

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

CITY COUNCIL/MANAGEMENT TEAM
PRIORITY SETTING/STRATEGIC PLANNING RETREAT

February 15, 2008 * City Hall Community Meeting Room

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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.

THREE-YEAR GOALS

2007-2010 . not in priority order

Regain 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 ARE THE CITY OF SAN JOSE'S ACCOMPLISHMENTS IN THE PAST SIX MONTHS REGARDING PROGRESS ON THE GOALS AND OBJECTIVES?

Brainstormed List of Perceptions

- Passed a Property Business Improvement District (PBID) in the downtown
- State approved the high speed rail improvement to go through San Jose
- Successful volunteers at the Municipal Rose Garden
- Continued momentum on expansion of our convention center
- Put an additional \$1 million into the Gang Prevention Task Force
- Facilitated stakeholders on the topic of retiree health care
- Key community centers opened throughout the city on Friday and Saturday nights for youth to come in after hours
- No officer-involved shootings in 2007
- Facilitated leasing of over 100,000 square feet of office space with 6+ new companies downtown
- Hired 15 new police officers
- Reorganized the Gang Prevention Task Force
- City Council approved a 5 Year Housing Implementation Plan
- Significant infrastructure report approved and presented to the City Council
- Vocera located to San Jose from Cupertino
- Presented the first 2 Spanish disaster preparation classes in January and will do Vietnamese in April-May
- Using the enhanced Parks Maintenance Fund to make our parks look better
- Despite economic difficulties, the budget is on track at mid-year
- Downtown Working Group (led by Council member Williams and Chief Davis) was a successful City/community project that focused efforts to solve problems within the entertainment zone
- First 2 luxury condominium high rises are done and now selling (600 units)
- Successful completion of a new airline operating agreement
- Refinanced 101 San Fernando (apartment building) and had our most successful year
- Lots of progress on green building – both in the city and the private sector
- Now have 46.8 miles of trails open for bikes and walking
- Issued a RFI for a Green Mobility Showcase Project
- North San Jose Community Task Force going at full speed
- New police substation approved by the City Council
- Number of successes with public-private partnerships
- Started a Parking Enforcement Team around public schools
- Opened 2 new fire stations
- Started construction on a new 300,000 square foot office building downtown
- RDA issued \$220 million in bonds
- Worked with San Jose Sharks to implement successful improvements to the arena
- Hired a consultant to prepare a plan for biotech meeting
- City Council approved update to the Downtown Parking Management Plan
- Completed important community survey work on the structural budget deficit
- Completed agreement with San Jose Unified School District to build and manage 3 soccer fields
- City partnered with our development customers to prioritized streamlining activities
- Received national designation as a "Playful City"
- eBay completed their new headquarters building
- kicked off a new partnership for television on public education and government
- completed and opened up some special need housing
- retrofitted a fountain downtown
- 3 pools underway to be opened in June
- We approved the expansion of Valley Fair
- The Federal FY 2008 spending bill included \$3.1 million in project funding for City-led earmark requests – approved requests were submitted by the Library, Housing and Parks & Transportation Departments

