

“City Manager for a Day”

Community/Neighborhood Budget Session
January 24, 2009



Meeting Purpose

To elicit input from Neighborhood Leaders regarding how to balance the 2009-2010 City budget.

Meeting Theme

Participants will engage in a budget exercise that incorporates their values and priorities about city government and makes them “City Manager for A Day” in recommending a budget to the City Council that closes the \$65 million projected FY 2009 - 2010 deficit.

Meeting Outcome - Overall

To inform the 2009-2010 budget process by prioritizing General Fund service reduction/elimination and revenue raising ideas from an informed community perspective.

Outcomes for Neighborhood Leaders

- New understanding of the reality of the 2009-2010 budget situation and options for closing the deficit.
- Increased appreciation of the difficult position City Officials are in as they develop and approve a balanced budget this year.

Outcomes for City Officials

- Feedback on specific deficit-closing ideas, as evidenced by common patterns among the ideas selected and rejected by table groups.
- Insight into the values and principles that underlie neighborhood leaders' approach to closing the deficit.

Value of Civic Engagement in Difficult Times

- Increasing need for new forms of collaboration among .
- Politicians, Community/Residents and Administrative Staff because . . .
- Challenges are so complex, fluid and multifaceted
- Local government will lead the way
- San José is the ideal site for innovative solutions

Entering 8th Year of Budget Deficits

Since 2001-2002...

- **Closed \$363 million in General Fund deficits**
- **Eliminated 468 positions (6.3% reduction)**

“Structural Deficit”: Ongoing Costs Exceed Projected Revenues

General Fund Structural Deficit Projection (November 2008) (\$ in Millions)

	2009-2010	2010-2011	2011-2012*	2012-2013*	2013-2014*	Total
Projected Base Shortfall (Nov 2008 Forecast)**	(\$59.1)	(\$27.0)	(\$0.1)	\$3.6	\$5.8	(\$76.8)
Unmet/Deferred Maint. & Infrastructure Needs***	(\$5.9)	(\$5.9)	(\$5.9)	(\$5.9)	(\$5.9)	(\$29.5)
Total Incremental Deficit	(\$65.0)	(\$32.9)	(\$6.0)	(\$2.3)	(\$0.1)	(\$106.3)
Total Cumulative Deficit	(\$65.0)	(\$97.9)	(\$103.9)	(\$106.2)	(\$106.3)	(\$106.3)

* Funding for cost-of-living salary increases not factored into the last three years of the Forecast. These increases are being treated as a resource allocation policy decision.

** Includes City’s share of General Fund annual required contribution for retiree health care benefits (\$22.2 million) and committed additions previously agreed upon by Council, such as addition of 25 officers annually through 2011-12 and operating and maintenance funding for capital projects coming on line.

