

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Debra Figone

**SUBJECT:** 2/15 Priority Setting

**DATE:** February 4, 2008

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Please find attached several documents in support of the February 15, 2008 Council/Senior Staff Priority Setting Session. Below is a list of the contents of this packet as well as brief descriptions of how each of these documents support the session.

- 1. January 19, 2008 Neighborhood Associations' Priority Setting Session Transcript:** On January 19, 2008, the Community engaged in a process similar to the session to be held on February 15. At that meeting, the unfunded needs list for the City and the options for eliminating the structural budget deficit were prioritized by the Community. The Community chose, as their top priorities, four items on the unfunded needs list and 4 to 5 items for each of the options for eliminating the structural budget deficit. That information can be found on pages 4-7 of the transcript. This information will be beneficial to review when Council and Senior Staff engage in the same process at the February 15 session.
- 2. 2008 Budget Priorities Survey (Summary):** Attached is the summary of the phone survey conducted by Fairbanks, Maslin, Maullin and Associates. This information will be presented to Council on February 12. Refer to pages 4-7 for a high level summary of the results of the survey. The full report can be found on the City's Council Agenda Website at [http://www.sanjoseca.gov/clerk/Agenda/021208/021208\\_03.08att.pdf](http://www.sanjoseca.gov/clerk/Agenda/021208/021208_03.08att.pdf).
- 3. New and Unfunded General Fund Initiatives/Programs:** The attached memoranda provide an updated list of the New and Unfunded General Fund Initiatives/Programs. This document will assist in the prioritization discussion on February 15 and will provide context to the many unfunded demands on the City's limited General Fund resources. A list of the Redevelopment Agency unfunded initiatives will also be prioritized at the session.
- 4. Management Partners Report entitled "Development of Strategies to Address the City's General Fund Structural Budget Deficit" (Executive Summary):** Attached is the executive summary from the report by Management Partners. This document highlights some background for the development of the report, stakeholder input, and overview of the methodology as well as briefly describes each of the options for eliminating the structural budget deficit. Management Partners will be present at the February 15 session to provide a brief overview of the report and options.

February 4, 2008

**Subject: Approval of Citywide Insurance Renewals**

Page 2

5. **Management Partner's Report - Attachment A -- Top Priority and Master Strategies Matrix:** Finally, the last attachment is an overview of the options for eliminating the structural budget deficit. This document will be used for the prioritization of the options by category: Revenue Strategies, Service Delivery Model Changes, and Expenditure Controls and Shifts.
  
6. **6-month Strategic Objectives Matrix:** Attached is the most recent strategic objectives matrix with the status of each of the objectives under each goal. This document has been reviewed by Senior Staff monthly and updates and sent out to Council bi-monthly via information memo. Based on the discussion of the how the City attains the 3-year goals, this document will be reviewed and updated at the February 15 session.



**Debra Figone**  
City Manager

If you have any questions regarding these documents, please contact Nadine Nader at 408.535.8104.

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 Sane 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**

<b>New and Unfunded Initiative/Program</b>	<b>One-Time Cost</b>	<b>Ongoing Cost</b>	<b>Straw Poll</b>
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**

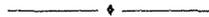
- ▶ Extend the Emergency Communication System Support Fee
- ▶ Increase Transient Occupancy Tax to Market and Shift to General Fund
- ▶ Restructure Business Tax Rates to Modernize and Reflect Current Business Profits
  - ▶ Utilize Financing Strategies which have Positive Net Present Value
    - ▶ Ensure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

**SERVICE DELIVERY MODEL CHANGES**

<b>Strategy</b>	<b>Potential Fiscal Impact</b>	<b>Implementation Considerations</b>	<b>Straw Poll</b>
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

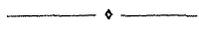


**EXPENDITURE CONTROLS AND SHIFTS**

<b>Strategy</b>	<b>Potential Fiscal Impact</b>	<b>Implementation Considerations</b>	<b>Straw Poll</b>
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**

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



**NEXT STEPS/FOLLOW-UP PROCESS**

<b>WHEN</b>	<b>WHO</b>	<b>WHAT</b>
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



**City of San José**  
**2008 Budget Priorities**  
**Survey**

*Report of Findings*

January 2008

320-342

*Fairbank, Maslin, Maullin & Associates*  
*Opinion Research & Public Policy Analysis*

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Santa Monica, CA – Oakland, CA – Madison, WI – Mexico City

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## INTRODUCTION

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Between January 7 and 13, 2008, Fairbank, Maslin, Maullin & Associates (FMM&A) conducted a telephone survey of 1,005 randomly-selected San José residents over the age of 18 to assess their views on issues related to the San José City budget. The survey questionnaire was translated and administered in both Spanish and Vietnamese, as well as in English. Survey questions were developed in consultation with City staff, and many were repeated from the initial community budget survey conducted in January 2007. The sample was weighted slightly to conform to demographic data on the City's population.

In the 2007 survey, 450 residents were sampled using a Random-Digit-Dial (RDD) sampling methodology where a computer randomly generated phone numbers within the City. This allows the greatest number of residents the opportunity to participate in the survey, because it provides a method of reaching both listed and unlisted numbers. In the current study, 503 interviews were conducted using the same RDD sampling methodology. However, this year an additional 502 interviews were conducted with a random sample of voters drawn from lists of likely voters in San José. For the purpose of this analysis, these two samples were combined. In most cases, differences in responses between the samples were minimal, and the report highlights places where noteworthy differences were observed. When making comparisons to questions also asked in 2007, only the RDD sample from 2008 will be used to ensure consistency between the methodologies of the two surveys.

The margin of error for the survey sample as a whole is plus or minus 3.2 percent. For the RDD sample (referred to as the "resident sample") as well as the sample drawn from votes lists (referred to as the "likely voter sample") individually, the margin of error is 4.5 percent. The margin of error for smaller subgroups within each sample will be larger. For example, statistics reporting the opinions and attitudes of residents over age 65, who make up 16 percent of the sample, have a margin of error of plus or minus 7.9 percent. Therefore, for this and other population groupings of similar or even smaller size, interpretation of the survey's findings are more suggestive rather than definitive and should be treated with a certain caution.

This report discusses and analyzes the survey's principal findings. Following the summary of findings, the report is divided into four parts:

- **Part 1** describes San José residents' opinions of the quality of City services.
- **Part 2** examines residents' views of the state of the City's budget, including their awareness of the budget process, perception of the condition of the state budget, and impressions of spending in specific areas.
- **Part 3** looks at preferences for how to solve the budget deficit, either through cutting services, increasing revenue, or changing the way the city provides services to reduce costs. This section explores budget priorities of San José residents as well.
- **Part 4** focuses on specific proposals for addressing the budget deficit, including exploring specific ways the City can generate new revenue, change how it provides services to cut costs, and cut or eliminate services.

The topline results of the survey are included at the end of the report in Appendix A.

## SUMMARY OF MAJOR FINDINGS

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The survey results show that residents are highly satisfied with the service they receive from the City. Perhaps in part because of this satisfaction, approximately half do not realize the City faces (and has been facing over the past few years) a significant budget deficit.

When offered an explanation of the City's budget situation, most residents would rather change the way the City delivers services to cut costs, rather than raise revenue through taxes or fee increases or cuts to existing services. Yet, if faced with the necessity of service cuts, residents clearly want to preserve funding for street maintenance and road repair and public safety. Services that residents believe impact them less directly are more popular choices for cost-cutting, including reductions in city employee staffing levels, pay, and benefits.

