



Memorandum

TO: City Council

FROM: Mayor Chuck Reed

SUBJECT: SEE BELOW

DATE: January 31, 2008

Approved

Chuck Reed

Date

1/31/08

**SUBJECT: 2008 NEIGHBORHOOD PRIORITY SETTING PROCESS AND
COMMUNITY BUDGET SURVEY REPORT OUT**

RECOMMENDATION

- (a) Acceptance of report of the January 19, 2008 Neighborhood Association Priority Setting Session.
- (b) Acceptance of report of the telephone Community Budget Survey.

OUTCOME

To provide an overview of the results of the Neighborhood Association Priority Setting Session and the telephone Community Budget Survey, which will guide the discussion for the February 15, 2008 City Council Priority Setting Session.

BACKGROUND

Last year, the City Council approved several items related to the Reed Reforms, including those reforms that gave direction to "Change to a Community Based Budgeting Process." These reforms are:

- 29: Start the budget process with a survey of the public in early January.
- 30: Hold a Conference on Priorities with neighborhood associations in late January.
- 31: Have Council hearings in February on New Initiatives and Unfunded Programs (NIUPS) and have the Council specify their spending priorities.
- 32: Report the results of items 29-31 in the Mayor's March Budget Message.

This memo reports out on Reed Reforms numbers 29 and 30.

ANALYSIS

Neighborhood Priority Setting Session: The Neighborhood Priority Setting Session was held on January 19, 2008 at City Hall. The meeting provided an opportunity for neighborhood association leaders to learn more about budget challenges facing the City and options for addressing the structural deficit. The forum also allowed members to share ideas regarding service priorities. The meeting was attended by more than 120 participants. The following input was received from participants:

The five goals are (not in priority order)

1. Maintain our status as the safest big city in America
2. Eliminate the structural budget deficit
3. Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure
4. Increase economic vitality
5. Provide full funding for parks, pools, community centers and libraries, including maintenance, operation and development

Top Priority for New and Unfunded General Fund Initiative Programs (if funding were available)

1. Unmet/Deferred Infrastructure and Maintenance Needs
2. Police 5-Year Staffing Plan
3. Trees – Municipal Code Enforcement
4. GASB 43/45 (Retiree Healthcare)

Lowest Priority for New and Unfunded General Fund Initiative Programs (if funding were available)

1. Police and Fire/Federated Retiree Associations Request for Enhanced Benefits
2. MEF Request to In-Source Night Shift Custodial Services at City Hall
3. San Jose Brand Media Outreach Plan (Global Fluency)

Top Priority and Master Strategies for Dealing with the Structural Deficit

Top Revenue Strategies

1. Extend the Emergency Communication System Support Fee
2. Increase the Transient Occupancy Tax to Market and Shift to General Fund
3. Restructure Business Tax Rates to Modernize and Reflect Current Business Profits
4. Utilize Financing Strategies which have Positive Net Present Value
5. Ensure Current Fees Fully Cover All City Costs

Top Service Delivery Model Changes

1. Formalize and Implement a Rigorous Asset Management Program
2. Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible
3. Increase Use of Civilian Positions in Police and Fire
4. Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes

Top Expenditure Controls and Shifts

1. Reduce Workers' Compensation, Disability and Overtime Costs
2. Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs
3. Implement Sick Leave Payment Upon Retirement Program Modifications
4. Implement Health Care Plan Modifications

2008 Community Budget Survey: Attached are the results of the 2008 Community Budget Survey, conducted by Fairbank, Maslin, Maullin & Associates (FMMA) from January 7 to 13, 2008. This year's survey explored residents' perceptions of City services, their funding priorities, and their support for or opposition to strategies to increase revenue or cut the budget deficit.

SURVEY METHODOLOGY

This year, we expanded the telephone survey to 1,005 San José residents. Using a random-digit dial method, FMMA reached a random and representative sample of 503 San José residents. Last year, FMMA surveyed 450 residents by random-digit dial method. Given the interest in deficit-reduction strategies that may require action by the voters of San José, FMMA also surveyed a representative sample of 502 likely voters.

