



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

**SUBJECT: GENERAL FUND REDUCTION
PROPOSALS FOR TRADE-OFF
CONSIDERATION**

DATE: May 25, 2023

BACKGROUND

City Council's approval of the Mayor's March Budget Message for Fiscal Year 2023-2024 also included the approval of several City Council memoranda that directed the Administration to issue Manager's Budget Addenda (MBA) that describe the cost, funding approach, or implementation strategy for over two dozen initiatives. These City Council-identified initiatives represent important work efforts that would benefit our community. However, due to the City's constrained General Fund resources, many of these initiatives could not be included in the 2023-2024 Proposed Budget, or were included but at lower than desired funding levels.

While the 2023-2024 Proposed Budget represents the Administration's recommended approach to respond to the City Council's overall direction to meet the community's needs and address organizational risk within the context of the General Fund's limited budgetary capacity, the City Council may choose to prioritize other initiatives instead of those included in the Proposed Budget. As the budget development process involves the consideration of tradeoffs, should the City Council choose to fund an initiative described in an MBA that is not included in the Proposed Budget, or fund an initiative from a forthcoming Council Budget Document, the City Council will need to identify cost reductions in the General Fund to offset any cost increases.

ANALYSIS

Attachment A to this MBA outlines potential reductions in the General Fund of \$5.8 million, of which \$4.9 million are ongoing reductions, that could be enacted to offset increased expenditures should the City Council seek to increase spending and/or services above the levels included in the 2023-2024 Proposed Budget. Though the identified actions are not recommended, they are implementable alternatives for City Council consideration.

This list was generated in discussion with various City departments to determine potential service and cost reductions that would generate General Fund savings, but not substantially impact the services recommended for enhancement or expansion in the March Budget Message or the accompanying City Council memoranda. Considerations for inclusion of the potential actions in

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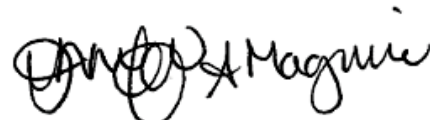
Attachment A was informed by an analysis of a number of factors, including, but not limited to, the extent to which a program is mandated, the community's reliance on the City to provide the service, the impact of the program on racial equity, changes in demand for the service, and cost recovery of the program.

Since the goal of assembling these potential reductions are to serve as offsets for potential enhancements of City Council-identified services, it would not have been appropriate to recommend reductions within the same service areas that the City Council has requested for enhancement. However, it is important to note that, should General Fund budgetary conditions substantially worsen in the future, a broader review of all City expenditures would be conducted to resolve a potential General Fund shortfall.

Should the City Council choose to include one or more of the reduction actions to pay for the expansion of other services, I want to emphasize that, given current vacancies, employees will not be laid off and would still have a job with the City. If there are any impacted employees, the Human Resources Department will notify them with sufficient time for the employee to relocate to a vacant position.

COORDINATION

The content of this memorandum was coordinated with the various City Departments.



JENNIFER A. MAGUIRE
City Manager

For questions, please contact Jim Shannon, Budget Director, at Jim.Shannon@sanjoseca.gov.

Attachment A – Reduction Proposals for Trade-Off Consideration

REDUCTION PROPOSALS FOR TRADE-OFF CONSIDERATION

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Office of the City Attorney	<p>Attorney Staffing</p> <p>This action would eliminate 1.0 vacant Senior Deputy City Attorney position that is funded 80% by the General Fund and 20% by the Water Utility Fund. The elimination of this transactional attorney position would result in reduced legal support for City Departments, slower response times related to Departmental legal issues, and overall increased risk exposure to the City.</p>	(1.00)	(297,000)	(297,000)
Office of the City Auditor	<p>Auditor Staffing</p> <p>This action would eliminate 1.0 filled Program Performance Auditor position and would result in fewer audits being completed per year and fewer recommendations to improve City operations and services.</p>	(1.00)	(142,000)	(142,000)
Office of the City Clerk	<p>City Clerk Staffing</p> <p>This action would eliminate 1.0 filled Analyst position that provides human resources, fiscal, and budget support to the Mayor and Council Offices. This action would result in delays in fingerprinting all new Mayor and Council hires, and less assistance with Clerk Office duties such as petition signature verification and counts.</p>	(1.00)	(155,000)	(155,000)