The following items stand out among the survey's specific findings:

- Eight in ten (80%) residents are satisfied with the quality of services provided by the City of San José. Just 10 percent are dissatisfied (with the remainder neutral in their view or uncertain). The level of satisfaction is unchanged from one year ago. (*Section 1.1*)
- Few residents follow news about the San José budget closely, with just 10 percent saying they follow it "very" closely and 34 percent "somewhat" closely (for a total of 44%). More than half (55%) of residents say they do not follow budget news too closely (36%) or do not follow it at all (19%). (*Section 2.1*)
- When asked to think about the last couple of years, just over half (53%) believe the City started its budget process with a deficit. Very few believe the process started with a surplus (5%) or a balanced budget (10%), with three in ten (31%) unable to give an opinion. In 2007, 39 percent thought the process started with a deficit, far lower than the proportion holding that perception today. This suggests that residents have become more aware of the City's budget situation. (*Section 2.2*)
- Over half (54%) of residents believe the upcoming 2008 budget process will begin in a deficit, with 28 percent expecting a "large" deficit. The proportion holding this view has increased substantially from 35 percent in 2007 – with the proportion expecting a "large" deficit having more than doubled. (*Section 2.2*)
- Those who have been following news on the budget are more likely to believe the City faces a deficit as it starts the budget process. Nearly three out of four (73%) of those who follow budget news "very" closely believe the process will start with a deficit, compared to 66 percent of those who follow it "somewhat" closely and 44 percent of those who do not follow the issue at all. (*Section 2.2*)
- A plurality of residents believe that spending in most service areas or City departments is at about the right level. The highest proportion of residents see "street maintenance and repair" as under-funded, with a 56-percent majority saying they feel

this service receives too little funding. No other service or department is considered to be underfunded by more than 36 percent residents, including such services such as fire (which 18% believe receives “too little” funding) and police (26%) services, recreation programs (36%), and business development and retention (34%). (Section 2.3)

- Most likely reflecting the low proportion of residents who believe City services are currently underfunded, residents express a slight preference for reducing existing services rather than raising revenue through taxes or fees (when forced to make a choice between the two options). Forty-four percent prefer to “reduce existing City services to avoid a need to raise additional revenue, including taxes or fees,” while 34 percent prefer to “raise additional revenue, including taxes or fees, to avoid reductions in existing City services.” (Section 3.1)
- Yet when given a three-way choice between raising additional revenue, reducing or eliminating services, or “changing the way the City provides services to reduce costs,” two out of three (67%) residents choose the final of the three options. Just 16 percent express a preference for raising revenue and 10 percent for reducing or eliminating City services. (Section 4.1)
- The survey results clearly show that when residents are asked to prioritize areas where additional City spending might be focused, street maintenance and road repair and public safety services are their foremost priorities.
  - Six in ten (60%) rate “police and fire services” as their highest (38%) or second-highest (22%) priority for funding from this year’s budget. Just under half (47%) consider “street maintenance and road repair” their first (21%) or second (26%) priority. Compared to last year, local residents have grown more likely to prioritize funding for public safety over funding for street maintenance. This is in line with the finding from the soon to be released community survey that there is increasing local concern about crime. (Section 3.2)
  - Far fewer consider “public libraries,” “park maintenance and upkeep,” and “recreation services, including community centers” to be a top priority. The relatively low prioritization of funding attached to these service areas in comparison to public safety and street maintenance, combined with the finding that no more than approximately one-third think any of these items are underfunded in the current budget, suggests that residents do not see urgency in maintaining or increasing funding in these areas. (Section 3.2)
  - When asked to evaluate the relative importance of a variety of more specific service enhancements that might be undertaken if funding were available, the highest proportions of residents label “synchronizing traffic signals to improve traffic flow” (73% “extremely” or “very important”), “expanding street maintenance and repair programs” (62%), and “hiring more police officers” (59%) as top priorities. No other issue was deemed “extremely” or “very” important to a majority of residents. Second-tier priorities include other street maintenance services, such as road sign maintenance and lighting, as well as library services, and park and recreation services. (Section 3.2)

- The survey results regarding potential revenue-generating mechanisms must be viewed with caution; they offer only a preliminary look at the issue, and the questions did not present the respondents with the type of detailed information that might be included in a thorough feasibility survey for a revenue-raising ballot measure. In evaluating responses to these items, the options least likely to impact the most City residents directly are the most popular. Nearly two-thirds (64%) support “increasing the existing hotel room tax” and just under six in ten (58%) support “adjusting the tax on business licenses to generate new tax revenue.” Far lower proportions support a parcel tax, real estate transfer tax, landscape and lighting assessment districts, a sales tax, or utility users tax, with opposition outweighing support in each case. (*Section 4.2*).
- When it comes to cost-saving changes to solve the budget deficit, residents are most supportive of proposals that relate to city property, with 83 percent supporting “selling underused city property” and 71 percent supporting “increasing the leases for all buildings the City owns to market rate.” Respondents also support proposals that would save money by reducing City employee compensation or employment, including “lowering entry-level city salaries to market levels” (69%), “increasing the use of civilian positions in the Police and Fire Departments” (69%), “reducing the size of pay increase for city employees” (62%), and “contracting out more services currently performed by City employees to private companies” (58%). Support is slightly weaker for “reducing the requirement for City contractors to pay their workers a prevailing wage,” with 51 percent in support and 42 percent opposed. (*Section 4.3*)
- There is weaker, albeit still majority support, for reducing employee benefits, including “reducing the amount of unused sick leave that is paid out in cash when employees retire” (54%), “offering newly-hired employees reduced retirement benefits” (53%), and “modifying City employees’ health plans to reduce costs to the City” (53%). (*Section 4.3*)
- Residents have no clear preference for which services should be cut back if reductions must be made. Near equal numbers choose “programs to attract and retain business in San José” (22%), “recreation services, including community centers” (21%), and “park maintenance and upkeep” (16%) as their first choice for cuts among a list of six service areas – again showing that these items are second-tier concerns. Lower numbers choose “public libraries” (11%), “street maintenance and road repair” (8%), and “police and fire services” (7%) as places for cuts. Again, this finding supports the priority of public safety and street maintenance services for continued funding. (*Section 4.4*)
- When asked to consider the acceptability of a number of more specific possible service reductions, residents are most likely to point to services related to City employee staffing levels and employee pay and training. This includes “reducing staff in the mayor and city council’s offices” (“acceptable” to 85% of local residents), “reducing staff in the offices of the City Attorney, City Auditor, City Clerk, City Manager, Independent Police, and Auditor” (74%), and “reducing staff at the planning department” (71%), as well as “reducing funds for recruiting, training, and

recognizing City employees” (72%) and “reducing the size of pay increases for City employees” (71%). (*Section 4.4*)

- Potential cuts in the second tier of acceptability include those to city staff outside of City Hall, such as community center staff, fire department administrative staff, and aquatic center staff, as well as cuts to tree-trimming services, non-profit community based organizations, library hours, and city revenue collection and finance management services. Between 65 percent and 53 percent find reductions in these areas “acceptable.” (*Section 4.4*)
  
- Residents are less accepting of cuts that may impact them more directly, including reductions to garbage pick-up and mowing at parks, senior center staff, street maintenance, police staffing, traffic enforcement, school and crossing guards, and closing neighborhood park bathrooms. Less than half find any of these proposals “acceptable.” (*Section 4.4*)

The remainder of this report presents these and other results of the survey in more detail.



Distributed on:

JAN 15 2008

Memorandum by City Manager's Office

TO: HONORABLE MAYOR  
AND CITY COUNCIL

FROM: Debra Figone

SUBJECT: NEW AND UNFUNDED GENERAL FUND  
INITIATIVES/PROGRAMS      DATE: January 15, 2008

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**INFORMATION ONLY**

**OUTCOME**

This memorandum provides an updated list of New and Unfunded General Fund Initiatives/Programs. For both the upcoming 2008-2009 Neighborhood Association/Youth Commission Priority Setting Session scheduled to occur on January 19, 2008, and the City Council/Management Team Strategic Planning Retreat scheduled to occur on February 15, 2008, this information can be used to assist in this discussion and provide context to the many unfunded demands on the City's limited General Fund resources.

**BACKGROUND**

At the direction of the Mayor and City Council, the annual budget process now incorporates extensive feedback from the community and City Council on budget priorities. As part of this process, the City Council is conducting a 2008-2009 Neighborhood Association/Youth Commission Priority Setting Session on Saturday, January 19, 2008 and a City Council/Management Team Strategic Planning Retreat on Friday, February 15, 2008. The Administration has updated the New and Unfunded General Fund Initiatives/Programs information that was initially released last February for use during these two sessions and the upcoming budget process.

**ANALYSIS**

In order to provide context to the many unmet demands on City resources, the Administration has prepared, and now updated, a list of the most significant General Fund new and unfunded initiatives and programs currently identified as high priority needs. When considering the impact of current unfunded needs along with the cumulative impact of prior year reductions and the General Fund structural budget deficit, the potential demands on the organization are staggering. These needs are being reviewed and considered at a time when the City is expecting to face, for the seventh year in a row, a General Fund shortfall in 2008-2009. As a reminder, based on the 2009-2013 Preliminary General Fund Forecast that was released in November, the estimated General Fund shortfall for 2008-2009 is \$24.8 million and grows to \$75.4 million by 2011-2012. The Administration will be issuing the final 2009-2013 General Fund Forecast at the end of February. The updated forecast is likely to continue to contain projections for funding gaps in the General Fund for both the coming fiscal year and the out years of the forecast period.