The survey was translated and conducted in Spanish and Vietnamese as well as English. The same questions were asked of each group of respondents. For tracking purposes, several questions were identical to those asked in 2007. The survey included questions exploring residents' rating of the quality of City services, residents' perception of the city budget, residents' priorities for increases or cuts in City spending, residents' attitudes toward budget-related policy issues, and a number of demographic questions that will allow analysis of survey results according to demographic and geographic subgroups.

The three documents attached report the results from the random sample and likely voters separately as well as a combined report of all 1,005 respondents.

SAN JOSÉ BUDGET

The survey results show an increasing awareness of the City's budget deficit: 53% of residents and 56% of voters believe the City will start its budget process with a deficit, compared with 35% of residents in 2007.

As with last year's survey, a majority of residents believe the City is spending the right amount of money on the key services areas that were the subject of the survey.

REVENUE GENERATION

Depending on the revenue strategy, increases may require a two-thirds or majority vote of the voters of San José. At this time, it appears that the majority of likely voters do not support fee or tax increases. (Note: similar results were seen in the responses of the random sample of San José residents.)

Voters were somewhat or strongly opposed to:

- Increasing the existing tax customers pay on utility bills, which is called the utility users tax, 74%
- Increasing the sales tax, 71%
- Creating new districts that would charge property owners for street landscape and new energy-efficient lighting services, 56%
- Establishing a new dedicated tax on each parcel of property in the city to support police, fire, and other critical services, 53%

Voters were somewhat or strongly supportive of:

- Increasing the existing hotel room tax, which is also called the transient occupancy tax, 62%
- Adjusting the tax on business licenses to generate new revenue, 60%
- Shifting funds from the real estate transfer tax from capital projects to operating and maintenance projects, 60%

CHANGES IN SERVICES

Respondents top recommendations for deficit solutions that would require changes in the way City provides services were:

- Selling underused city property, 83% strongly or somewhat support
- Increasing the leases for all buildings the City owns to market rate, 71%
- Lowering entry-level city salaries to market-rate, 69%
- Increasing the use of civilian positions in the Police and Fire Departments, 69%
- Reducing the size of pay increases for city employees, 62%

The only service change that a majority of respondents opposed was "changing and decreasing Police and Fire Department staffing requirements," which 59% somewhat or strongly opposed.

BUDGET CUTS

Few respondents deemed services cuts to be “completely acceptable.” The areas in which they were most willing to see service cuts were:

- Reducing staffing in the Mayor and City Council’s offices, 85% somewhat or completely acceptable
- Reducing funds for recruiting, training, and recognizing city employees, 72%
- Reducing staff in the offices of the City Attorney, City Auditor, City Clerk, City Manager or Independent Police Auditor, 74%
- Reducing the size of pay increases for city employees, 71%
- Reducing staffing at the Planning Department, 71%

Respondents were most opposed to cuts in the following services:

- Eliminating crime prevention programs in which the City works with neighborhoods, 74% somewhat or strongly oppose
- Closing bathrooms in neighborhood parks, 70%
- Reducing police staffing dedicated to solving property crimes, 68%
- Reducing the number of school crossing guards, 69%
- Reducing the number of officers doing traffic enforcement, 60%

C I T Y O F S A N J O S E

NEIGHBORHOOD ASSOCIATIONS' PRIORITY SETTING SESSION

20 January 2008 * City Hall Community Meeting Room

Marilyn Snider, Facilitator – Snider and Associates (510) 531-2904 or (916) 483-9802
Gail Tsuboi, Recorder – Tsuboi Design (925) 376-9151
Sarah Scott Davis, Recorder (510) 558-7384

MISSION STATEMENT

The City of San Jose provides quality public services, facilities and opportunities that create, sustain and enhance a safe, livable and vibrant community for its diverse residents, businesses and visitors.

CORE VALUES

not in priority order

The City of San Jose values ...