- Improving street maintenance
- Family domestic violence reduced by 50% in Santa Clara County
- SNI Pilot Project Areas in Districts 2, 7 and 9
- Balanced our budget with a \$25 million shortfall without having to lay anyone off
- Successfully completed 2 Urban Area Security Initiative (UASI) grants totaling \$16 million
- Funded the rental car facility at the airport
- The structural budget deficit was defined and initial strategies have been identified
- Brand new library opened in District 2
- Increased retail in downtown and in the Market Center
- Council has a new land use policy for employment lands
- Although painful, shedding light on the problem in an accomplishment because it will help us to stay focused
- Communications in the City have improved tremendously
- Continued retail expansion
- Maintained excellent credit ratings
- Adoption of the Green Vision
- Some progress on changing the sign code
- Identified what is driving our property crime increase and it was targeted through an undercover sting
- A number of neighborhoods have renewed their action agenda
- Reduced crime and improved the cleanliness of downtown garages
- Citywide traffic calming meetings
- NDS Surgical located from Morgan Hill to San Jose
- Conducted a successful pilot project to keep bars open after houses easing closing time problems
- Opened a sports complex in Edenville
- Successful transition of recycled haulers
- Reengineering processes and procedures for technology deployment
- Reengineering processes and procedures for employee recruitment
- Reengineering processes and procedures for commodity procurements
- Council approved the formation of a new neighborhood commission
- Implemented electronic citation device
- We're testing LED street lighting and seeking PUC approval
- Have billions of dollars of industrial and office development in the pipeline
- Implemented ADA improvements on our sidewalks and at City Hall
- Opened a BMX Park
- RDA funded Façade Improvement Program for 12 buildings downtown
- Made 911 data available to the community at no cost to the City – we were first in the country to do it
- 3 soccer fields have been completed
- RDA and City worked with downtown businesses to have sidewalk cafes and better signage
- Continued rehabilitation and reactivation of historical buildings
- Continuing to increase community involvement in our processes
- Injury rate on our streets lowest since 1990
- Continued job growth in spite of slowing of national economy
- The Plant retail project is producing sales tax already
- 3 solar companies occupying a formerly vacant property
- Staying on course for our Airport Master Plan
- Bioscience Center expansion

WHAT ARE THE CITY OF SAN JOSE'S CURRENT INTERNAL WEAKNESSES/CHALLENGES AND EXTERNAL FACTORS THAT HAVE A NEGATIVE IMPACT ON THE CITY ASSOCIATED WITH SOLVING THE STRUCTURAL BUDGET DEFICIT IN A THREE-YEAR PERIOD?

Brainstormed List of Perceptions

- Still have blight issues in the city
- Budget deficit
- Impact on the City and how it can deal with economy and housing/credit problems
- Problems dealing with State funding formulas
- Difficulty dealing with rising building costs
- Not being cognizant of staff workload
- Addressing additional expectations of the public regarding what they need from the City without growing the staffing to meet those needs
- Lack of a permanent funding source
- Internal pressure to maintain the status quo
- Not updating policies and standards to allow for change in service delivery
- Increasing population and increasing housing and businesses without a corresponding increase in resources to serve them
- Challenge of meeting the expectations of those we are annexing
- Some of the activities require longer than 3 years to produce results
- Lack of belief that there is a problem
- Health care inflation – difficulty responding to it
- Have a growing infrastructure that is worsening faster than we can address it
- Difficulty of our City's culture to embrace the needed changes
- Difficult to meet the needs of public safety
- Insufficient staff resources to deal with State budget deficit, while doing normal tasks/workload
- RD cap limit
- Not understanding full range of available funds and what they can be used for
- Lack of retail on the periphery
- New capital construction putting demands on the operating budget
- Changing skill sets of City staff – existing and new staff
- Fiscalization of land use
- Unrealistic timelines to effectively achieve the objectives
- Reluctance to make politically difficult decisions
- Unfunded and inadequate infrastructure is limiting growth
- Difficulty dealing with legal limitations on our ability to raise revenue
- 6 years of budget cutting
- Labor-management relations problems
- Some solutions require voter approval
- Difficulty managing the public's expectations
- Conflicting priorities
- Difficulty staying on message; our actions don't always show what we say – we want to please everyone
- Time required to affect change
- Our expenses are still going up faster than our revenue
- City not being realistic in some of the promises being made
- Running out of bond funds for projects
- Revenue structure doesn't align with the direction the economy is going

NEW AND UNFUNDED GENERAL FUND INITIATIVE PROGRAMS

New and Unfunded Initiative/Program	One-Time Cost	Ongoing Cost
Unmet/Deferred Infrastructure and Maintenance Needs:	\$507,000,000	\$40,200,00
A. Transportation Infrastructure	455,000,000	29,000,000
B. Technology Infrastructure/Software	48,000,000	8,000,000
C. Fleet Replacement	1,000,000	400,000
D. Building Facilities	3,700,000	2,800,000
Police 5-Year Staffing Plan		119,000,000
GASB 43/45 (Retiree Healthcare)		21,600,000
Edenvale/Great Oaks Community Center	11,800,000	
MEF Request to In-Source Night Shift Custodial Services at City Hall		1,200,000
Police and Fire/Federated Retiree Associations Requests for Enhanced Benefits		1,000,000
South San Jose Police Substation -- Public Art for Public Safety Bond Projects	600,000	
Mexican Heritage Corp. Request for Mexican Heritage Plaza Operating Subsidy Increase	300,000	
Trees -- Municipal Code Enforcement		250,000
San Jose Brand Media Outreach Plan	150,000	

