

City of San José
2007-2008
Proposed Operating Budget
Overview

May 7, 2007

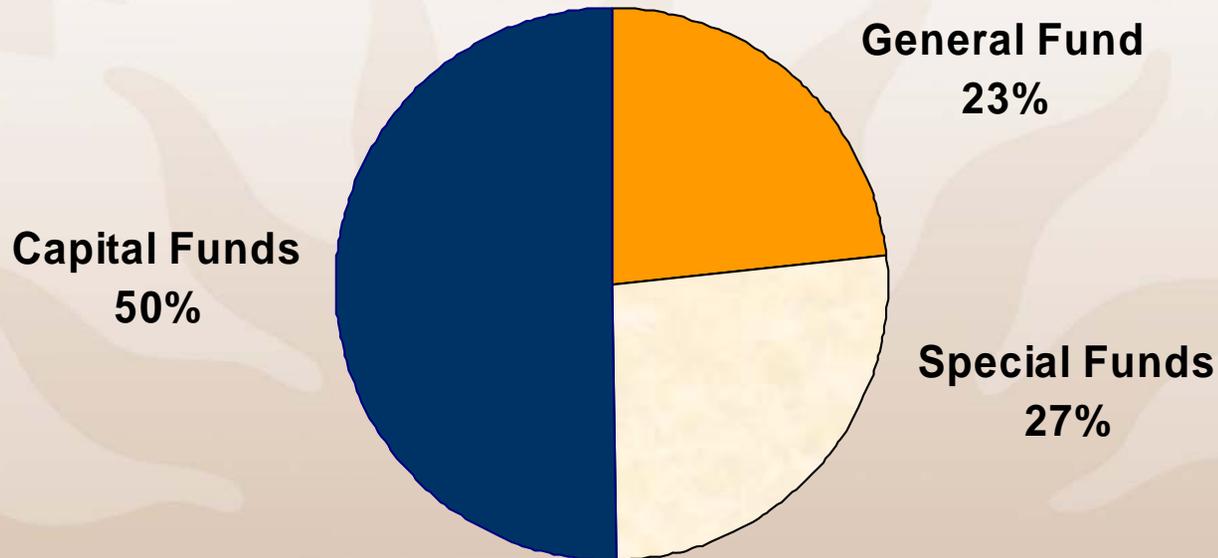
City of San José Budget Overview

2007-2008 Proposed Budget: \$3.23 billion*

Total Number of Funds: 111

Total Number of Employees: 6,970

*** Does not include rebudgets from 2006-2007**



City of San José Budget Overview

2007–2008 PROPOSED BUDGET — ALL FUNDS

	2006–2007 Adopted	2007–2008 Proposed*	% Change
General Fund	\$ 956,829,159	\$896,224,134	(6.3%)
Special Funds	1,326,725,177	1,743,116,173	31.4 %
<Less: Operating Transfers>	(645,998,184)	(1,029,795,496)	59.4 %
Net Operating Funds	\$1,637,556,152	\$ 1,609,544,811	(1.7%)
Capital Funds	\$ 1,383,338,546	\$ 1,633,453,222	18.1%
<Less: Capital Transfers>	(10,388,000)	(10,506,000)	1.1 %
Net Capital Funds	\$ 1,372,950,546	\$ 1,622,947,222	18.2%
Net Total	\$ 3,010,506,698	\$ 3,232,492,033	7.4%