*** Does not address one-time needs of \$457 million in the General Fund (\$825 million all funds).

Multiple Reasons for Structural Deficit

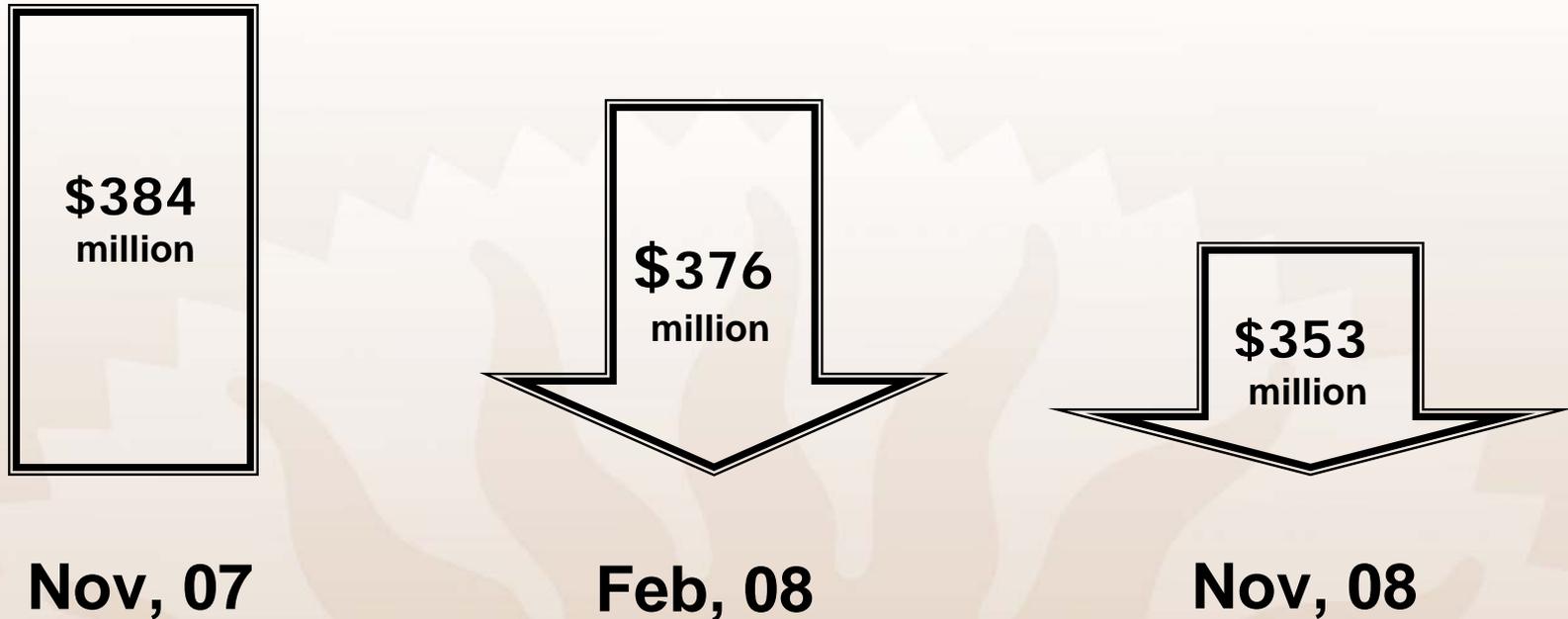
- **Increases in per-employee salary and benefit costs**
- **New costs for staffing and maintaining new facilities**
- **Unmet/deferred infrastructure maintenance costs**
- **Ratio of residential/non-residential development (past land use policies)**
- **Structural economic shift toward services, software, Internet sales (i.e., non-taxables!)**

Three Strategies to Close the Deficit

I. Cost Savings Strategies:	\$36.6 million
II. New Revenue Strategies:	\$22-48 million
III. Service Reductions/Eliminations:	\$73-79 million
TOTAL	\$132-164 million