**ANALYSIS** (CONT'D.)

New and Unfunded General Fund Initiatives/Programs

As more thoroughly described in Attachment 1, the Administration has identified 10 new and unfunded General Fund initiatives and programs, totaling over \$520 million on a one-time basis and over \$183 million on an ongoing basis, that address Council-generated requests, legal and/or technical requirements, critical needs identified by City staff, and requests made by other entities. As in the earlier version of this list, these initiatives (summarized in Table 1 below) should not be considered a comprehensive listing of all General Fund needs, but rather a representative sampling of a number of high priority areas recently identified that require additional resources to proceed. It should also be noted that some of the items on the list issued last February 2007 and contained in the Mayor's June Budget Message were funded through the 2007-2008 Adopted Budget process and have, therefore, been dropped from the list. Dollar amount estimates for the remaining items have been updated where additional information has become available.

**Table 1  
 NEW AND UNFUNDED GENERAL FUND INITIATIVES/PROGRAMS**

New and Unfunded Initiative/Program	One-Time Cost	Ongoing Cost*
1. Unmet/Deferred Infrastructure and Maintenance Needs**	\$507,000,000	\$40,200,000
2. Police 5-Year Staffing Plan		119,000,000
3. GASB 43/45 (Retiree Healthcare)***		21,600,000
4. Edenvale/Great Oaks Community Center	11,800,000	
5. MEF Request to In-Source Night Shift Custodial Services at City Hall		1,200,000
6. Police and Fire/Federated Retiree Associations Requests for Enhanced Benefits		1,000,000
7. South San José Police Substation – Public Art	1,100,000	
8. Mexican Heritage Corporation Request for Mexican Heritage Plaza Operating Subsidy Increase	300,000	
9. Trees – Municipal Code Enforcement		250,000
10. San José Brand Media Outreach Plan	150,000	
<b>TOTAL</b>	<b>\$520,350,000</b>	<b>\$183,250,000</b>

\* Represents estimated annual costs to fully fund the initiative/program after full implementation.  
 \*\* Assumes one-time needs of over \$500 million in the General Fund (\$900 million all funds) are addressed.  
 \*\*\* City's 50% of General Fund portion of remaining annual requirement for full pre-funding (\$57.4 million); current annual City/employee contribution at \$43.9 million.

ANALYSIS (CONT'D.)

New and Unfunded General Fund Initiatives/Programs (Cont'd.)

Some of the largest items in Table 1 include: unmet/deferred infrastructure and maintenance needs (primarily in the transportation and technology infrastructure areas) totaling over \$500 million in the General Fund on a one-time basis and approximately \$40.2 million annually; the Police Five-Year Staffing Plan that has a remaining identified need for the addition of 582.5 positions (originally 597.5 positions) and funding in excess of \$300 million over five years (\$119 million on an annual basis after full implementation); and the unfunded liability for other post employment retirement benefits in the City's two retirement systems due to recent Government Accounting Standards Board changes (GASB 43/45) with a price tag of up to \$1.14 billion for full pre-funding (\$21.6 million required on an annual basis in the General Fund assuming a City contribution of 50%).

Obviously, given the City's current financial situation, it would not be possible to fully fund these initiatives without significantly impacting and eliminating services provided by the City. It is also true, however, that the City Council may need to consider partial or full implementation of some of these items during the upcoming budget process given their critical nature. Any funding of these new and unfunded items should, however, be considered only when evaluating these potential investments of City resources in context of the entire City's General Fund budget to ensure that those investments are a higher priority.

CONCLUSION

The information described in this memorandum is intended to provide context for the upcoming budget process which includes the 2008-2009 Neighborhood Association/Youth Commission Priority Setting Session scheduled to take place in January 19, 2008 and the City Council/Management Team Strategic Planning Retreat scheduled for February 15, 2008.



Debra Figone  
City Manager

For questions please contact Larry D. Lisenbee, Budget Director, at (408) 535-8144.

## NEW AND UNFUNDED GENERAL FUND INITIATIVES/PROGRAMS

**1. Unmet/Deferred Infrastructure and Maintenance Needs (\$507 million one-time; \$40.2 million annually)**

Since February 2007, Council has identified reducing the City's deferred maintenance and infrastructure backlog as one of the City's top five priorities. An interdepartmental senior staff team has been working to identify and analyze the City's deferred maintenance and infrastructure backlog since March 2007. In order to focus the work effort, the team only looked at preventive maintenance, rehabilitation and capital replacement needs and did not include costs to maintain, operate or rehabilitate future infrastructure assets that are not yet programmed for installation. The result of this interdepartmental work effort was an analytical report which staff presented to the Transportation and Environment Committee in October 2007. Condition assessments, anticipated unmet funding needs, information on existing or proposed asset management systems as well as some of the proposed highlights in the next two years were included in the report. On October 25, 2007, staff also presented the findings of this report to the full Council during a half day study session. Of the programs and funding needs that were identified in the report, the one time needs were estimated at about \$915 million and ongoing unmet annual needs were estimated at about \$45 million (all funds). As displayed in the chart below, the portion allocated in the General Fund total approximately \$507 million one-time and \$40 million annually.

**GENERAL FUND  
UNMET/DEFERRED INFRASTRUCTURE AND MAINTENANCE NEEDS SUMMARY**

<b>Infrastructure/Maintenance Area</b>	<b>One-Time Costs</b>	<b>Ongoing Costs</b>
Transportation Infrastructure	\$ 455,000,000	\$ 29,000,000
Technology (Infrastructure/Software)	47,500,000	8,000,000
Building Facilities (Police, City Hall, Other)	3,666,000	2,753,000
Fleet Replacement	1,120,000	400,000
<b>TOTAL</b>	<b>\$ 507,286,000</b>	<b>\$ 40,153,000</b>

**2. Police 5-Year Staffing Plan (\$18.2 million in 2008-2009; \$119 million annually)**

As previously reported to the City Council in November 2006, the Police Department developed a five-year staffing plan to address staffing needs for both sworn and non-sworn personnel designed to account comprehensively for existing workload demands and staff shortages experienced by front-line and support personnel throughout the Police Department. The Police Staffing Plan called for the addition of 597.5 positions at a total cost of \$309 million phased in over a five year period. After full implementation, the plan would cost \$121 million annually. In 2007-2008, 15 out of 149.5 positions included in the first year phase of the plan were approved to be added at an annual ongoing cost of \$2.0 million. The cost of the remaining portion of the first year phase in 2008-2009 is estimated at \$18.2 million and would include the addition of 134.5 positions. Over the remaining five-year period, therefore, the plan is now estimated to cost approximately \$307 million (582.5 positions) with \$119 million annually expended after full implementation.

**NEW AND UNFUNDED GENERAL FUND INITIATIVES/PROGRAMS****3. GASB 43/45 (Retiree Healthcare) (\$21.6 million annually)**

Two recent Government Accounting Standards Board (GASB) accounting statements (number 43 and 45) require changes in accounting and external reporting associated with "Other Post Employment Benefits" that are provided by the City, such as retiree health benefits. These changes include identifying the liability for such benefits and disclosing the amounts in annual financial statements. The City's two retirement plans, Federated and Police and Fire, have recently had actuarial studies conducted to calculate the liability under these new accounting standards. Based on the most recent analysis, the unfunded liability could be as high as \$1.14 billion, with annual required contributions of over \$101.3 million. Of this amount, both the City and employees contribute \$43.9 million annually, leaving \$57.4 million unfunded on an annual basis. Assuming the City funds 50% of that liability, it is estimated that the liability would amount to \$28.7 million of which the General Fund portion is 75.2% or \$21.6 million.

**4. Edenvale/Great Oaks Community Center (\$11.8 million one-time)**

As reported in the Mayor's June Budget Message, the Edenvale/Great Oaks Community Center is a Strong Neighborhoods Initiative priority. This center will become a hub for community development activities, support neighborhood associations, and provide service to these neighborhoods that have long been underserved. The estimated project funding gap is currently estimated at \$11.8 million out of a projected total project cost of \$21.46 million.

