maintenance • Senior & Therapeutic Services 	<ul style="list-style-type: none"> • Continuity of Operations Plan • Disaster Resiliency: Training Community & Employees • Police Redistricting • Police Reforms • Wildfire Protection Plan & Evacuation Planning 	<ul style="list-style-type: none"> • Berryessa Flea Market • COVID-19 Recovery • Google's Downtown West Development Project • Housing Catylist Workplan • Wage Theft Prevention + Responsible Contractor Ordinance 	<ul style="list-style-type: none"> • Clean Energy Scaling • Muni Regional Permit (Stormwater) • Sanitary & Storm Sewer Collection/ Green Stormwater Infrastructure • Staffing Transitions (ESD + PW) • Water Supply Negotiations

Over the years the City has taken on these initiatives for many reasons, including shifting community needs and societal changes, new state and federal mandates, and gaps in policy making at higher levels of government. The City Manager is directed to continue the workstreams included in the FY 2022-2023 Roadmap until completed or otherwise directed by Council. In addition, I highlight below and offer additional direction on a few critical workstreams that were discussed by staff, community members and my colleagues during the February 28th Priority Setting Session.

Equitable COVID-19 Pandemic Recovery

Since the City Council’s acceptance of the COVID-19 Recovery Task Force Report which includes 88 recommendations, staff has been establishing a framework for implementation,

including developing work plans for the 10 recommendations for which the Task Force allocated \$2 million in one-time ARP funding. While nearly half of the remaining 78 recommendations are already underway and are part of department work plans, the remaining recommendations require additional staff evaluation-to advance to the implementation phase. These recommendations would be considered during future annual budget cycles. Additionally, staff are actively seeking grant funding opportunities where applicable.

As recommended by the Task Force, staff is incorporating relevant recommendations into the City's Children and Youth Services Master Plan process currently underway. The Promotores Pilot program is also continuing through June 2023 to connect residents in the neighborhoods most impacted by the pandemic with existing programs and services and the City Manager should explore extending the program further using remaining ARP funding. A recovery resource outreach activity is being planned in conjunction with an upcoming Viva CalleSJ event. Lastly, staff is refining the impact metrics that each Task Force committee drafted to serve as high-level indicators for long-term recovery. The City Manager is directed to continue one-time resources for the staffing of the Task Force recommendations and impact reporting.

Children and Youth

While the City must focus its limited resources, we also need to strategically continue investments that have the greatest impact on our community's future: our youth. As part of last year's budget development process, the City Council allocated \$10.5 million of American Rescue Plan funding, to span a two-year period, for programing and policy work aimed at supporting positive outcomes for children and youth from underserved communities. The Administration estimates that approximately \$4 million remains from the originally programmed amount that is anticipated to be expended in 2023-2024. As part of the City's work in completing the Children and Youth Services Master Plan, the City Manager is directed to ensure strategic investment of this remaining funding, and bring forward limited supplemental investments or extensions that leverage the City's existing program-delivery, including allocating funding towards scholarships for PRNS-funded programs like recreation programming, preschool, and summer and family camps. The City Manager is further directed to report regularly to the Neighborhood Services and Education Committee on status updates to the Master Plan.

Infrastructure, Climate Mitigation, and Climate Adaptation

A great City has great infrastructure – the often-invisible networks of pipes, conduits, wires, roads, vehicles, and facilities that connect us and enable the daily utilities that make modern life possible. Every day this infrastructure quietly brings us water, electricity, broadband, and takes away our sewage, storm water, garbage, and recycling.

San José's infrastructure faces four simultaneous challenges: we must rehabilitate our existing aging infrastructure, grow our infrastructure for a growing population, mitigate and adapt to climate change and become more sustainable and resilient.

Ensuring we address and prepare for our future is critical; therefore, I am directing the City Manager to develop a Brilliant at the Basics Infrastructure Strategy to meet these four challenges head on. The City Manager is further directed to report to the Transportation and Environment Committee on the plan and return as part of the budget process with recommendations for a Brilliant at the Basics Infrastructure Strategy that addresses meeting our 2030 carbon mitigation goals, municipal regional permit requirements, water supply needs, and strategies to pursue federal and state funding for aligned programs.

Additionally, the burden of maintenance of sidewalks and street trees currently falls on adjacent private property owners. This places a tremendous hardship on low-income and fixed-income families already struggling to remain in our community. While shifting the responsibility of maintenance to the City is not immediately feasible, the City Manager is directed to prepare an MBA outlining the cost to the City of assuming the responsibility for maintenance of sidewalks and street trees, as well as potential ways to mitigate that financial impact to the City. This should include an exploration of whether it would be possible to shift the costs over time (for instance, instituting a "cost-share" mechanism that gradually increases, with the goal of the City taking on 100% of the cost in the long run).

V. Operational Values

When it comes to delivering results for our residents, *how* we execute can be as important as *what* we choose to execute. As outlined in her presentation for the February 28th Priority Setting Session, our City Manager has identified a set of five foundational operating principles to guide City Hall's execution. Adhering to these core principles helps us attract and retain talented employees who are aligned in delivering impact for all of our residents, embracing experimentation and continuous learning, and ensuring the City's long-term fiscal health. I will briefly highlight a few recommended investments aligned with the City Manager's five core operating principles.