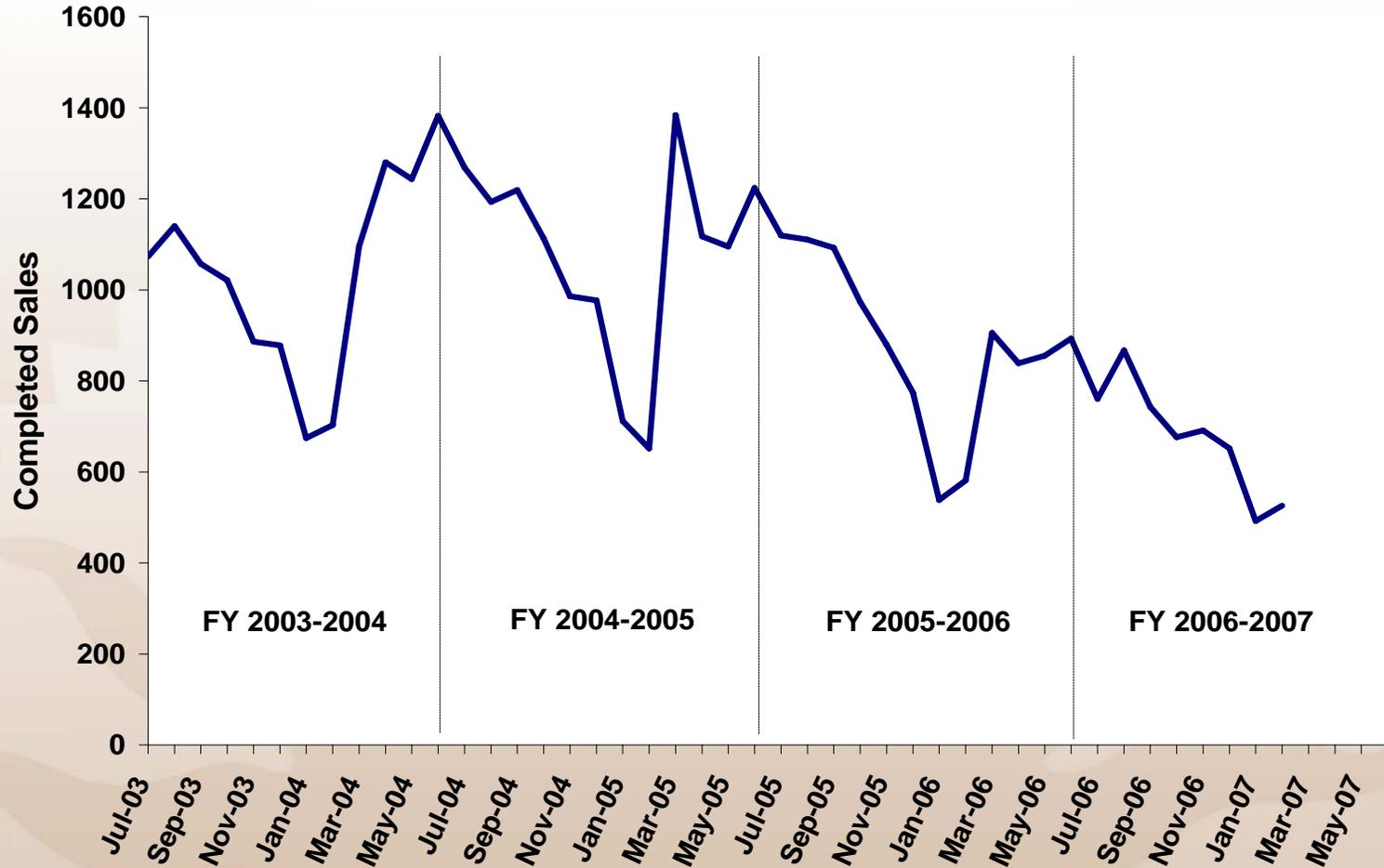
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General Economic Environment

- Modest Growth in Economically Sensitive Revenues
- Slightly Higher Job Growth in Last Year; Still Well Below Peak
- Will Not Return to Growth Levels in Late 1990s nor Drop Back into a Recession
- Largest Risks: Drop in Real Estate Market and Lack of Sales Tax Growth