♦ INTEGRITY

Uphold the highest work ethic - Be open, honest and accountable - Demonstrate fiscal responsibility

♦ INNOVATION

Challenge boundaries - Make tough decisions - Build on successes and failures - Encourage creativity

♦ EXCELLENCE

Focus on all customers - Provide outstanding service - Support professional development - Promote continuous improvement

♦ COLLABORATION

Foster teamwork - Support partnerships - Promote cooperation and win-win solutions - Communicate openly and positively - Listen

♦ RESPECT

Treat everyone fairly - Honor diverse views and backgrounds - Empower people to do their best - Protect the environment

♦ CELEBRATION

Recognize accomplishments - Create an enjoyable workplace - Reward excellence - Balance family and work

THREE-YEAR GOALS

2007-2010 . not in priority order

- ◇ Maintain our status as the safest big city in America
- ◇ Eliminate the structural budget deficit
- ◇ Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure
- ◇ Increase economic vitality
- ◇ Provide full funding for parks, pools, community centers and libraries, including maintenance, operation and development

WHAT HAS THE CITY OF SAN JOSE ACCOMPLISHED/DONE IN THE PAST YEAR (2007) THAT YOU LIKED?

Brainstormed List of Perceptions

- Affordable housing for low-income families
- Final approval of the Park Ordinance update and continuation of the fee update
- Neighborhood groups working City-wide to improve San Jose
- Beginning discussion of removing state designation of The Alameda and placing trees and pillars in that area
- Winter Wonderland and the new cafe in Fairmount in park was beautiful in downtown San Jose
- Continued services for underrepresented groups in the City
- Partnership between code enforcement and churches supporting Beautiful Day
- Opening of the Hoffman Via Monte neighborhood center
- Getting 10-day notice and documents before Council meetings
- Discussion in District 6 on historic preservation
- Addressing the status of the Rose Garden and exploring public-private partnerships for ongoing maintenance
- Better communication in getting to City Hall and talking to Chuck Reed
- District 7 community forum and town hall meetings
- Council led City-wide traffic calming efforts
- Beginning of PBDI to keep downtown clean
- Providing safe necklaces to kids at Halloween by Council members
- Ongoing inclusionary housing study session
- Improved open government
- Continuing exploration of alternate transportation options such as bike paths
- Finalization of Evergreen plan language that prevents buildings larger than 20,000 square feet and supports current grocery stores
- More security at schools
- Ongoing Sunshine Task Force
- Level of participation of City people in neighborhood groups and NACs
- District 7 improvements and accomplishments, such as fixing potholes, street improvements, more retail, and improvements to Park
- New programs to support small businesses
- Jeffrey Fontana park renovation project
- Finish Guadalupe path all the way to Alviso
- SNI Goals and Objectives are inclusive of the City's long and short term plan
- Lights on Vine and Oak
- Increased number of condos built downtown
- Held a series of focus groups on traffic calming
- Chuck Reed being Mayor
- Emergency neighborhood training
- Improvements in public transportation
- Ongoing airport construction
- Consideration of outsourcing to compete with City services
- Improvements in public safety, especially for police and opening of a fire station
- Hotel and business growth in North San Jose to increase revenue
- Opening of beautiful Fowler Park
- Code enforcement improvement
- Chuck Reed came through with hiring more police
- Neighborhood improvements
- Reduced pace of Coyote Valley development
- Opening of Discovery Community Garden
- Graffiti program
- Commitment to end the gang violence
- Opened the Trader Joe's shopping center