**5. MEF Request to In-Source Night-Shift Custodial Services at City Hall (\$1.2 million annually)**

The Municipal Employees' Federation (MEF) expressed interest in contracting-in the night shift custodial services provided at City Hall. It is estimated that this change would require the addition of 27 positions, including 21 Custodians, 4 Senior Custodians, and 2 Custodial Supervisors at a cost of \$1.8 million, partially offset by a \$635,000 reduction in existing custodial contractual services. These costs would not result in a change to current levels of service.

**6. Police and Fire/Federated Retiree Associations Requests for Enhanced Benefits (\$1.0 million annually)**

As discussed at the June 19, 2007 City Council meeting, the Association of Retired San José Police Officers and Firefighters and the San José Retired Employees Association (Federated Retirees) have requested enhanced benefits. The Association of Retired San José Police Officers and Firefighters have requested two benefit enhancements at an annual estimated cost of \$240,000: 1) provide medical and dental benefits for after-retirement spouses, and 2) provide surviving spouse with medical insurances at no-cost and provide full reimbursement for Medicare Part B premiums. The San José Retired Employees Association (Federated Retirees) has requested an enhancement to provide current Federated retirees with reimbursement for Medicare Part B premiums at an annual cost of approximately of \$760,000. It should be noted that if these requests were funded, they would only apply to current retirees and would not apply to any current employee that has not yet retired. Extending these benefits to future retirees would further increase the costs.

**NEW AND UNFUNDED GENERAL FUND INITIATIVES/PROGRAMS**

**7. South San José Police Substation – Public Art (\$1.1 million one-time)**

On December 18, 2007, the City Council approved the shift of \$1.1 million from public art to award the construction contract for the South San José Police Substation. Staff was directed to find alternative funding in order to restore the public art funds to the project. This analysis is currently underway, however, until a replacement funding option is approved, this allocation remains unfunded.

**8. Mexican Heritage Corporation Request for Mexican Heritage Plaza Operating Subsidy Increase (\$300,000 one-time)**

The Mexican Heritage Corporation has recently requested a \$300,000 one-time increase in its operating subsidy for the Mexican Heritage Plaza, bringing it from \$430,283 to \$730,283 in 2007-2008. The Mexican Heritage Corporation has requested these funds for personnel and operating expenses for the period from April through June 2008 to ensure a continued and smooth operation of the Plaza while long-term issues concerning a re-structured operating model are resolved.

**9. Trees – Municipal Code Enforcement (\$250,000 annually)**

Last year, the City Council expressed interest in planting trees, improving existing tree maintenance and providing greater tree protection through enforcement. Staff has estimated that approximately \$7.7 million would be needed annually to: plant trees (\$750,000), maintain trees (\$6.7 million), and to enforce the City's Municipal Code related to tree removal (\$250,000). Of the \$7.7 million total, \$7.5 million is included in the Unmet/Deferred Infrastructure and Maintenance Needs (Transportation Infrastructure) total in line item #1 above. This level of tree maintenance funding would allow for planting of 5,000 new trees (which relates to San José's Green Vision), structural tree pruning of the approximately 300,000 street trees every 5 years; the administration of both public and private property (non-development related) tree permits; the development and maintenance of a street tree inventory; the posting of all tree permits accessible on the internet for rapid verification by the Police Department, Code Enforcement, and neighbors; and removal and replacement of 500 to 1,000 existing street trees annually. The addition of two Code Enforcement inspectors (at a total cost of \$250,000 annually) would also be necessary to enforce the City's Municipal Code related to tree removal controls for business and property owners and other weekend-related enforcement activities (the additional Code Enforcement inspectors were not included in the Unmet/Deferred Infrastructure/Maintenance Needs estimates.)

**10. San José Brand Media Outreach Plan (\$150,000 one-time)**

On November 14, 2006, City Council approved funding for a contract agreement with Global Fluency for regional, national, and international public relations services. Under the Scope of Services for the contract, Global Fluency secured editorial exposure for the City, its program, and accomplishments; in addition, the firm developed a media outreach plan to raise the City's identity regionally, nationally, and internationally among opinion leaders and decision makers in business and government. Additional funding of \$150,000 on a one-time basis would provide for implementation of the media outreach plan which would set the stage for an ongoing effort to build the San José "brand".



# Memorandum

**TO: HONORABLE MAYOR  
AND CITY COUNCIL**

**FROM: Debra Figone**

**SUBJECT: GENERAL FUND UNMET/DEFERRED  
INFRASTRUCTURE AND MAINTENANCE  
NEEDS INFORMATION**

**DATE: February 5, 2008**

## INFORMATION ONLY

### BACKGROUND

On January 30, 2008, Councilmember Campos requested detailed information regarding the \$40 million figure that has been added to the 2008-2009 budget shortfall estimates. Specifically, a breakdown of each budget category was requested in order to have the necessary level of detail to evaluate the list. This memorandum is being released to provide additional information specific to the General Fund Unmet/Deferred Infrastructure and Maintenance Needs portion of the General Fund Structural Deficit.

### ANALYSIS

The chart below summarizes the General Fund Structural Budget Deficit, currently estimated at \$137.2 million over a four year period. Of this amount, \$75.4 million is the projected General Fund shortfall to support existing programs, \$40.2 million is the annual unmet/deferred infrastructure and maintenance needs (excludes the one-time backlog of over \$500 million in the General Fund), and \$21.6 million is the current estimate for the General Fund's portion of the unfunded liability associated with post-employment health benefits.

**General Fund Structural Budget Deficit**  
(\$ in Millions)

	2008- 2009	2009- 2010	2010- 2011	2011- 2012	Total
Projected General Fund Shortfall (Nov. 2007 Forecast)	\$24.8	\$41.8	\$2.4	\$6.4	\$75.4
Unmet/Deferred Infrastructure & Maintenance Needs*	\$39.7		\$3.2	(\$2.7)	\$40.2
GASB 43/45 (General Fund Retirement Benefits)**	\$21.6				\$21.6
<b>Total</b>	<b>\$86.1</b>	<b>\$41.8</b>	<b>\$5.6</b>	<b>\$3.7</b>	<b>\$137.2</b>

\* Assumes one-time needs of over \$500 million in the General Fund (\$900 million all funds) are addressed.

\*\* City's 50% of General Fund portion of remaining annual requirement for full pre-funding (\$57.4 million); current annual City/employee contribution of \$43.9 million.

**ANALYSIS (CONT'D.)**

Attachment 1 provides further detail on the unmet/deferred infrastructure and maintenance needs in the General Fund. This chart lists four major categories of infrastructure and maintenance costs divided into immediate one-time needs and, where applicable, ongoing funding requirements. These categories include: Transportation Infrastructure, Technology Infrastructure/Software, Fleet Replacement, and Building Facilities. It should be noted that this list represents General Fund needs only. Significant unmet/deferred infrastructure and maintenance needs also exist where Special and Capital Funds would be the primary source of funding.

The items and figures represented in Attachment 1 are estimates only provided to help with the upcoming decision-making process. These estimates are intended to communicate an order of magnitude for the General Fund Unmet/Deferred Infrastructure and Maintenance Needs portion of the General Fund Structural Deficit but costs estimates likely will change over time. It should also be noted that other unfunded needs not included in Attachment 1 could arise and may need to be addressed depending on changes in the local economic environment.



Debra Figone  
City Manager

For questions, please contact Ed Shikada, Deputy City Manager, at (408) 535-8100.