Economic Indicators

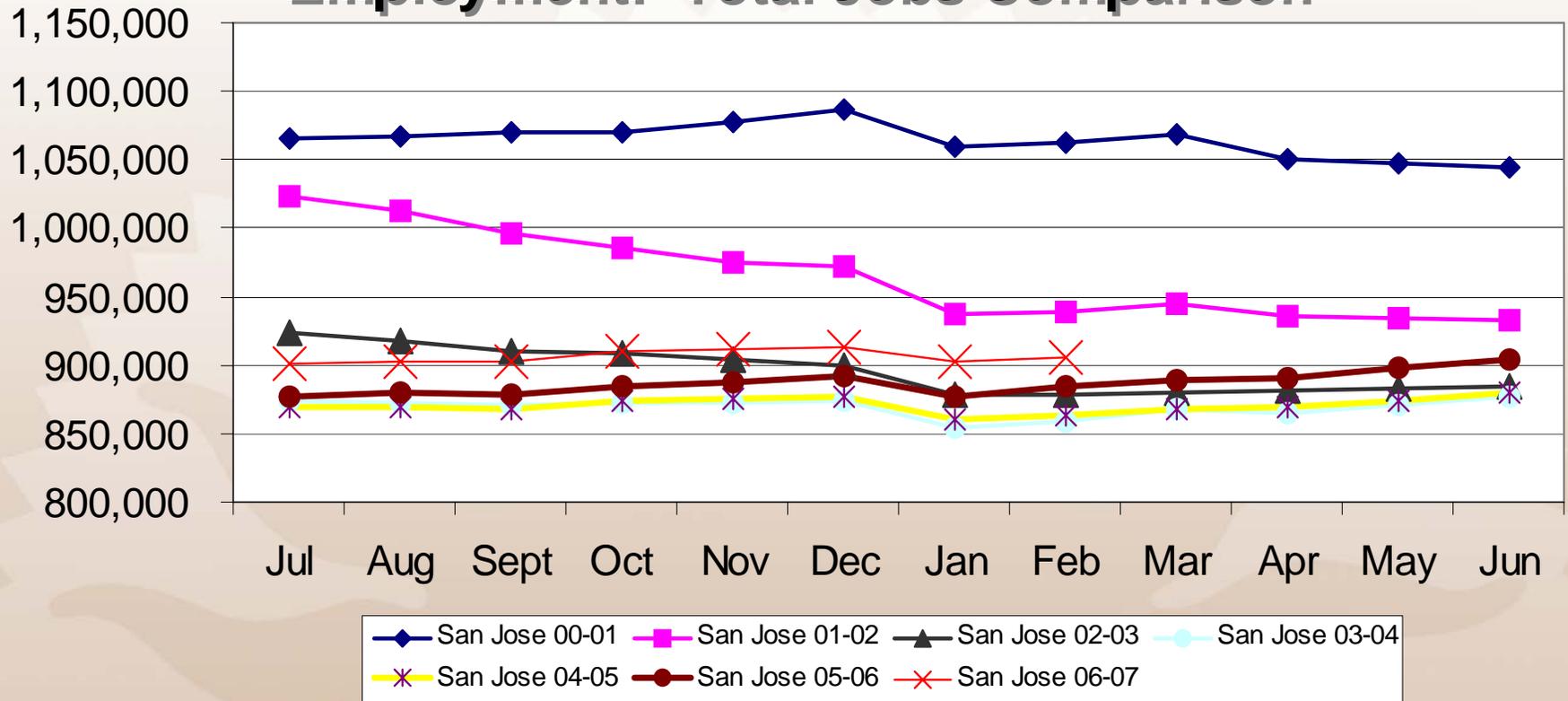
Real Estate Sales (All Residences)