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Office of the City Manager	<p>Customer Service Vision and Standards Project Staffing</p> <p>This one-time reduction of \$200,000 to the Customer Service Vision and Standards project would result in the six-month reduction in the duration of the 1.0 Senior Executive Analyst and 1.0 Executive Analyst (EA) currently anticipated to support this project. The reduced staffing levels would result in a 12-18 month work plan delay, which in turn impacts the project implementation timeline (originally estimated to take three years). During this timeframe, the Senior Executive Analyst would have overseen process and procedure workflow documentation on behalf of departments; provide strategic support with process re-engineering; and lead community education efforts related to the project, including engaging with neighborhood associations to educate residents and businesses on accessing City services. The Executive Analyst would have been expected to work on policy changes and training.</p>		(200,000)	0
Office of the City Manager	<p>Executive Leadership/City Management – Administrative Support Staffing</p> <p>This action would eliminate 1.0 filled Staff Specialist position that currently provides administrative support for two members of the City Manager's senior leadership team, and would erode the timeliness of organizing stakeholder meetings and policy development and implementation work, as the Executive Leadership would need to spend more time on general scheduling and administrative work within their portfolios. This reduction would also impact the timeliness and quality of coordination on City Council Committee agenda items, production of agendas, and general meeting support.</p>	(1.00)	(155,000)	(155,000)
Office of the City Manager	<p>City Outreach and Education Efforts</p> <p>This action would reduce \$53,000 of ongoing funding for the City-wide City Outreach and Education Efforts allocation overseen by the Communication Office. This 60% reduction would impact the Communications Office's ability to flexibly respond to emerging communication needs typically supported by temporary resources. Previous examples have included Fireworks related communications, SJ311 communications, and a hiring campaign.</p>		(53,000)	(53,000)

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Office of Economic Development and Cultural Affairs	<p>Foreign Trade Zone and Sister Cities Programs Staffing</p> <p>This action would eliminate 1.0 filled Senior Executive Analyst position that oversees the Foreign Trade Zone (FTZ) and Sister Cities programs and would result in the City losing the main point of contact for these programs. The FTZ Program is an approved site that is outside of U.S. Customs territory and considered to be in international commerce; companies using a FTZ are able to delay, reduce, or eliminate duties on foreign goods admitted in the FTZ and enjoy streamlined customs processing. This position assists San José companies interested in the FTZ designation for their facilities to obtain approval by the Foreign Trade Zones Board and assist companies to work with the U.S. Customs and Border Protection to activate the Zone to commerce operations. The Sister Cities program creates and strengthens partnerships between the City and other countries. This position hosts the delegates from other countries in the program. The position elimination would result in a portion of these duties being distributed to other staff within the Office of Economic Development and Cultural Affairs, thereby limiting the Office's ability to engage in other business development activities.</p>	(1.00)	(260,000)	(260,000)
Environmental Services	<p>Climate Smart and Carbon Neutrality Program</p> <p>This action would reduce the one-time non-personal/equipment funding for the Climate Smart and Carbon Neutrality Program by \$200,000, from \$400,000 to \$200,000. The program, which already has limited non-personal/equipment resources dedicated to the Council-adopted Climate Smart plan and Carbon Neutrality by 2030 goal, would need to reduce investments in these goals which would slow the anticipated rapid scaling and expanded scope of implementable solutions to climate change. Planned activities proposed for 2023-2024 include progress on the building electrification program, policy, and financing options development, building and transportation electrification workforce development, electric vehicle infrastructure reach code development for multi-family residents, and community outreach. The non-personal/equipment funding proposed for reduction is primarily for technical consultant services and Community Based Organization (CBO) partnerships to support the City in developing these programs. With reduced levels of funding, the implementation and development of programs will be slowed and will require staff to adjust projects to require less input and engagement with the community through CBOs and technical support services.</p>		(200,000)	0