Attachment

**Attachment 1 - Summary of General Fund Unmet/Deferred Infrastructure and Maintenance Needs\*  
(Totals Rounded)**

Infrastructure/Maintenance Area	One-Time Costs	Ongoing Costs
<b>Transportation Infrastructure</b>		
Pavement Maintenance	268,100,000	10,000,000
ADA Compliant Curb Ramps	78,500,000	
Curb and Gutter Damage Repair	35,800,000	700,000
Street Lighting	23,600,000	200,000
Street/Median Island Landscaping	15,600,000	4,000,000
Street Trees	15,000,000	5,100,000
Traffic Signal System Rehabilitation/Maintenance	14,200,000	1,500,000
Roadway Markings and Striping Maintenance	2,100,000	900,000
Traffic Control Signs and Street Name Signs	1,000,000	500,000
Third Street Garage Stairwell Repair	600,000	
Convention Center Crack Repair	500,000	
Sidewalk Repair Grants		5,800,000
<b>Transportation Infrastructure</b>	<b>455,000,000</b>	<b>29,000,000</b>
<b>Technology Infrastructure/Software</b>		
Major Software Upgrades including City-wide Enterprise Resource Planning, Records Management System for Police, City-Wide Content Management System	35,000,000	5,000,000
Fiber Optic Network Connections among key City Facilities	5,000,000	
Update of Cabling Infrastructure at City Facilities	5,000,000	
Increase Electrical and Backup Power Capacity for the Network Operations Center	2,500,000	
Desktop, Server, and Network Equipment Replacement		3,000,000
<b>Total Technology Infrastructure/Software</b>	<b>48,000,000</b>	<b>8,000,000</b>
<b>Fleet Replacement</b>		
Vehicle and Equipment Replacement	400,000	400,000
Diesel Vehicle Retrofits (4 years annually)	400,000	
Fuel Distribution System	320,000	
<b>Total Fleet Replacement</b>	<b>1,000,000</b>	<b>400,000</b>
<b>Building Facilities</b>		
Capital Repair Needs at Police, Communications, City Hall and Other Muni locations necessary in order to maintain optimal renewal based on replacement cycle (varies annually depending on replacement cycle). Includes asbestos abatement, and maintenance of electrical, mechanical, painting, roofing, and structural infrastructure.	3,700,000	2,800,000
<b>Total Building Facilities</b>	<b>3,700,000</b>	<b>2,800,000</b>
<b>TOTAL</b>	<b>507,700,000</b>	<b>40,200,000</b>

\* Further detail can be found in the Deferred Maintenance and Infrastructure Backlog report discussed at the City Council Infrastructure Backlog Study Session on October 25, 2007.

**CITY OF SAN JOSÉ**

**DEVELOPMENT OF STRATEGIES TO  
ADDRESS THE CITY'S  
GENERAL FUND STRUCTURAL BUDGET DEFICIT**

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January 2008



**MANAGEMENT PARTNERS**  
INCORPORATED

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## **EXECUTIVE SUMMARY**

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In February 2007 the Mayor, City Council, City Appointees and Senior Management Staff participated in a strategic planning session to set City objectives for the next three years. One of the five identified three years goals is to eliminate the structural budget deficit. The definition of this objective set in motion the development of this report. The Mayor also convened a panel of citizens with experience in local government services to serve as his Budget Shortfall Advisory Group (BSAG). This panel began meeting in October of 2007.

The City had faced persistent deficits in its General Fund dating from what is commonly referred to as the "dot-com bust," the recession of 2001. The budget deficits continued even though each year the City had taken the revenue increase or expenditure reduction steps necessary to bring the budget into balance prior to adoption.

The City Manager's 2007-2008 budget message (May 2007) noted that the proposed fiscal year 2007-2008 budget assumed funding most of the current year shortfall with current year dollars, but that there were unmet needs in addition to the persistent General Fund structural deficit. Although these needs had not been incorporated into an adopted budget, they are of concern to City leaders, since the long-term health of the City requires that they be addressed. Unmet needs include significant infrastructure maintenance requirements, commitments to health insurance for retirees, vehicle replacement, and the additional service delivery capacity required to serve a continually growing resident population.

Recognizing that the solution to this persistent problem required that difficult political choices be made, the City defined a process through which a qualified consulting firm would work with staff, the BSAG and other stakeholders to provide independent advice about possible solutions. This process to develop the family of strategies required to eliminate the structural deficit (totaling \$137 million) included a considerable amount of consultation with a Budget Shortfall Advisory Group established by the Mayor, and with the City Manager's General Fund Structural Deficit Task Force. In addition, it was determined that five focus group sessions should be held with broad-based stakeholder representation drawn from the community and City employees as well as an employee electronic survey should be deployed. Participation in the focus groups was limited to insure that a diverse range of interests could

be represented and to make sure that participants had the ability to meaningfully discuss the issues.

Management Partners, a national consulting firm specializing in local government with offices in San José and Cincinnati, was hired to facilitate these deliberations, gather input from the various internal and external stakeholders about potential strategies, conduct data analysis including peer benchmarking comparisons, and review best practices in high-performing cities nationwide. The recommendations draw upon not only the City of San José's experience, but on professional management practices followed in other large and complex local government settings. The goal of this review was to identify strategies that would eliminate the General Fund structural deficit over the next three years.

Throughout the strategy development process, we sought the answers to four basic questions:

1. What are the priorities and suggestions from the stakeholder groups?
2. Is the City "at market" with peer jurisdictions in terms of revenues, expenditures and other key variables?
3. Are there good ideas being used in other jurisdictions that can be replicated in San José?
4. Can a strategy have significant impact on the deficit within a three-year timeframe?

Through this process, over 320 suggested strategies were identified, and screened against more refined qualification/disqualification criteria (see Attachment A). The criteria used to qualify a possible strategy for consideration were:

1. Preliminary benchmarking information shows that San José is below market (revenues) or above market (expenditures).
2. Strategy is being used in a best practice jurisdiction or a peer jurisdiction.
3. Prior work by budget office or other City department has made a convincing argument for change.
4. Practice is out of alignment with current City objectives or planning.

The criteria used for disqualifying a possible strategy for consideration were:

1. Strategy cannot be effectively implemented in the three-year time frame.
2. Strategy would not reduce deficit or if it does would have greater longer run costs.
3. Strategy is not consistent with current Council three-year goals.
4. Strategy would have a limited impact, and cannot logically be combined with other similar strategies.

A total of 320 strategies were deemed viable and of these, top priority strategies are proposed for consideration by policy makers. Many of these top priority strategies incorporate a number of individual strategy

suggestions within the same general topic area. These strategies could have a positive fiscal impact of \$115 million (low end estimate) and \$218 million on the high end. Revenue and cost estimates for strategies were developed from existing information and will need further analysis prior to final implementation. By pursuing an appropriate combination of these strategies, the City has the opportunity to eliminate its General Fund structural deficit of \$137 million in three years.

Because the City has continually faced and taken steps to deal with budget deficits over the past six years there are few, if any, easy choices.

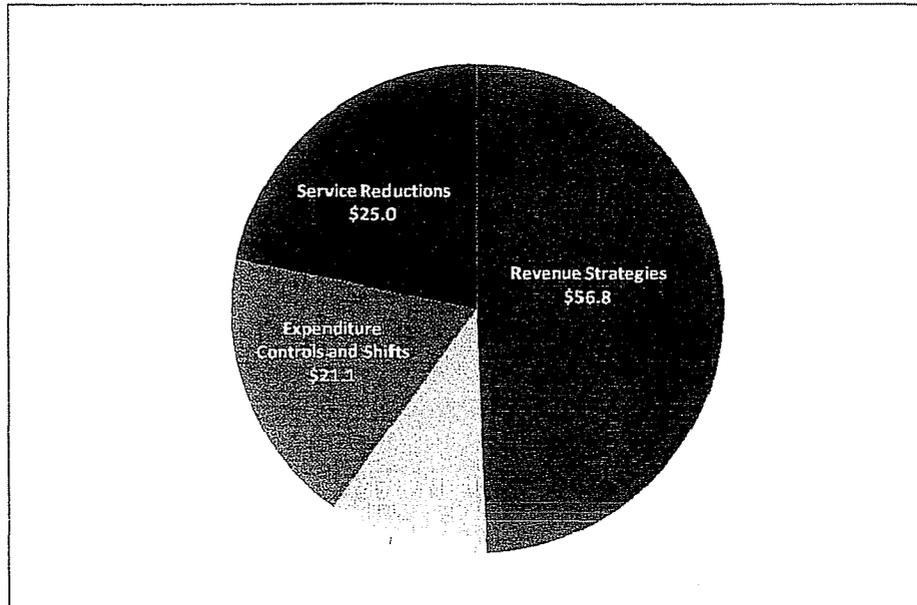
The strategies we identified as meeting the basic qualification criteria are grouped into the following categories.

- Revenue Strategies
- Service Delivery Model Changes
- Expenditure Controls and Shifts
- Service Reductions

With regard to the Service Reductions category, it was determined that the best way to proceed in defining viable options would be to tap into the deep expertise of City staff during the regular budget process. Therefore, as part of the annual budget process for 2008-09, City Service Area and departmental budget reduction strategies will be developed with employee engagement. The City Manager will bring forward ongoing service reduction or elimination recommendations in the Proposed Operating Budget for City Council consideration as part of the budget review process in May.

The aggregate budget deficit reduction strategies developed under each category are shown in Figure 1 below.