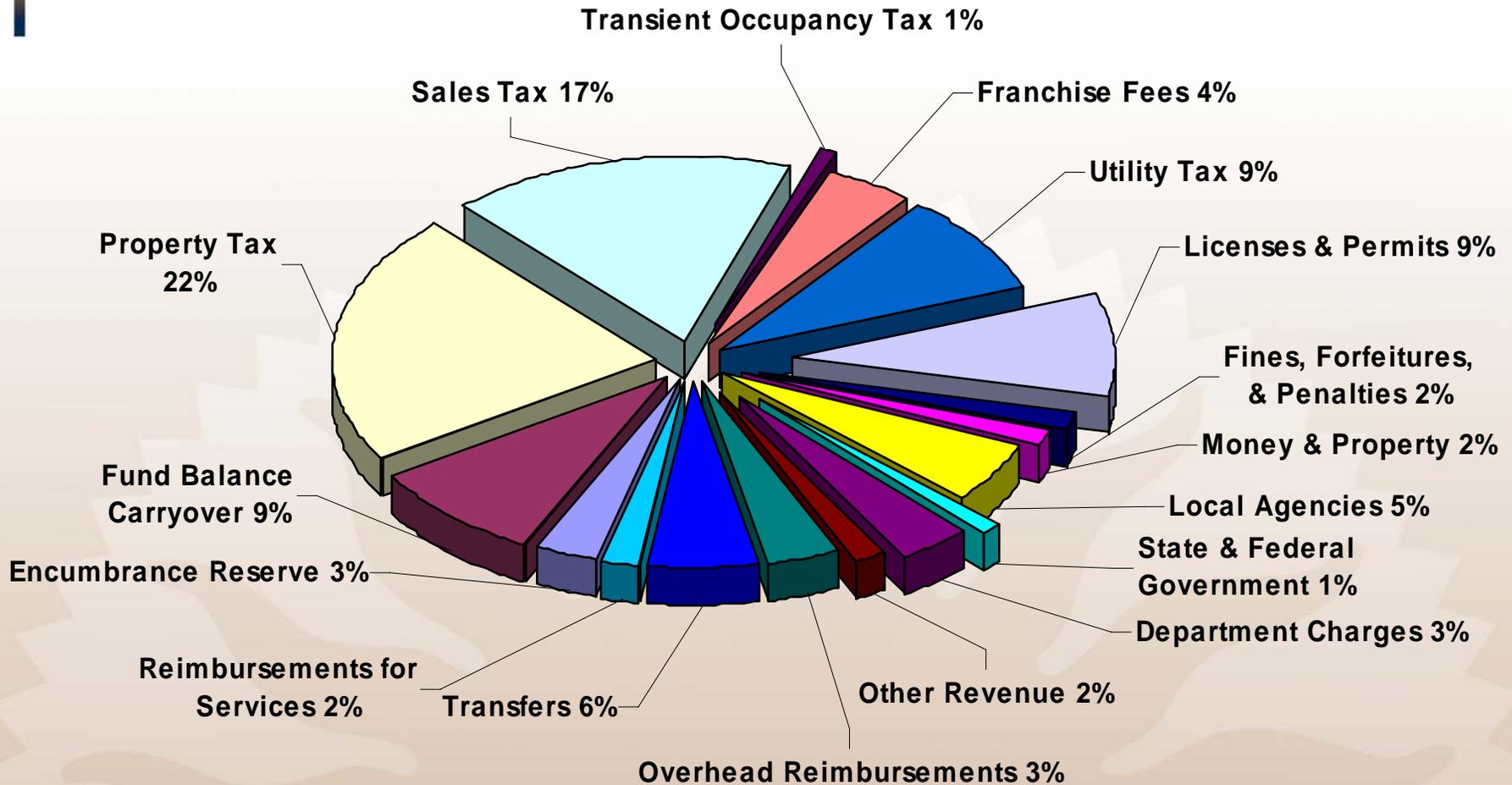
Economic Indicators

San José Metropolitan Statistical Area (Santa Clara County)