- More police in the neighborhoods
- SNI representatives within the City; city providing SNI with tools
- Creation of the Neighborhood Commission
- New Community Parks
- Reconfiguration of Story Road with the development of Home Depot, including new traffic lights that are working well
- Citywide discussion on tree preservation & ordinances
- Approval of funding for the police substation in South San Jose
- Enforcement of blight reduction in all neighborhoods
- Diversity of citizens participating in all our commissions & task forces
- Well-coordinated response by multiple agencies regarding gang activity
- Revitalized the Citizen's Police Academy
- Developed a committee to look into gangs and youth services
- Started the San Jose One Stop – a partnership between the City, EDD and the State
- Allowing District 3 residents form a center for parks, schools, community centers and trails
- Funding approval for Fire Station #2
- All the improvements to the public libraries: all are great!
- Creating the NAG group
- Task forces for General Plan update and North San Jose implementation
- Master calendar
- Youth Sports Task Force
- Acknowledging the Police Auditor's Office
- Implementation of a Neighborhood Round Table by the Planning Department
- CAP grants for tree planting; opportunities for residents to organize tree plantings
- Great Police Department support in the East Side
- Partnerships with outside organizations to provide services, e.g. CommUniverCity
- Support for the San Jose Holiday Parade, enhances the City's reputation outside the City
- Oversight of those who plan to build things, ensuring they'll do what they promise
- Industrial land conversion policy control
- Mayor's green vision
- Funding of opening of Ryland pool
- Finding funds to do Biebrach pool
- Business district revitalization
- Continued focus on structural redevelopment
- The anti-graffiti Program recognized community volunteers
- Planning Department communications all projects to neighborhood associations
- Provided more money for more money for projects in neighborhoods in the SNI Top 10
- Keeping community centers open, especially Meadow Fair, District 8 and Alma
- Community centers in SNI areas kept open – really critical
- Approval of gateway signs for Evergreen/Valley Fair Shopping Center
- Modernization of our libraries, especially our Technology Center
- Memorial for police and fire in process
- A check of what all the parks need
- More safety on school streets due to metering lights and 25 mph
- South San Jose now a police training district; more officers present
- Inclusion of a dog park and restroom in Del Monte Park
- Council approval of funding and concept of the Three Creeks Trail
- Support of Planning and Building Dept. to ensure the integrity of historic areas
- Willingness of the mayor and city personnel to come together to assist a neighborhood association in trouble

NEW AND UNFUNDED GENERAL FUND INITIATIVE PROGRAMS

New and Unfunded Initiative/Program	One-Time Cost	Ongoing Cost	Straw Poll
Unmet/Deferred Infrastructure and Maintenance Needs	\$507,000,000	\$40,200,00	73
Police 5-Year Staffing Plan		119,000,000	55
GASB 43/45 (Retiree Healthcare)		21,600,000	29
Edenvale/Great Oaks Community Center	11,800,000		12
MEF Request to In-Source Night Shift Custodial Services at City Hall		1,200,000	11
Police and Fire/Federated Retiree Associations Requests for Enhanced Benefits		1,000,000	6
South San Jose Police Substation – Public Art	1,100,000		18
Mexican Heritage Corp. Request for Mexican Heritage Plaza Operating Subsidy Increase	300,000		16
Trees – Municipal Code Enforcement		250,000	35
San Jose Brand Media Outreach Plan	150,000		11

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Unmet/ Deferred Infrastructure and Maintenance Needs
 - Police 5-Year Staffing Plan
- Trees – Municipal Code Enforcement
 - GASB 43/45 (Retiree Healthcare)



TOP PRIORITY AND MASTER STRATEGIES

REVENUE STRATEGIES

Strategy	Potential Fiscal Impact	Implementation Considerations	Straw Poll
Extend the Emergency Communication System Support Fee	\$23.4	Council Approval	58
Utilize Financing Strategies which have Positive Net Present Value	\$1.7- \$6.1	Council Approval	32
Ensure Current Fees Fully Cover All City Costs	\$2.0- \$9.0	Council Approval	31
Restructure Business Tax Rates to Modernize and Reflect Current Business Profits	\$6.3 -\$15.0	Council / Voter Approval	38
Modernize Utility Users Tax and Consider Bringing the Rate into Alignment with other Large Cities having this Tax	\$7.9- \$39.6	Council / Voter Approval	23
Implement City-Wide Lighting and Landscape Districts or other Proposition 218 "Property-Related" fees	\$2.5- \$11.0	Council / Voter Approval	13
Levy Parcel Tax or Sales Tax for Public Safety or Other Services	\$14.0- \$38.0	Council / Voter Approval	17
Increase Transient Occupancy Tax to Market and Shift to General Fund	\$4.5- \$11.3	Council / Voter Approval / Coordination with Convention Center Plan	46

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Extend the Emergency Communication System Support Fee
- Increase Transient Occupancy Tax to Market and Shift to General Fund
- Restructure Business Tax Rates to Modernize and Reflect Current Business Profits
- Utilize Financing Strategies which have Positive Net Present Value
 - Ensure Current Fees Fully Cover All City Costs