**FIGURE 1: RELATIVE CONTRIBUTION OF BUDGET REDUCTIONS STRATEGIES  
AT LOW RANGE ESTIMATE OF \$115 MILLION**



Generally, strategies in the categories of Service Delivery Model Changes, Expenditure Controls and Shifts, and Service Reductions all involve changes in the way the City currently does business. Many of these strategies will also require the “meet and confer” process with employee groups. As noted many of these changes would not be easy to implement, largely because the options available to the City have gotten progressively harder in the years since 2001. Together, these strategies account for about 51% of the total dollars identified from potential solutions. Revenue Strategies contribute about 49% of identified solutions. These strategies generally do not require changes in the way the City does business. As part of the benchmarking analysis (discussed later in this report) we found that San José lags peers (particularly other large cities in the Bay Area) in several areas of revenue generation. However, it should be kept in mind that implementation of many of these revenue enhancements will require voter approval, and such approval is always a difficult task.

The strategies and their contribution to solving the General Fund Structural Budget Deficit are briefly summarized below.

Under the broad heading of Revenue Strategies this report outlines the following strategies in priority order for consideration. Overall priorities were developed by the City Manager’s Structural Budget Deficit Reduction Task Force, informed by input from various stakeholder group meetings.

1. **Extend the Emergency Communication System Support Fee (\$23.4 million).** The fee offsets 88% of the costs associated with operation of the 911 dispatch center. The fee is slated to sunset in 2009 and the potential loss of this revenue represents a significant part of the structural deficit.
2. **Utilize Financing Strategies which have Positive Net Present Value (\$1.7 to \$6.1 million).** The City has certain limited opportunities to take advantage of its superior credit rating, well funded pension funds and overall positive fiscal situation to generate current revenues, without simply shifting the problem to a later date.
3. **Ensure Current Fees Fully Cover All City Costs (\$2 to \$9 million).** Benchmarking and San José's own analysis show that some fees do not fully cover costs.
4. **Restructure Business Tax Rates to Modernize and Reflect Current Business Profile (\$6.3 to \$15 million).** The business tax was last updated in the 1980s. Since then, the nature of business within the City has changed considerably and the tax rates have been eroded by inflation. Updating the business tax could result in new revenues for the City between \$6.3 to 15.0 million, depending on how aggressively this strategy is pursued.
5. **Modernize Utility Users Tax and Consider Bringing Rate into Alignment with other Large Cities having this Tax (\$7.9 to \$39.6 million).** San José could recoup increased revenues of \$3.6 million for every 0.25% increase in its Utility Users Tax rate. Increasing the tax rate from 5% to the state average for cities with a utility tax (5.5%) would represent an increase of \$7.9 million. The tax could also be modernized to better withstand potential legal challenge and to broaden somewhat the utility base it is applied against. Raising the tax to the average for larger cities (7.5%) would yield approximately \$39.6 million based on the existing tax structure.
6. **Implement Citywide Lighting and Landscape Districts or Other Proposition 218 "Property Related" Fees (\$2.5 to \$11 million).** San José can more aggressively pursue assessment and related revenues as do many other cities. Net benefit to the General Fund would be approximately \$11 million from a \$50 per parcel annual fee. The benefit to the General Fund for charges to the water utility for City services would be approximately \$2.5 million per year.
7. **Levy Parcel Tax or Sales Tax for Public Safety or Other Services (\$14 to \$38 million).** San Jose's sales tax rate is currently below average for the Bay Area and the City lacks

parcel taxes that have become reasonably common in other cities. A parcel tax of \$53 per parcel in San José would generate \$14 million in new revenues annually. Raising the City's sales tax by ¼ cent would raise approximately \$37 million in annual revenue. Many cities in California have approved a variety of parcel taxes and increases to the sales tax to fund services.

8. **Increase Transient Occupancy Tax to Market and Shift to General Fund (\$4.5 to \$11.3 million).** A 2% increase in the Transient Occupancy Tax from 10% to 12% would raise \$4.5 million for the General Fund if it were all placed there. The General Fund could see an additional \$6.75 million if half of the existing 6% that is allocated for special purposes is transferred back into the General Fund, although those funds have been allocated to valued community services which constituents would not like discontinued. Downtown hotels have already developed a proposal to voluntarily increase the TOT and use the increased revenues to expand the Convention Center.

Under the heading of **Service Delivery Model Changes**, this report outlines the following strategies in priority order for consideration.

1. **Formalize and Implement a Rigorous Asset Management Program (\$3.3 to \$5 million).** This should generate at least \$15 to \$25 million on a one-time basis with additional annual revenues from eliminating lease subsidies and from the present annual value of revenues generated from one-time monies ranging from \$3.3 to \$5 million.
2. **Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible (\$5.4 million).** If the City provided human resources, finance and information services to the Redevelopment Agency, as much as \$5.4 million in net revenue could be realized. This is because the marginal costs of providing these services on a centralized basis is generally less than providing them on a parallel stand-alone basis.
3. **Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes (\$8 to \$13.3 million).** Many cities have derived meaningful cost savings by comparing City service delivery approaches with the alternative of contracting with the private sector. City employees often have been able to substantially improve internal service delivery efficiency when a fair competitive process is introduced. Another similar approach is to systematically "optimize" city service delivery by subjecting existing service approaches to a rigorous analysis aimed at eliminating no or low value added procedures. Because these approaches are not a panacea we

have developed conservative savings estimates developed from comparisons with other large cities.

4. **Increase Use of Civilian Positions in Police and Fire (\$0.5 to \$1.5 million).** Sworn police officers are an extremely important, scarce and expensive resource. Cities are taking steps to maximize the productivity of each such position. One approach is to have less expensive non-sworn personnel support perform work currently done by sworn officers. An incremental implementation of civilianizing certain tasks in police and fire could save as much as \$1.5 million over the next three years, phased in with department retirements. Much larger savings over the next 10 to 20 years would be expected compared with the existing staffing pattern.
5. **Eliminate Binding Interest Arbitration (Future Cost Avoidance).** The current approach to binding interest arbitration for public safety services used in the City does not appear to encourage collaboration and problem solving. Instead it results in an adversarial process between the City and employee groups, rather than a dialogue about how best to operate in a world of limited resources. The process has resulted in wage and benefit decisions that have been greater than the growth in the City's basic revenue sources. Given the fiscal realities facing the City perhaps now is the time when some common ground can be found so that collaborative and innovative approaches are encouraged rather than discouraged. This would require a change in the City Charter by voter approval.
6. **Modify Minimum Fire Staffing Policies Where Appropriate Based on Fire Strategic Plan (Dollar impact to be determined).** As in the Police Department, each sworn position in the Fire Department is important and expensive. The Fire Department is currently completing an update to their Strategic Plan. The Fire Strategic Plan coming forward in early 2008 should be used as an opportunity to consider how to deploy existing staff more effectively to increase productivity and minimize continuing expenditure growth. This plan is expected to test alternative service delivery methods which may impact current staffing approaches.
7. **Implement an Employee Suggestion and Process Streamlining Program (Up to \$1 million).** Employee empowerment programs are a mainstay for developing more productive approaches in many industries and can be successfully utilized in the public sector. The strategy ideas generated by City employees as part of this process are impressive in scope, and a valuable starting point for a leading edge program in the City of San José. Experience has shown that a good program in a setting such as San José can generate

up to \$1 million in annual savings and raise employee morale, while building a culture focused on continuous improvement.

Under the heading of Expenditure Controls and Shifts, this report outlines several strategies for consideration in priority order. Since employee compensation and benefit costs constitute approximately two-thirds of General Fund expenditures, creating ways to reduce the rate of increases in such costs are a major focus of strategies in this group.