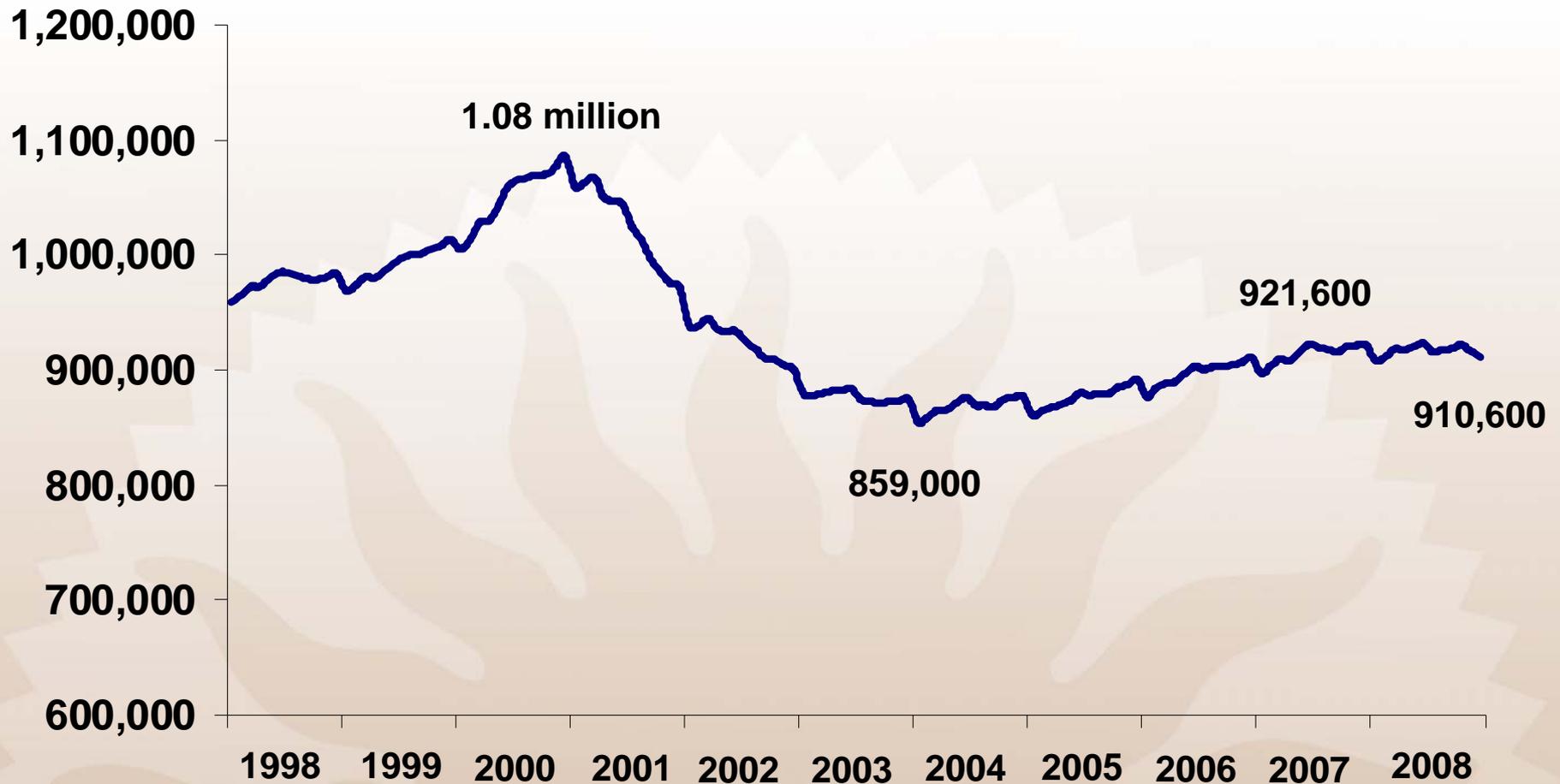
Source: General Fund Structural Budget Deficit Elimination Plan