Employment: Total Jobs Comparison

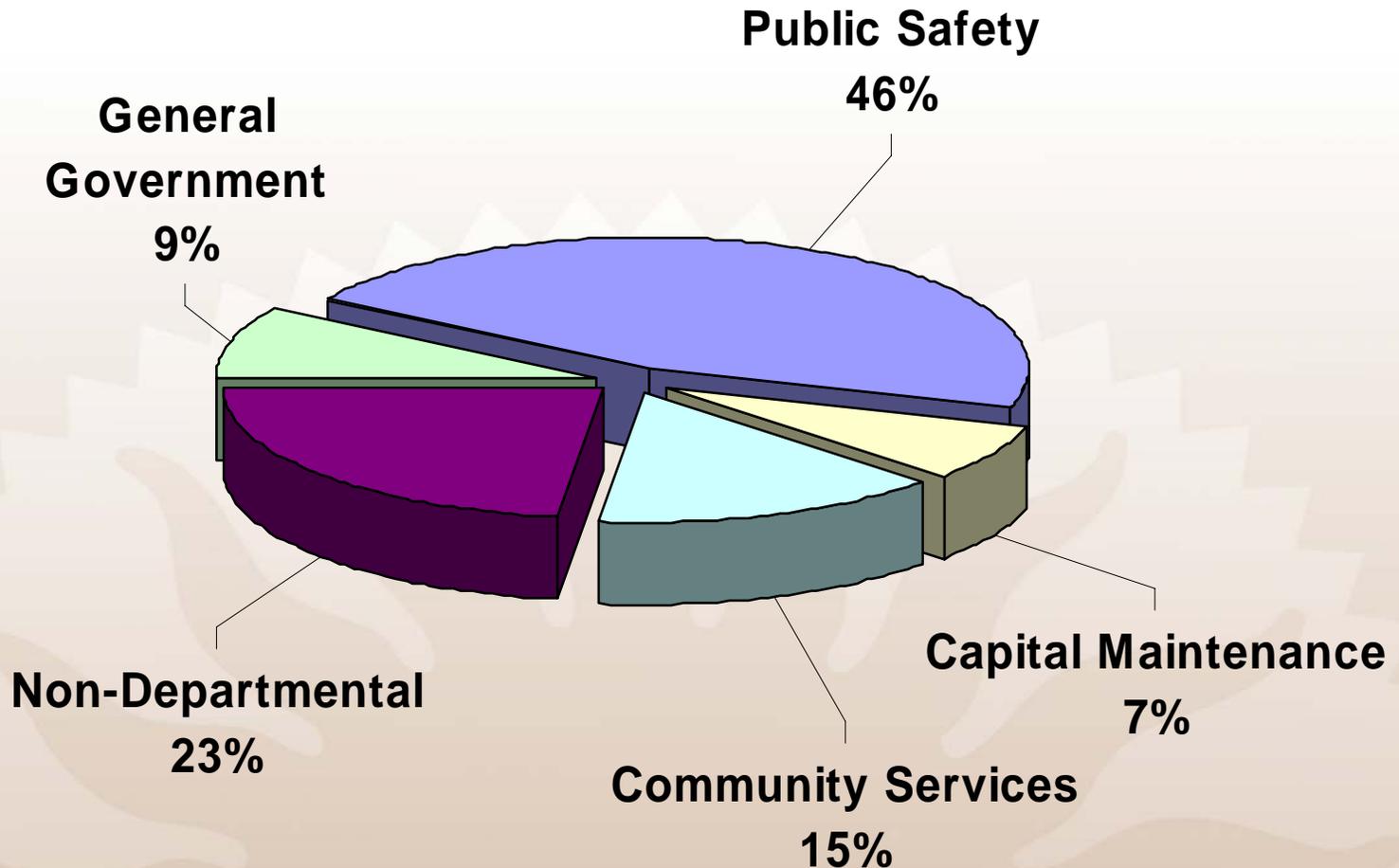


Summary of General Fund Sources



TOTAL GENERAL FUND SOURCES: \$896,224,134

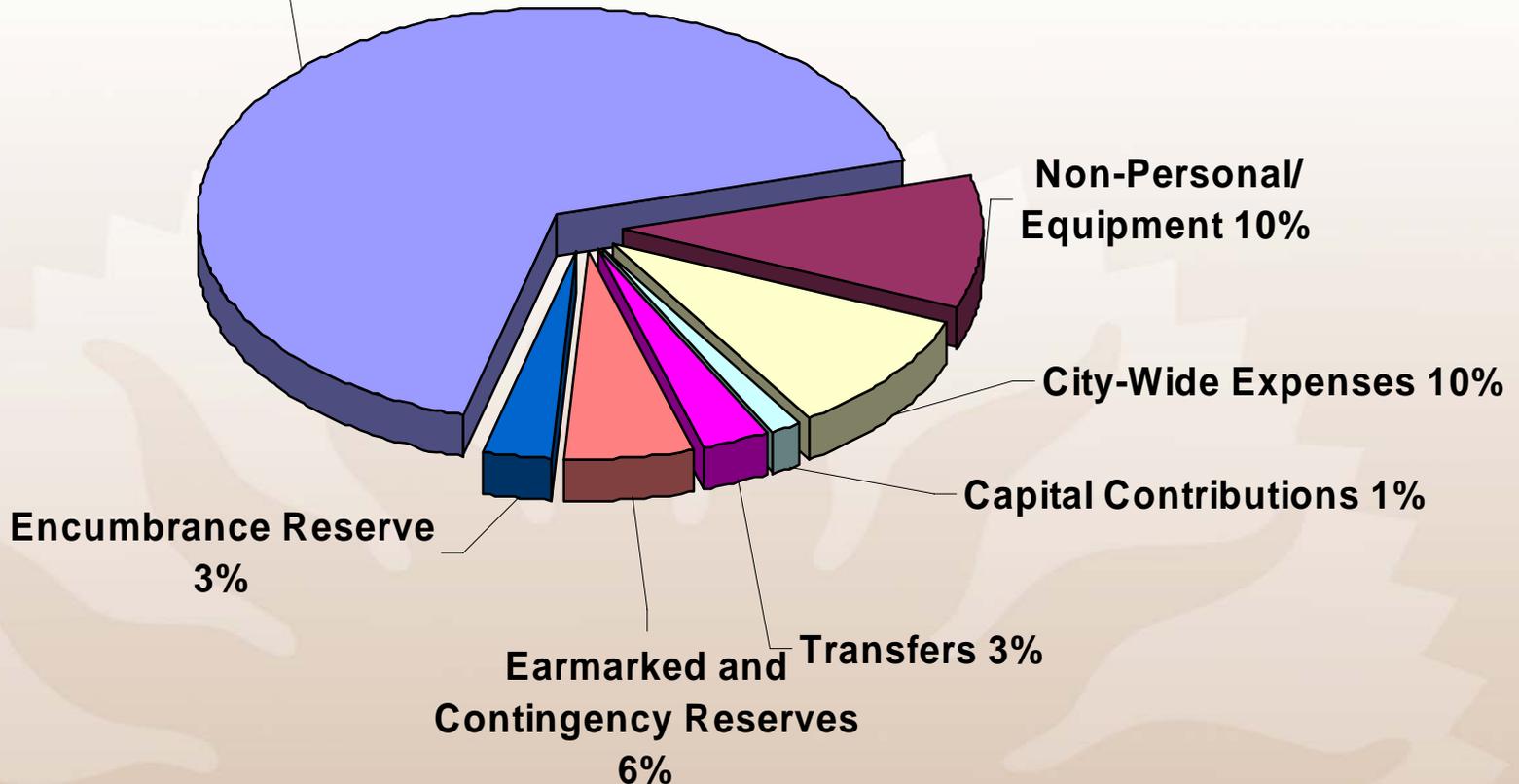
Summary of General Fund Uses



TOTAL GENERAL FUND USES: \$896,224,134

General Fund Uses by Category

Personal Services 67%



Five-Year General Fund Forecast

General Fund Shortfall (\$ in Millions)

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
(\$16.2)*	(\$25.5)	(\$34.3)**	(\$3.6)	(\$7.8)

* 2007-2008 Proposed Budget deficit revised to \$16.0 million for basic shortfall

** Reflects sunseting of Emergency Communication System Support Fee (\$20.6 million in Forecast)

2007-2008 Proposed Operating Budget Process and Strategy

Community-Based Budgeting Process

- With adoption of Reed Reforms, budget process expanded to solicit and incorporate community input
- Telephone survey in January 2007
- Neighborhood Association Priority Setting Session in January 2007
- City Council Priority Setting Session