**NEW AND UNFUNDED GENERAL FUND INITIATIVE PROGRAMS - TOP PRIORITIES
SELECTED BY CITY COUNCIL AND MANAGEMENT**

Transportation Infrastructure

Technology Infrastructure/Software

GASB 43/45 (Retiree Healthcare)

Building Facilities



UNFUNDED REDEVELOPMENT PROJECTS

Unfunded Redevelopment Project	Cost (in millions)
Convention Center Expansion	\$125.0
B of A BART Portal	\$36.0
Autumn Parkway/Coleman Corridor	\$35.0
Vision North San Jose Implementation Fund	\$30.0
Biotech Pilot Manufacturing Phase 1 Plant	\$25.0
Façade Improvement Program—Downtown	\$15.0
NBD—Façade Improvement	\$15.0
Theatre Improvements	\$12.0
Guadalupe River Park Expansion	\$11.4
Permanent Major Outdoor Event Site	\$10.0
Downtown Streetscapes	\$7.8
Streetscape Improvements—St. John Street	\$6.7
Monterey Corridor—Route 87 Access	\$5.0
San Carlos Improvements—4 th Street to Market Street	\$4.0
Museum of Art Expansion	\$3.0
ETDC Permanent Facility	\$3.0
Downtown Directional Signage	\$2.8
Civic Auditorium Expansion Phase II	\$2.6
Children Discovery Museum	\$2.1
Child Care Development Fund	\$1.0
Japantown—Public Improvement	\$1.0
Other Projects	\$1.2
SNI Projects	\$62.7

**UNFUNDED REDEVELOPMENT PROJECTS –
TOP PRIORITIES SELECTED BY CITY COUNCIL AND MANAGEMENT**

Convention Center Expansion

B of A BART Portal

Vision North San Jose Implementation Fund

SNI Projects

Autumn Parkway/Coleman Corridor

Biotech Pilot Manufacturing Phase 1 Plant

TOP PRIORITY AND MASTER STRATEGIES

REVENUE STRATEGIES

Strategy	Potential Fiscal Impact	Implementation Considerations
1. Extend the Emergency Communication System Support Fee	\$23.4	Council Approval
2. Utilize Financing Strategies which have Positive Net Present Value	\$1.7- \$6.1	Council Approval
3. Ensure Current Fees Fully Cover All City Costs	\$2.0 - \$9.0	Council Approval
4. Restructure Business Tax Rates to Modernize and Reflect Current Business Profits	\$6.3 - \$15.0	Council / Voter Approval
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
6. Implement City-Wide Lighting and Landscape Districts or other Proposition 218 "Property-Related" fees	\$2.5 - \$11.0	Council / Voter Approval
7. Levy Parcel Tax or Sales Tax for Public Safety or Other Services	\$14.0 - \$38.0	Council / Voter Approval
8. Increase Transient Occupancy Tax to Market and Shift to General Fund	\$4.5 - \$11.3	Council / Voter Approval / Coordination with Convention Center Plan

Questions Regarding Revenue Strategies

- Could you clarify the level of detailed analysis we did on these strategies and how much more detailed study would need to be done before the Council could take a serious look at them?
- Is this list exhaustive or would you be willing to entertain other revenue ideas?
- If we choose a specific numbered item (e.g., #6), would that revenue only be used for that purpose or could it go to the General Fund?
- What were the results of general tax measures in recent elections versus special tax measures?
- Does it seem to make more sense to go for a general tax measure instead of a special tax measure?
- How does our emergency communications support fee compare to other cities and can it be raised? Are there more costs associated that we aren't recovering?
- What would be a permanent source of funding that would allow us to fix this problem and have it remain solved?
- Do assumptions on revenue account for lost businesses? Does it assume companies stay where they are?
- Re: #2 - Do we have to wait to do the study analysis and the funding element?
- Does the increase in TOT run counter to the convention center plans?
- If we restructure business tax, what are we going to do to the small businesses that are already struggling?