Global Economic Crisis Has Exacerbated San Jose Deficit



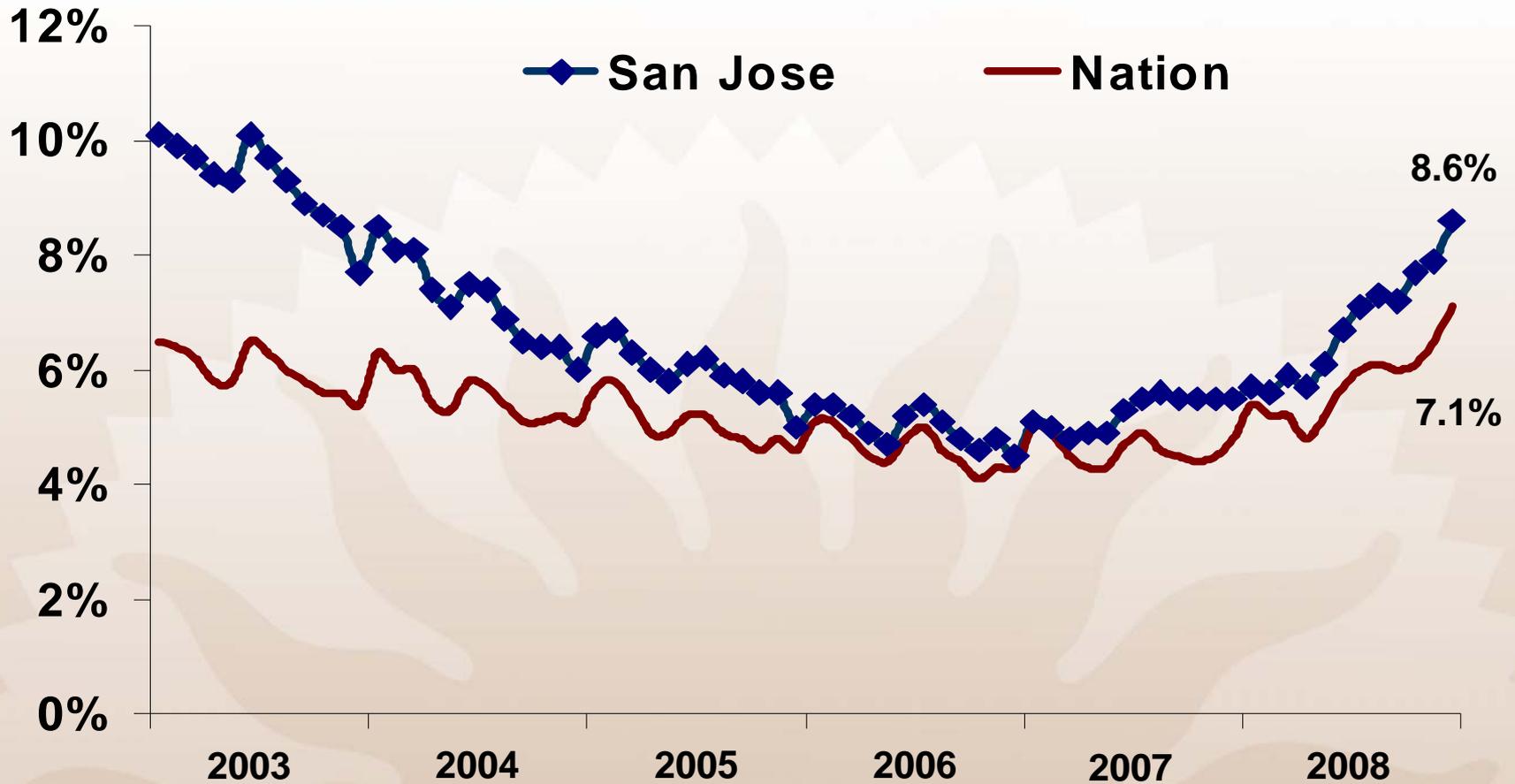
2009-2010 Sales/Property Tax Projection

SJ Area Lost 11,000 Jobs Through December



Source: State of California Employment Development Department, "Metropolitan Statistical Area" is Santa Clara and San Benito Counties

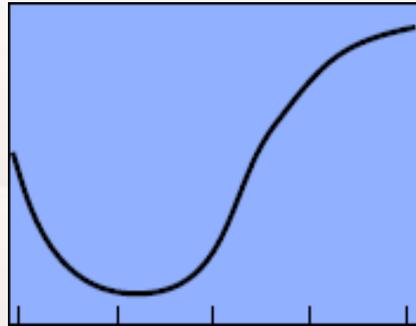
40,000 Residents Are Unemployed



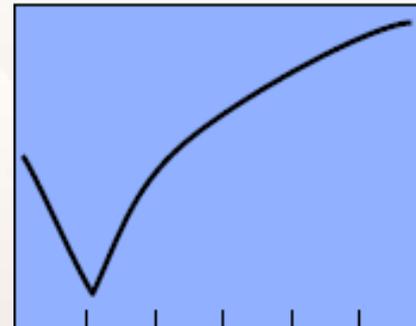
Source: State of California Employment Development Department