Three-Year Goals Established by the City Council

- Maintain Our Status as the Safest Big City in America
- Eliminate the Structural Budget Deficit
- Reduce Deferred Maintenance/ 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

2007-2008 General Fund Balancing Strategy

	<u>2007-2008</u>	<u>Ongoing</u>
General Fund Shortfall	(16.0 M)	(\$16.0 M)
Development Fee Program	<u>(\$3.9 M)</u>	<u>(\$3.9 M)</u>
Total Shortfall	(\$19.9 M)	(\$19.9 M)
Changes in Sources	\$ 41.8 M	\$13.2 M
Changes in Uses	<u>\$ 21.9 M</u>	<u>(\$ 5.4 M)</u>
Total Balance	\$0.0 M	(\$1.3 M*)

* 94% of the shortfall addressed with ongoing solutions

General Fund Balancing Strategy

– Changes in Sources

	<u>2007-2008</u>	<u>Ongoing</u>
2007-2008 Future Deficit Reserve	\$ 10,630	\$ 0
• Use of Earmarked Reserves	10,739	2,000
• Development-Related Reserves/ Fee Revenue	6,137	4,421
• 2006-2007 Excess Revenue/ Expenditure Savings	4,109	0
• Transfers from Other Funds	5,918	3,592
• Other Adjustments	<u>4,260</u>	<u>3,175</u>
• <i>Total Changes in Sources</i>	\$ 41,793	\$13,188