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Finance	<p>Accounts Receivable Staffing</p> <p>This action would eliminate 1.0 vacant Investigator Collector position within Accounts Receivable, which would result in a decreased capacity to follow up to collect on delinquent City invoice revenue by sending out written notices, making phone calls, and performing related research and audits. The Investigator Collector staff also provide customer service support as overflow agents during peak periods. To mitigate the expected negative revenue impacts resulting from this action, the Finance Department would increase its use of third-party collection options and closely monitor the portfolio of delinquent accounts receivable across the remaining Investigator Collector staff.</p>	(1.00)	(135,000)	(135,000)
Fire	<p>Overtime (Fire Communications and Bureau of Administrative Services)</p> <p>This action would reduce overtime funding by \$150,000 within Fire Communications (\$100,000) and with the Bureau of Administrative Services (\$50,000). As the Department expects to fill a significant portion of the 14 vacant communications positions over the next fiscal year, the level of overtime funding can be potentially slightly reduced without public safety service impacts if the positions remain filled. Due to recent staffing realignments and process improvements within the Bureau of Administrative Services, a modest level of overtime reduction can be accommodated without significantly impacting the strategic support activities of the Fire Department. However, these reductions do increase pressure within the Fire Department's overall personal services overtime budget, which has been impacted in recent years by vacancy levels and active fire seasons.</p>		(150,000)	(150,000)
Fire	<p>Bureau of Emergency Medical Services and Training Staffing Realignment</p> <p>This action would eliminate 1.0 vacant Analyst position and add 0.50 Analyst part-time position in the Bureau of Emergency Medical Services and Training. This cost reduction would result in a reduced ability to timely analyze emergency medical services data and the management and tracking of Department-wide CPR certification status.</p>	(0.50)	(115,000)	(115,000)
Human Resources	<p>Learning and Development</p> <p>This action would reduce the Human Resources Department's ongoing non-personal/equipment funding by \$200,000 in the Learning and Development Program, from \$500,000 to \$300,000. This 40% reduction would reduce the City's ability to provide workforce development trainings and would result in the elimination of the Human Centered Design Learning Lab, the Innovation Academy, and Employee Experience Conversations.</p>		(200,000)	(200,000)

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Information Technology	<p>Information Technology Staffing</p> <p>This action would eliminate 1.0 vacant Enterprise Technology Manager position that is responsible for envisioning and developing the City's data, processes, systems, software, and hardware architecture to ensure City-wide solutions interface properly and evolve over time. The elimination of this position will result in a reduced ability to link new technologies to improve business processes, reduce risk, and improve cybersecurity resilience. This action would also delay the City's ability to develop an enterprise technology roadmap to identify process improvements, service integration and consolidation between departments to promote process efficiency, and customer satisfaction improvements.</p>	(1.00)	(240,000)	(240,000)
Library	<p>California Room at Dr. Martin Luther King, Jr. Library</p> <p>This action would eliminate 1.0 Librarian, 1.0 Library Clerk Full-Time, 0.5 Library Clerk Part-Time filled positions that currently provide public access to the physical collections at the California Room in the Dr. Martin Luther King, Jr. Library, as well as oversight of digitization and metadata processing to enhance online access to unique local historic materials. The California Room is a public local history collection, focusing on materials regarding California history with an emphasis on San José and Santa Clara Valley. This action would stop the Library from providing access to historic and current government documents, some of which may need to be relocated to public access, which would result in a need to maintain a retrieval process to ensure timely access to many materials. A retrieval model would eliminate discoverability and inherently limit access for patrons who already experience barriers to access caused by language, literacy-levels, and digital connectivity. In addition, this action would result in no further digitization of unique local print items and photos, hinder collection development and growth, reduce program efforts, and no additional functionality will be added to the online archive to support or enhance self-service.</p>	(2.50)	(325,000)	(325,000)
Office of the Mayor and Council Office	<p>Office of the Mayor and Council Office</p> <p>This action would reduce the Office of the Mayor's budget by \$140,000 and each City Council Office's budget by \$24,000 for a total of \$240,000 on an ongoing basis. This action would result in less funds available for community events, grants, and other office needs, including staffing.</p>		(380,000)	(380,000)