1. **Shift Healthy Neighborhood Venture Fund Funding to General Fund (\$5 to \$9 million).** A shift of these funds away from the current recipients would likely result in objections. However, in doing so, the City could see new revenues of \$5 to \$9 million per year by shifting the Healthy Neighborhoods Venture Fund funding back to the General Fund. Competition for monies in the General Fund is a strong and beneficial discipline.
2. **Reduce Worker's Compensation, Disability, and Overtime Costs (\$3 to \$4.2 million).** A variety of relatively modest strategies used in other settings can Cost savings from a variety of strategies can result in expenditure savings of from \$3.3 to \$4.2 million annually.
3. **Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs (\$6 to \$12 million).** This funding source should be realigned so that it is used to reduce the General Fund structural deficit to the maximum extent practicable, and that it not be used to build more facilities that increase the City's costs until the structural deficit is cured.
4. **Reduce the Rate of Increase in Employee Salary and Benefit Costs (\$6.6 to \$10 million).** Employees are the City's most valuable resource, and also the largest source of expenditures. Personnel costs have been running ahead of growth in the underlying economy, and growth in basic City revenue sources. Therefore some consideration needs to be given to controlling or slowing this area of expense. The following strategies, of which many have meet and confer implications, address this objective in a variety of ways.
  - a. **Increase Time to Reach Maximum Compensation (\$1.9 million).** Reducing the rate at which employees reach the top step can save \$1.9 million annually for the General Fund.
  - b. **Reduce Entry Level Compensation for Positions for which the City Receives Many Qualified Applicants (\$0.7 to \$1.7 million).** The City must remain a

competitive employer. However the market is different for various jobs. In some limited cases the City receives many qualified applications for available positions. Reducing the starting salary, or broadening the salary range, for such positions would save the City money and allow good candidates to be recruited because the City is a sought after employer for some (mostly entry level) classifications

**c. Implement Health Care Plan Modifications (\$1.2 to \$4.6 million).** All businesses are being impacted by soaring health care costs. Most, even in the public sector, are asking that employees share some of these increased costs. It would be reasonable for the City of San José to move to an average level of cost sharing for public employers.

**d. Implement Sick Leave Upon Retirement Program Payment Modifications (\$1.8 million).** The City has an interest in providing an incentive for employees to appropriately utilize sick leave. In regard to public safety positions, it is arguable that the City is paying more than is necessary to provide such an incentive and is more generous than other public employers

**5. Change Prevailing Wage Applications: Eliminate Service Contracts (\$1.2 million).** In some cases the City has expanded the coverage of prevailing wage requirements beyond what is specified by state law. Changing this policy would enable the City to do a better job of confirming that prevailing wages are paid as required on covered work and reduce costs. A savings of \$1.2 million in General Fund costs, with higher overall savings to other City funds, could be expected by making certain changes to how prevailing wages are applied to projects.

With regard to Service Reductions, a determination was made to address this facet of solving the structural deficit via the City's annual budget process. As mentioned previously, budget reduction strategies will be developed as part of the annual budget process. The City Manager will bring forward ongoing service reduction or elimination recommendations in the Proposed Operating Budget for City Council consideration as part of the budget review process in May 2008. The target for service reductions is \$25 million per year.

As part of the General Fund structural deficit effort, budget principles were also developed and included in this report for potential adoption by the City Council to serve as a meaningful framework for maintaining the financial discipline crucial to a large organization like the City of San José and to help avoid another structural budget deficit in the future. The

12 recommended principles included for consideration were developed from examining San José's existing budget policies, best practice policies and literature in the public financial management field.

The array of choices available to the Mayor's Budget Advisory Group and the City Council is extensive and reflects substantial research and significant analysis. In its totality, it forms a sound basis for decision makers to chart a feasible course for erasing the structural budget deficit within the next three years. It will take additional dedicated effort and further analysis to fashion an implementation plan that will command the support of the City Council, and, ultimately, the community at large.

## ATTACHMENT A –TOP PRIORITY AND MASTER STRATEGIES MATRIX

### Top Strategies

<b>R.01 – REVENUE STRATEGIES</b>			
	<b>STRATEGY</b>	<b>POTENTIAL FISCAL IMPACT (estimates in millions)</b>	<b>IMPLEMENTATION CONSIDERATIONS</b>
R.1	Extend the Emergency Communication System Support Fee	\$23.4	Council Approval
R.2	Utilize Financing Strategies which have Positive Net Present Value	\$1.7 - \$6.1	Council Approval
R.3	Ensure Current Fees Fully Cover All City Costs	\$2.0 - \$9.0	Council Approval
R.4	Restructure Business Tax Rates to Modernize and Reflect Current Business Profile	\$6.3 - \$15.0	Council / Voter Approval
R.5	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
R.6	Implement City-Wide Lighting and Landscape Districts or other Proposition 218 "Property-Related" fees	\$2.5 - \$11.0	Council / Voter Approval
R.7	Levy Parcel Tax or Sales Tax for Public Safety or Other Services	\$14.0 - \$38.0	Council / Voter Approval
R.8	Increase Transient Occupancy Tax to Market and Shift to General Fund	\$4.5-\$11.3	Council / Voter Approval / Coordination with Convention Center Plans

City of San José  
 Strategies to Address the City's General Fund Structural Budget Deficit

<b>SD.0 - SERVICE DELIVERY MODEL CHANGES</b>			
	<b>STRATEGY</b>	<b>POTENTIAL FISCAL IMPACT (estimates in millions)</b>	<b>IMPLEMENTATION CONSIDERATIONS</b>
SD.1	Formalize and Implement a Rigorous Asset Management Program	\$3.3 - \$5.0	Council Approval
SD.2	Combine Redevelopment and City Corporate Support Functions and Shift Economic Development Costs to Maximum Extent Possible	\$2.2 (rev)	Council / Agency Board Approval
SD.3	Revise Competition Policy, Implement Managed Competition for Service Delivery, and Optimize Work Processes	\$8.0 - \$13.3	Council Approval / Competition Policy Revision
SD.4	Increase Use of Civilian Positions in Police and Fire	\$0.5 - \$1.5	Council Approval / Meet & Confer
SD.5	Eliminate Binding Interest Arbitration	Future Cost Avoidance	Council / Voter Approval (City Charter Change)
SD.6	Modify Minimum Fire Staffing Policies Where Appropriate Based on Fire Strategic Plan	TBD	Council Approval / Meet & Confer
SD.7	Implement an Employee Suggestion and Process Streamlining Program	\$0.0 - \$1.0	Council Approval

City of San José  
 Strategies to Address the City's General Fund Structural Budget Deficit

<b>EC.0 - EXPENDITURE CONTROLS AND SHIFTS</b>			
	<b>STRATEGY</b>	<b>POTENTIAL FISCAL IMPACT</b> (estimates in millions)	<b>IMPLEMENTATION CONSIDERATIONS</b>
EC.1	Shift Healthy Neighborhood Venture Fund Funding to General Fund	\$5.0 - \$9.0	Council Approval
EC.2	Reduce Workers' Compensation, Disability, and Overtime Costs	\$3.0 - \$4.2	Some Steps May Be Subject to Meet & Confer
EC.3	Shift Construction and Conveyance Tax Funding from Capital Projects to Operating and Maintenance Costs	\$6.0 - \$12.0	Council / Voter Approval
EC.4	Reduce the Rate of Increase in Employee Salary and Benefit Costs	\$6.6 - \$10.0	See below
EC.4.a	Increase Time to Reach Maximum Compensation	\$1.9	Meet & Confer
EC.4.b	Reduce Entry-Level Compensation for Positions for which the City Receives Many, Qualified Applicants	\$0.7-\$1.7	Meet & Confer
EC.4.c	Implement Health Care Plan Modifications	\$1.2 - \$4.6	Provider Contract Negotiations / Meet & Confer
EC.4.d	Implement Sick Leave Payment Upon Retirement Program Modifications	\$1.8	Meet & Confer
EC.5	Change Prevailing Wage Applications: Eliminate Service Contracts	\$1.2	Council Approval

City of San José  
 Strategies to Address the City's General Fund Structural Budget Deficit

<b>SR.0. SERVICE REDUCTIONS</b>			
	<b>STRATEGY</b>	<b>POTENTIAL FISCAL IMPACT (estimates in millions)</b>	<b>IMPLEMENTATION CONSIDERATIONS</b>
SR.1	Reduce / Eliminate City Services to Funding Capacity	\$25.0	Council Approval

CITY OF SAN JOSE   □   SIX-MONTH STRATEGIC OBJECTIVES  
September 4, 2007 through February 15, 2008

**THREE-YEAR GOAL: MAINTAIN OUR STATUS AS THE SAFEST BIG CITY IN AMERICA**

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Sept. 30, 2007	City Manager and Police Chief	Report to the City Council on the necessary actions to maintain the City's ranking as the Safest Big City in America.	✓			This item is complete.
2. Sept. 30, 2007	Fire Chief	Develop a plan to meet the criteria for San Jose to become a Heart Safe City and present to the PSFSS Committee.			✓	Revised, presentation was made in September to PSFSS Committee and Fire is returning with formal plan to Committee in April 2008.
3. Feb, 2007	Fire Chief	Review the 2000 SJFD Strategic Plan and its response time data and provide to PSFSS (Public Safety Finance and Strategic Support) Committee an analysis that will be used for future staffing needs and service delivery models.			✓	The revised plan will be presented in March 2008.
4. Feb. 29, 2008	City Manager – lead, Police Chief, Budget Director	Identify Public Safety Funding Strategy to implement the San Jose Police Dept. 5-Year Staffing Plan without impacting other city departments.			✓	This item will be referred to the FY 08-09 Budget Process.
5. April 1, 2008	City Attorney – lead, City Manager, and Police Chief, working with other relevant departments	Develop a permitting process with a recommended ordinance that will require entertainment promoters at night clubs to be licensed and present to the City Council for action.			✓	Staff continues to work on the details of this item and has revised the date to April 1, 2008.