SERVICE DELIVERY MODEL CHANGES

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

Questions Regarding Service Delivery Model Changes

- What are the assumptions that went into determining the price savings ranges?
- Why is there no suggestion recommending managing our health problems (the 4 major disease groups as they relate to our employees) a little better?
- Is there an opportunity to have one financial management system for the city and the RDA?
- Re: #3 - What might be the level of investment needed for the city to support best practices and self-evaluation of employees?
- Would item #1 be one-time dollars, or would they be ongoing revenues?
- Are there other strategies that might be more politically viable and still save us money?
- Did you look at consolidation of services and also insourcing instead of outsourcing?
- On item #4, does that include technology applications including automated enforcement?
- Did you look at linking service delivery capacity and land use decisions? If it doesn't fit into the three-year time frame, when and how will we talk about it?
- What about card room tax?
- Could we look at our entire inventory of taxes and fees internally?

EXPENDITURE CONTROLS AND SHIFTS

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

Questions Regarding Expenditure Controls and Shifts

- Re: #3 - Would it do away with capital?
- Re: #3 - Is there just a change in the use of C & C?
- Re: #1 - Was the intent that all of it be rolled into the General Fund to be used on Council and city priorities?
- Re: #1 - What is the impact on the parks capital projects if there was a shift of the HNMF to the General Fund?
- Did we consider how energy conservation and adjusted work schedules could help with savings?
- Does our conveyance tax allow the new arrivals to pay their fair share since they will create more of a burden?
- Re: #1 - Did you look at ensuring that our city stays healthy and uses its money to leverage services that assist in building healthy communities?
- Re: #1 - Does the \$5-9 million listed take into account the possibility of capitalizing the HNMF funding right now?
- Do we have anything looking at a two-tier retirement program?
- Re: 4c - Do the health issues savings also look at wellness programs and prevention?
- Re: #4 - Has there been an analysis of other municipalities looking at CPI and revenue growth?
- Re: #4d - How will it really have an impact if only looking at new employees? Aren't we possibly encouraging lots of employees to leave (retire) early?
- Re: #4b - Did you look at having the competitiveness of each position drive salary range?
- Did you consider looking at leasing the car fleet instead of purchasing our own?

SERVICE REDUCTIONS: No questions

NEXT STEPS/FOLLOW-UP PROCESS

WHEN	WHO	WHAT
Tuesday, February 19	Nadine	Distribute the retreat record to those unable to attend.
Within 48 hours of receipt	All recipients	Read the retreat record.
By March 10, 2008	Department Heads	Share and discuss the Strategic Plan with senior staff.
By March 31, 2008	Management Team (City Manager - lead)	Review the "Internal Weaknesses/Challenges" list for possible action items.
By April 30, 2008	City Council Mayor - lead	Consider the adoption of the Strategic Plan.
September 30, 2008	Management Team	Continue with Objectives identified in the packet and make recommendations for additional objectives to the City Council.
September 30, 2008	City Council Management Team	Discuss and revise, if needed, the goal: "Regain our status as the Safest Big City in America"
September 30, 2008	City Council Management Team	Define what is meant by "full funding" in the goal addressing parks, pools, community centers and libraries.
Monthly Bi-monthly	Management Team (City Manager - lead) and City Council (Mayor - lead)	Monitor progress on the goals and objectives and revise objectives (add, amend and/or delete), as needed.
Monthly	Nadine	Prepare the updated Strategic Plan monitoring matrix. Distribute monthly to the Management Team. Distribute bi-monthly to the City Council.

STRATEGIC PLANNING ELEMENTS

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"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