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Parks, Recreation and Neighborhood Services	<p>Fitness Center Program</p> <p>This action would eliminate 4.3 filled Recreation Leader part-time unbenefited, 2.0 vacant Recreation Program Specialist, and 1.0 Recreation Specialist filled positions that oversee the Fitness Center Program, which provides participants access to fitness centers, locker rooms at the Almaden, Seven Trees, Camden, Roosevelt, Bascom, and Mayfair community centers. This action would discontinue the Fitness Center Program and would result in current membership holders and drop-in participants to lose access to the facilities. The impact of these losses is as follows: 342 participants would lose their annual membership, 575 participants would lose their monthly memberships, and 4,407 drop-in passes would be unused.</p>	(7.30)	(562,000)	(562,000)
Parks, Recreation and Neighborhood Services	<p>Placemaking/Viva CalleSJ and Viva Parks</p> <p>This action would eliminate 2.0 Event Coordinator I/II (one filled and one vacant) and 1.5 filled Recreation Leader part-time unbenefited positions and an ongoing reduction of \$341,000 of non-personal/equipment funding that support the Viva CalleSJ and Viva Parks placemaking events. This would reduce the Viva CalleSJ events from three to two annually and Viva Park events from 100 to 50 annually.</p>	(3.50)	(720,000)	(720,000)
Police	<p>School Crossing Guard Program</p> <p>This action would eliminate 8.11 School Crossing Guard vacant part-time unbenefited positions at various intersections near schools, which reduces staffing at approximately 23 out of 120 intersections. Due to current vacancies or low pedestrian count, there are currently 23 intersections not staffed or closed; therefore, there are no immediate service level impacts of eliminating the vacant positions.</p>	(8.11)	(355,000)	(355,000)
Public Works	<p>Radio Replacements</p> <p>This action would reduce the Transfer to the Communications Construction and Conveyance Tax Fund from the General Fund by \$500,000 on a one-time basis, from \$3.0 million to \$2.5 million. This reduction would defer the replacement of approximately 55 radios currently scheduled for replacement to operate on the Silicon Valley Radio Communication System.</p>		(500,000)	0

Department	Proposal Title and Description	2023-2024 FTE	2023-2024 General Fund Amount	Ongoing General Fund Amount
Public Works	<p>General Vehicle Replacements</p> <p>This action would reduce the ongoing Transfer to the Vehicle Maintenance and Operations Fund from the General Fund by \$250,000, from \$2.0 million to \$1.75 million, for general vehicle replacements. Included in the 2023-2024 Proposed Operating Budget is a one-time increase to the transfer of \$4.0 million to address the backlog of vehicle replacements. With this action, the 2023-2024 allocation would be reduced from \$6.0 million to \$5.75 million and from \$2.0 million to \$1.75 million on an ongoing basis. The current backlog for general fleet replacement is estimated at \$12.5 million. While the one-time infusion of \$4.0 million helps reduce this backlog by nearly a third, the ongoing reduction would result in an increase to the backlog by \$250,000 annually.</p>		(250,000)	(250,000)
Public Works	<p>Unanticipated/Emergency Maintenance</p> <p>This action would reduce the Unanticipated/Emergency Maintenance allocation by \$250,000, from \$1.25 million to \$1.0 million, thereby reducing capacity to address unanticipated or emergency maintenance and repairs to City facilities. With a backlog of deferred maintenance needs of over \$245 million for City buildings (according to the Deferred Maintenance and Infrastructure Backlog report presented to the Transportation and Environment Committee at their meeting on March 23, 2022) the need for urgent repairs is anticipated to grow in future years.</p>		(250,000)	(250,000)
Transportation	<p>Traffic Signals and System Staffing</p> <p>This action would eliminate 1.0 filled Transportation Specialist position in the Traffic Management Center. This position helps address resident signal operations concerns (an average of 600 received annually) and manage traffic for evening and weekend planned events and celebrations (average 150 annually). This position also assists with proactive signal retiming efforts and the development of grant-funding applications. This action would result in an increase in the average processing time for resident concerns from about two weeks to up to three weeks and an increase in delivery time for the team's existing and future signal retiming grant-funded projects and program-level retiming efforts by an average of two to three months.</p>	(1.00)	(153,000)	(153,000)
TOTAL		(29.91)	(5,797,000)	(4,897,000)