General Fund Balancing Strategy

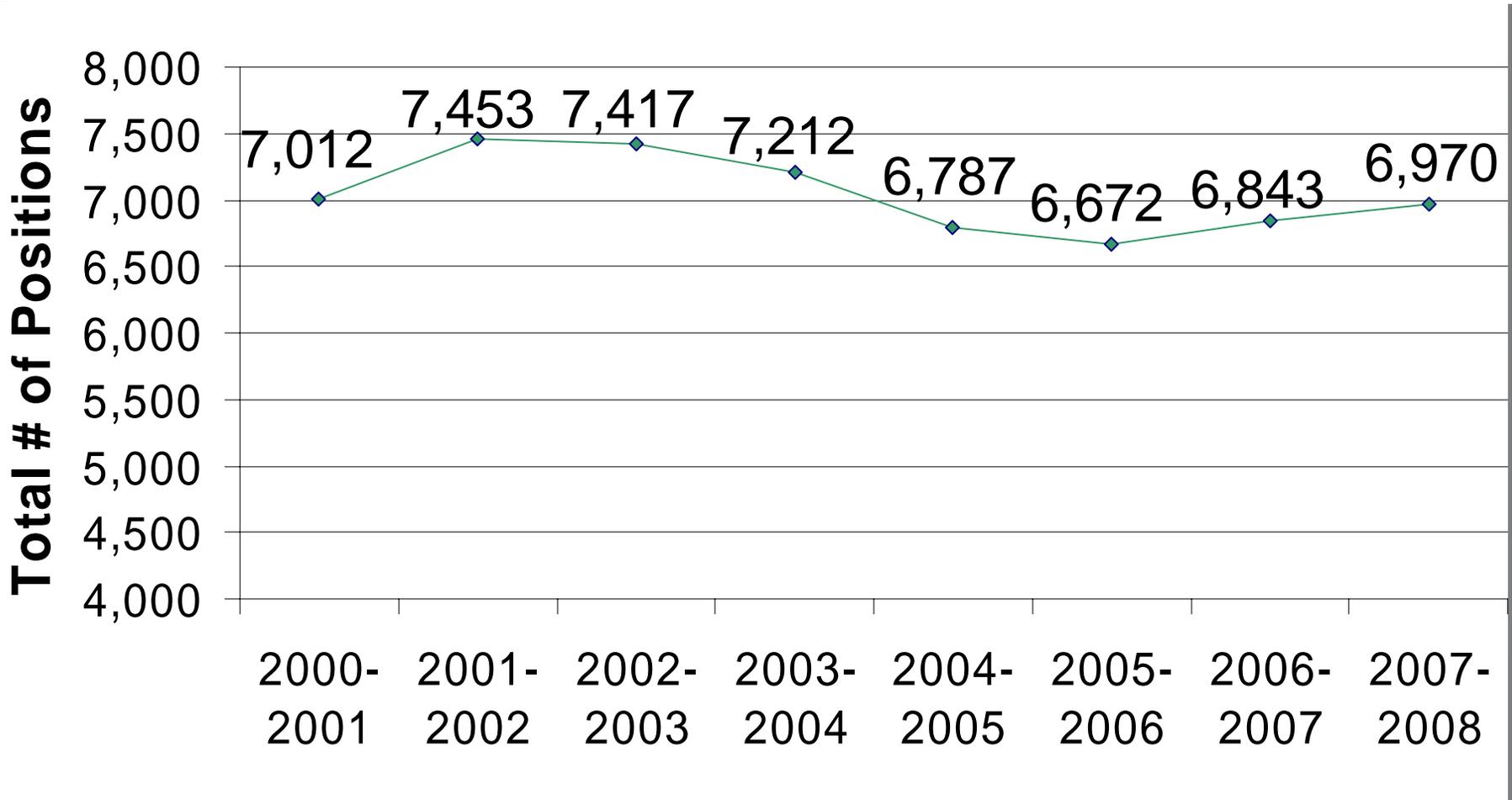
– Changes in Uses

	<u>2007-2008</u>	<u>Ongoing</u>
• Staffing and Non-Personal/ Equipment Reductions	(\$ 9,219)	(\$ 9,410)
• Shift Expenses to Other Funds	(2,428)	(2,379)
• Technology/Infrastructure Reserves	18,804	0
• Neighborhood Services Activities	3,906	2,495
• Economic Development Activities	2,100	0
• City Council Direction (Mayor's Msg.)	1,415	2,120
• Other Additions	<u>7,343</u>	<u>1,752</u>
<i>Total Changes in Uses</i>	\$ 21,921	(\$ 5,422)

2007-2008 Proposed Budget Position Changes (All Funds)