6. March 2008	Police Chief and Fire Chief	Present to the City Council's Public Safety Finance and Strategic Support Committee a status report on the Progress of the Public Safety Bond Program and the funding needed and sources of funding.			✓	Staff will present this information by the end of the first quarter.
FOR FUTURE CONSIDERATI ON:	Police Chief	Develop a plan to update and distribute educational materials in various languages to assist parents and others to recognize youth involved in gang activity.				

**THREE-YEAR GOAL: *ELIMINATE THE STRUCTURAL BUDGET DEFICIT***

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Jan. 7, 2008	City Manager's General Fund Structural Deficit Task Force	Define the General Fund structural deficit and develop both short-term and long-term alternatives and strategies to address the deficit within three years with full stakeholder input. These strategies will be presented to the Mayor's Budget Shortfall Advisory Group and the City Council for consideration and development on the 2008-2009 Mayor's March Budget Message and the 2008-2009 City Manager's Proposed Budget.	✓			This item is complete.
2. Feb. 29, 2008	City Manager's Retiree Health Care Team (HR Director – lead)	Carry out the direction given by the City Council at the August 28 2007 meeting regarding the retiree health care benefits.		✓		Outreach to stakeholders to be complete in February 2008.
3. Feb. 12, 2008	Mayor's Budget Shortfall Advisory Group (Mayor-lead)	Present a report to the City Council, including a three-year strategy recommendation to eliminate the General Fund structural budget deficit.		✓		This item is scheduled for Council action on February 12, 2008.

**THREE-YEAR GOAL: REDUCE DEFERRED MAINTENANCE AND THE INFRASTRUCTURE BACKLOG  
AND DEVELOP A STRATEGY TO IMPROVE THE INFRASTRUCTURE**

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Oct. 1, 2007	Deputy City Manager Shikada, working with the Infrastructure Dept. Heads (Environmental Services, IT, General Services, Public Works, Transportation, Airport, and Parks, Recreation and Neighborhood Services)	Identify existing and potential funding sources for infrastructure maintenance and present the results of the evaluation to the City Council's Transportation and Environment Committee.	✓			This item is complete.
2. At a Nov. 2007 City Council study session	Deputy City Manager Shikada, working with infrastructure dept. heads	Present the Infrastructure Report to the City Council and get input from the Council and community to shape final recommendations to the City Council.	✓			A study session was held on October 25, 2007.
3. Spring 2008	Deputy City Manager Shikada	Present a comprehensive funding and implementation strategy to the City Council for consideration that includes alternatives associated with various funding scenarios, one of which should reflect no increased funding.			✓	Staff has reviewed various options and is coordinating next steps with structural budget deficit priorities.
4. April 30, 2008	Deputy City Manager Shikada, guided by Council direction	Complete initial community surveys, complete work to better describe how well maintenance and infrastructure services are performed now and describe the specific impacts of different funding scenarios on deferred infrastructure maintenance.			✓	The date has been revised to April 30, 2008.

### THREE-YEAR GOAL: INCREASE ECONOMIC VITALITY

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Sept. 30, 2007	Chief Development Officer – lead, SJRA Exec. Dir., PBCE Dir.	Present to the City Council for action sites for retail development (e.g., mixed use development sites or retail sites).	✓			This item is complete.
2. Sept. 30, 2007	Chief Development Officer.	Present to the City Council for action a new Shopping Center Improvement Program (non-SNI related).	✓			This item is complete.
3. Oct. 15, 2007	Director of PBCE	Present to the City Council for consideration a process for early consideration of development proposals.	✓			This item is complete.
4. December 2007	Director of PBCE and the SJRA Executive Director	Present to the City Council for action a Pilot Permit Program for downtown and neighborhood business districts to attract and expand small business by funding city fees for sidewalk cafes, signs and improvements.	✓			Agency's Adopted FY 2007-08 includes funding for sidewalk café applications and permit review fees as well as grants to install high quality signs, including projecting neon signs, on buildings located in downtown and all redevelopment project areas.

5. December 2008	Director of PBCE and the Finance Director	Develop and present to the City Council for action a Business Tax Outreach Program as part of the development permitting process.			✓	Staff is implementing an interim Business Tax Outreach Program that will be operational mid to late February. Due to integration and other issues with linkages to the Integrated Cashiering System, staff is anticipating resolution and implementation by December of 2008. Staff will report back regarding the interim program and status of the Integrated Cashiering System during the next Six-Month Strategic Objective cycle.
6. March 31, 2008	Director of Aviation – lead, Dir. of PBCE, Dir. of Economic Development	Complete the Downtown/Airport Height Strategy and present to the City Council for consideration.			✓	The timeline for this item has been revised from December 2007 to March 2008. An Information memo with more details is forthcoming.
7. February 2008	Airport Director and Chief Development Officer, working with the Convention and Visitors Bureau	Develop and present to the City Council's Economic Development Committee a private/public funding strategy and proposal targeted to promoting San Jose in strategic locations where we want to increase airline services (e.g., Tokyo, London, Paris).			✓	Staff presented to the CEDC at its Jan 28 meeting. The Administration is considering a recommendation to Council of a continuation agreement with Global Fluency as an element of the strategy.
8. Jan. 29, 2008	Chief Development Officer and Director of ESD	Present to the City Council for consideration a Clean-Tech and Renewable Energy Strategic Plan.			✓	Council held the Green Vision Study Session on Feb. 1.

9. Feb. 15, 2008	RDA Director and the Chief Development Officer	Initiate build-out of the Bio Center 1 <sup>st</sup> floor expansion and hire a consultant to prepare a plan for Biotech Manufacturing Initiative.		✓		This item is on target.
10. June 2008	SJRA Executive Director and the Chief Development Officer, working with the Convention Center Expansion Team and the Convention and Visitors Bureau	Determine and recommend to the City Council for action the scope and funding mechanisms for a convention center expansion and modernization.			✓	Based on the study session held on November 13, 2007, staff was directed to develop expansion proposal.

**THREE-YEAR GOAL: PROVIDE FULL FUNDING FOR PARKS, POOLS, COMMUNITY CENTERS AND LIBRARIES, INCLUDING MAINTENANCE, OPERATIONS AND DEVELOPMENT**

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. March 2008	The Library Dir. and PRNS Dir.	Identify standards and measures that define minimal and adequate citywide service levels for parks, pools, community centers and libraries, in order to have them validated by the community at the Jan. 19, 2008 Neighborhood Assn and Youth Commission Community meeting.			✓	PRNS/Library will revise & present to the City Manager when complete.
2. Feb. 15, 2008	Director of PRNS	Initiate one planning study (Council District 2) to begin implementation of the Council-approved Aquatics Master Plan and begin to identify the funding needed and sources of funding.		✓		This item is one target.
3. March 2008	Director of PRNS	Provide a progress report to the Council's Neighborhood Services and Education (NSE) Committee on the reuse of the community centers and the funding needed and sources of funding.			✓	This item is on the workplan for March 2008.
4. Feb. 15, 2008	Library Director	Present to the NSE Committee a status report on the progress of the Library Bond Program and the funding needed and sources of funding.		✓		This item is one target.
5. Feb. 15, 2008	Director of PRNS	Present to the NSE Committee a status report regarding the use and results of the enhanced Park Maintenance Reserve Funds.		✓		This item is one target.
6. Feb. 15, 2008	Director of PRNS	Present to the NSE Committee a status report on the progress of the Parks Bond Program and the funding needed and sources of funding.		✓		This item is one target.