SERVICE DELIVERY MODEL CHANGES

Strategy	Potential Fiscal Impact	Implementation Considerations	Straw Poll
Formalize and Implement a Rigorous Asset Management Program	\$3.3- \$5.0	Council Approval	60
Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible	\$2.2- (rev)	Council/ Agency Board Approval	50
Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes	\$8.0- \$13.3	Council Approval/ Competition Policy Revision	38
Increase Use of Civilian Positions in Police and Fire	\$0.5- \$1.5		47
Eliminate Binding Interest Arbitration	Future Cost Avoidance	Council / Voter Approval (City Charter Change)	24
Modify Minimum Fire Staffing Policies Where Appropriate Based on Fire Strategic Plan	TBD	Council Approval/ Meet & Confer	17
Implement an Employee Suggestion and Process Streamlining Program	\$0.0- \$1.0	Council Approval	30

TOP PRIORITIES SELECTED BY THE COMMUNITY

- Formalize and Implement a Rigorous Asset Management Program
- Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs
 - to Maximum Extent Possible
- Increase Use of Civilian Positions in Police and Fire
- Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes



EXPENDITURE CONTROLS AND SHIFTS

Strategy	Potential Fiscal Impact	Implementation Considerations	Straw Poll
Shift Healthy Neighborhood Venture Fund Funding to General Fund	\$5.0- \$9.0	Council Approval	16
Reduce Workers' Compensation, Disability and Overtime Costs	\$3.0- \$4.2	Some Steps May Be Subject to Meet & Confer	52
Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs	\$6.0- \$12.0	Council/ Voter Approval	47
<i>Reduce the Rate of Increase in Employee Salary and Benefit Costs</i>	\$6.6- \$10.0		Umbrella Statement; not voted on
Increase Time to Reach Maximum Compensation	\$1.9	Meet & Confer	24
Reduce Entry-Level Compensation for Positions for which the City Receives many Qualified Applicants	\$0.7- \$1.7	Meet & Confer	15
Implement Health Care Plan Modifications	\$1.2- \$4.6	Provider Contract Negotiations / Meet and Confer	32
Implement Sick Leave Payment Upon Retirement Program Modifications	\$1.8	Meet & Confer	36
Change Prevailing Wage Applications: Eliminate Service Contracts	\$1.2	Council Approval	28

TOP PRIORITIES SELECTED BY THE COMMUNITY

- o Reduce Workers' Compensation, Disability and Overtime Costs
- o Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs
- o Implement Sick Leave Payment Upon Retirement Program Modifications
 - o Implement Health Care Plan Modifications



NEXT STEPS/FOLLOW-UP PROCESS

WHEN	WHO	WHAT
By February 1, 2008	Mayor's office	Distribute to all participants the record of today's meeting.
February 15, 2008	City Council Mayor Management Team	Strategic Planning Retreat – to use input from today's Neighborhood Association Priority Setting Session

STRATEGIC PLANNING ELEMENTS

Marilyn Snider, Strategic Planning Facilitator * Snider and Associates (510) 531-2904

"SWOT" ANALYSIS

Assess the organization's:

- Internal Strengths - Internal Weaknesses
- External Opportunities - External Threats

MISSION/PURPOSE STATEMENT

States WHY the organization exists and WHOM it serves

VISION STATEMENT

A vivid, descriptive image of the future – what the organization will BECOME

CORE VALUES

What the organization values, recognizes and rewards – strongly held beliefs that are freely chosen, publicly affirmed, and acted upon with consistency and repetition

THREE YEAR GOALS

WHAT the organization needs to accomplish (consistent with the Mission and moving the organization towards its Vision) – usually limited to 4 or 5 key areas

KEY PERFORMANCE MEASURES

What success will look like upon achievement of the goal

SIX MONTH STRATEGIC OBJECTIVES

HOW the Goals will be addressed: By when, who is accountable to do what for each of the Goals

FOLLOW-UP PROCESS

Regular, timely monitoring of progress on the goals and objectives; includes setting new objectives every six months