Making San José a Great Place to Work - Recruitment, Hiring, and Retention

As noted above and comprehensively described in the *Strategies for Recruitment, Hiring, and Retention* memorandum approved by the Public Safety, Finance, and Strategic Support Committee at their meeting on February 23, 2023, the City has engaged in a wide range of strategies and approaches to address the increasingly tight labor market and to meet the demand for services provided by City employees. These actions include the implementation of an agile

hiring strategy and quarterly goal-setting, removal of barriers that slow the hiring process, and hiring referral bonuses. Budget actions approved by City Councils in 2021-2022 and 2022-2023 have supplemented these process improvements by adding nearly a dozen positions (temporary and permanent) focused on recruitment, pipeline development, classification evaluation (including degree requirements), and compensation studies. We need to continue this momentum to improve the City's hiring ability. The City Manager is directed to bring forward budgetary recommendations to continue the acceleration of recruitment and retention work – with the goal of driving down the City's vacancy rate – including the further development of relationships with educational institutions and evaluation of recruitment capacity within departments.

Delivering Excellent Customer Service

Our City Manager has made customer service one of her top priorities, and in the recent past recommended key investments and initiatives for our employees to better serve our community – initiatives that have laid the groundwork for further investments to take hold. I couldn't agree more: in order to improve delivery on core services, we must fundamentally reevaluate how we view and practice customer service. Too often residents are frustrated by a complex bureaucracy that can send them to unattended voicemail systems or leave them without a response to their email. A Customer Service Vision and Standards report was approved by the City Council on Tuesday, March 7, 2023 with recommendations for a multi-year customer service transformation – guided by a performance management framework – to make positive cultural change, re-engineer our processes, and implement new customer relationship management (CRM) technologies to improve customer satisfaction. The City Manager is directed to continue her efforts and include funding for the first year of this transformation in her City Manager's Proposed Budget.

Driving Organizational Performance

You can't change what you can't measure. In order to move the needle on our biggest challenges, from homelessness to crime, we need to be able to quickly see which strategies and investments are having the greatest impact. Any resident should be able to visit the City's website and view our top areas of focus, how we measure success within each focus area, and which programs and policies the Council has funded to achieve progress. Moreover, core service-level performance tracking should provide regular feedback and opportunities for adjustment throughout the year, not just during the budget process. The City Manager is directed to use the four Focus Areas to experiment with a more robust performance management system that enables both the public and the Council to understand on a regular basis how current outcomes compare with our stated goals and evaluate the performance of major services and programs funded to achieve our goals. Further, as part of the Management Pay for Performance evaluation process, all Council Appointees and their Senior Staff performance appraisals should

ensure that performance pay is aligned specifically to the achievement of the outcomes and performance measures for the four Focus Areas, among the success of other priority core service areas. As a starting point, the City Manager is directed to issue an Informational Memorandum in fall 2023 with a status update of the framework she intends to use to implement this direction so that Council Appointees as well the Mayor and Council can consider following a similar framework.

Closing Racial Inequities

Two years ago our city took a major step forward in addressing the historical inequalities that have impacted our City by establishing the Office of Racial Equity charged with creating a San José where (a) race can no longer be used to predict life outcomes, and everyone can prosper and thrive, and (b) people from all racial groups and identities feel that they matter and belong.

Since then, we've made significant progress in developing a shared language and framework for discussing racial equity, mandated the inclusion of budgeting for equity worksheets with departmental budget submissions, and formalized training for city employees on vital equity topics like implicit bias. We still have a long way to go to ensure we are a city where race is not predictive of wealth, health, education, and quality of life outcomes. We know that not all communities have equitable access to the resources and services established to create opportunity. To ensure we continue to make progress toward a more just and equitable future, the City Auditor is directed to prepare and publish an Information Memo that explores the scope and costs associated with conducting an audit of access to and use of our most critical city services in traditionally marginalized communities, including recommendations for improving the value the City is delivering to residents who most need these services.

It is also worth noting that each of our districts and the diverse racial and ethnic communities that call them home have unique needs and goals that are difficult to properly reflect in the March Budget Message, which aims to set out high-level goals and principles. I look forward to listening to each Council Office through the Budget Document process leading up to the June Budget Message to identify and invest in the greatest opportunities in specific districts, including unique and important cultural facilities, such as the Vietnamese Heritage Garden and the Mexican Heritage Plaza.

Structurally Balancing the Budget

San José has a long-established reputation for fiscal responsibility, a practice we must continue given the uncertain economic times in front of us. As stated in the beginning of this message, focus is needed to align our limited resources with the community's most critical needs. While relying on one-time resources to stand up new or enhance existing services during the pandemic was necessary, we do not have the resources to continue all of these one-time funded programs

on an ongoing basis. Further, there are other, pre-existing service demands that are currently going unfilled.