	<u>2007-08 Base</u>	<u>2007-08 Proposed</u>	<u>Total</u>
2006-2007 Adopted Budget			6,843
Position Changes			
Reductions	(42)	(82)	(124)
Additions	<u>21</u>	<u>230</u>	<u>251</u>
Total Position Changes	(21)	148	127
2007-2008 Proposed Budget			6,970

Total Staffing Comparison



Service Delivery Highlights

Maintain Our Status as the Safest Big City in America

- Add 15 police officers and protect all core patrol functions
- Restore emergency dispatch supervisor
- Add 13 fire positions for new Station 34
- Add a Battalion Chief for special operations training
- Permanently continue \$400,000 of the \$800,000 in police overtime that was added one-time in 2006-2007

Eliminate the Structural Deficit

- Solved 94% of the 2007-2008 Proposed Budget with ongoing solutions
- Add \$2 million for GASB 43/45 liability for future benefits

Service Delivery Highlights

Reduce Deferred Maintenance/Infrastructure Backlog and Develop Strategy to Improve Infrastructure

- Add 11 positions to improve existing park maintenance
- Add \$5 million for street maintenance infrastructure
- Set aside \$5.5 million for technology infrastructure

Increase Economic Vitality

- Establish \$1 million Economic Incentive Fund
- Shopping Center Improvement Pilot Program
- Funding to build San José brand in national and international markets
- Add funding for Mariachi and ZeroOne Festivals

Service Delivery Highlights

Provide Full Funding for Parks, Pools, Community Centers and Libraries, including Maintenance, Operation and Development

- Add 12.6 positions and funding to maintain new parks
- Restore summer aquatics positions and funding to support operations at four school-leased pool sites
- Add 22 position for Northside Community Center, Alma Community Center, Hank Lopez Youth/Community Center, St. James Senior Center, and the remaining 17 re-use sites
- Convert 9 temporary therapeutic staff to permanent at Grace Community Center

Service Delivery Highlights

Other Changes

- Add resources for the comprehensive update of the General Plan
- Add 2 code enforcement inspectors to provide proactive code enforcement/field inspections
- In-source electrical and plumbing maintenance
- Add 12 development fee-related positions to improve service delivery
- Add 5 positions to implement a Revenue Collection Strategic Plan to maximize revenue collections

Service Delivery Highlights

Other Changes

- Eliminate 3 vacant police administrative positions, 4 crime prevention positions, and 2 vacant fire administrative and warehouse positions
- Eliminate 23 vacant positions in Parks, Recreation and Neighborhood Services
- Eliminate 4.5 vacant positions in the Library
- Eliminate 8 positions that support traffic and street landscape maintenance
- Eliminate remaining Sidewalk Repair Program grants
- Eliminate NASCOP due to inability to continue citations

Other Operating Funds

- **Airport** - \$8.5 million Airport funding gap closed in 2007-2008. Funding added to implement the Airport's Shared Use System and to assume maintenance and operation of Terminal A+
- **Water Pollution Control Plant** - Additional staff added at the Water Pollution Control Plant for preventative maintenance, HVAC support, a Plant Industrial Safety Program, laboratory support, and implementation of a Infrastructure Management System

Other Operating Funds

- **Integrated Waste Management** – transitioning to new garbage and recycling service providers for Districts A and C and continuing stabilization of the Integrated Billing System
- **Housing** – the goal of 10,000 affordable housing units was exceeded in 2006, with over 12,200 units achieved. In 2007-2008, the City will focus on meeting the housing needs target set by ABAG. The City will also focus on prevention activities implementing the Ten-Year Plan to eliminate chronic homelessness

Fee Impacts

- Development Fee Increases (5%-8.9%)
- Recycle Plus – 28% Increase
(from \$20.15/mo. to \$25.80/mo. for 32 gal container)
- Sewer Service & Use Charge – 9.0% Increase
(from \$260/year to \$283/year)
- Storm Sewer – 9.0% Increase
(from \$50/year to \$54/year)
- Muni Water – 12% Increase
(from \$33/mo. to \$37/mo)
- Misc. Fee Increases to Maintain Cost Recovery (ex. Park/Sports Facility Use, Police Permits)

Key Dates - Next Steps

- | | |
|---|---|
| May 7th thru 18th | City Council Budget Study Sessions |
| May 15th & June 11th | Public Budget Hearings (Evening Meetings) |
| June 12th | Council Review/Approval of Mayor's June Budget Message |
| June 19th | Budget Adoption |

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