Our job, as difficult as it might be, is to ensure long-term alignment of ongoing revenues and expenditures in the General Fund. The City Manager is directed, as she incorporates the direction within this message into her 2023-2024 Proposed Budget, to bring forward a balanced budget that brings the General Fund into closer long-term structural alignment, which may include reducing and reprioritizing funding for lower priority programs, that also positions the city to weather the anticipated shortfall in future years, including the establishment of a 2024-2025 Future Deficit Reserve to address the projected shortfall in that year.

Prior One-Time Funded Items: The City Manager is directed to evaluate programs funded on a one-time basis in Fiscal Year 2022-2023 for continuation in Fiscal Year 2023-2024.

Essential Services Reserve: For the FY 2023-2024 budget cycle the City Manager is directed to set aside \$3,000,000 in the Essential Services Reserve. This reserve allows Councilmembers to request one-time funds for critical projects through Budget Documents.

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.

Cost Estimate Request and City Council Budget Document Guidelines: This March Budget Message includes definitions and guidelines for the Cost Estimate Request and Budget Document process to better ensure the delivery of meaningful budgetary information for City Council decision-making. These guidelines can be found in Appendix B.

CONCLUSION

We showed during the pandemic that San José is a city of limitless potential. The talent, diversity, and innovation within our city is unmatched. Now, it's time we focused this potential – and our modest resources – on our core responsibilities so all our residents can thrive.

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 Stephen Caines, the Mayor's Budget Director, at Stephen.Caines@sanjoseca.gov.

APPENDIX A

2023-2024 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. Balance ongoing expenditures with ongoing revenues to maximize service delivery within existing resources, to ensure no negative impact on future budgets, and to maintain the City’s high standards of fiscal integrity and financial management. As appropriate, establish a Future Deficit Reserve in the General Fund to cover any projected budgetary shortfall in the following year as a stopgap measure; and, maintain or increase the Budget Stabilization Reserve as a buffer against a further weakening of future economic conditions or unanticipated cost increases.
4. Evaluate program-level budgets and identify opportunities to shift resources or reconfigure operations from the least influential contributors to the strongest contributors of achieving City-wide and departmental priority service and/or risk mitigation objectives.
5. Prioritize limited resources to address truly significant community or organizational risks, critical services funded on a one-time basis in 2022-2023 in the General Fund or American Rescue Plan Fund, 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, 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 ratepayers 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 a very small number of high-priority programs funded on a one-time basis in 2022-2023 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.

APPENDIX B

Cost Estimate Request and City Council Budget Document Guideline

Cost Estimate Request: A request by a Councilmember seeking the cost of a new project or program to be performed by the City. The request from the Councilmember should include a clear description of the work to be performed and the anticipated outcomes that identifies how the change would affect services for San José residents, businesses, community groups, etc. *Each Councilmember should submit no more than five Cost Estimate Requests.*

The request must have a modest scope so that a reliable cost estimate response can be quickly and accurately completed. The anticipated scope should be a small-scale project that the City has delivered in the past, or an extension of a service that already exists that would only require modest staffing additions on a one-time basis. Recent examples include the installation of targeted neighborhood traffic calming improvements, a radar speed display sign along a neighborhood street, play equipment replacement in a neighborhood park, and additional street tree plantings within a Council District. Requests that involve complex service delivery and/or large ongoing staffing resources for new programs (e.g., at-home STEM educational programs for children in Title I schools supplemented with free Wi-Fi hotspots), or large capital construction projects that require extensive design (e.g. new streetlight infrastructure, highway overpasses, etc.) are not appropriate for this process.

The request should identify the anticipated funding source to pay for the program (though City staff may suggest alternative funding sources in its response) and indicate if the project/program is a one-time or ongoing effort.

Cost Estimate Response: A response by City staff to the Councilmember's request that clearly identifies the one-time and ongoing costs, as appropriate, and any additional full-time equivalent positions that would be needed. Explanatory notes are provided only if necessary to clarify what is included in the cost estimate response.

Budget Documents: Memoranda issued by a Councilmember to the Mayor recommending adjustments to the City Manager's Proposed Budget. Typically, Budget Documents are based on the information received in a Cost Estimate Request and Response, but they may also recommend targeted funding for community groups whose programs or actions serve the public interest, but would not be performed by City staff. *All Budget Documents that recommend a City-provided service or project must be based on a Cost Estimate Response.*

As the Proposed Budget is fully balanced, Budget Documents must also identify the offsetting actions to pay for the recommended adjustment, such as the Essential Services Reserve. For example, if a Budget Document seeks to fund a \$50,000 project, then a typical offset would be a \$50,000 reduction to the Essential Services Reserve. It is important to note that the Essential Services Reserve is not an ongoing funding source. To pay for any ongoing costs, and to align within City of San José Budget Principles, the Budget Document would also need to identify an ongoing service in the Proposed Budget to defund.

Submittal Dates:

- Monday, April 24 - Councilmembers may begin to submit Cost Estimate Requests to the City Manager's Budget Office
- Wednesday, May 10 - Deadline for Councilmembers to submit Cost Estimate Requests to the City Manager's Budget Office
- Friday, May 19 - Cost Estimate Responses returned to Councilmembers
- Thursday, May 25 - Budget Documents due to Mayor's Office