Managing In Time of Unprecedented Uncertainty

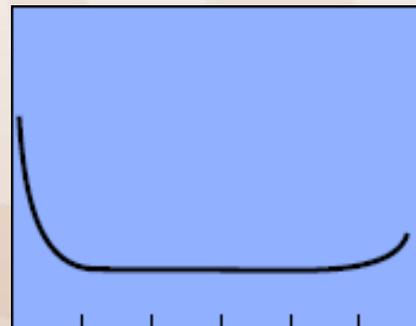
2) "Prolonged Recession",
2 to 4 years



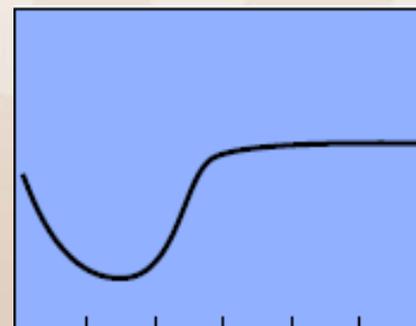
1) "Moderate Recession" of 3-4 quarters, followed by strong growth



4) "Long Freeze" recession, last > 5 years



3) "Moderate Recession" of 1 to 2 years, followed by slow economic growth



Source: McKinsey & Company

Aligning Budget Solutions with Problems

Structural Deficit → Ongoing Solutions

Cyclical Economic Downtown → Short-term Solutions

Structural Economic Change → Tax & Fiscal Reform

Jobs-Housing Balance → General Plan 2040

Six City Service Areas

1. Community and Economic Development
2. Neighborhood Services
3. Public Safety Services
4. Transportation and Aviation Services
5. Environmental and Utility Services*
6. Strategic Support *

**This presentation excludes Environmental & Utility Services and Strategic Support City Service Areas.*

Community and Economic Development

Mission

To manage the growth and change of the City of San José in order to encourage a strong economy, ensure a diverse range of arts, cultural and entertainment offerings, and create and preserve healthy neighborhoods.

Outcomes

- ◆ Strong Economic Base
- ◆ Diverse Range of Housing Options
- ◆ Safe, Healthy, Attractive and Vital Community
- ◆ Range of Quality Events, Cultural Offerings, and Public Amenities

Community and Economic Development

Core Services by Department

<p>City Manager – Economic Development</p> <ul style="list-style-type: none"> - Arts and Cultural Development - Business/Job Attraction, Retention, Expansion and Creation - Outdoor Special Events - Workforce Development 	<p>Planning, Building and Code Enforcement (PBCE)</p> <ul style="list-style-type: none"> - Development Plan Review and Building Construction Inspection - Long Range Land Use Planning - Public Works - Regulate/Facilitate Private Development
<p>Convention Facilities</p> <ul style="list-style-type: none"> - Convention Facilities 	<p>Fire</p> <ul style="list-style-type: none"> - Fire Safety Code Compliance
<p>Housing</p> <ul style="list-style-type: none"> - Increase the Affordable Housing Supply - Provide Services to Homeless and At-Risk Populations - Maintain the Existing Affordable Housing Supply 	

Core Services of the San José Redevelopment Agency

- Enhance the Quality and Supply of the City’s Housing Stock
- Initiate and Facilitate Private Development
- Promote and Implement Neighborhood Improvement Strategies
- Initiate and Facilitate Public Facilities and Spaces

Community and Economic Development

Key Emerging Trends/Themes:

- Decreasing development due to credit crunch➔ decreasing fees
- Rising unemployment from across the board job losses (bright spot: increasing clean tech job growth)
- Slowing retail sales➔ decreasing sales tax
- Declining housing values and increasing foreclosures➔ decreasing property taxes

Community and Economic Development

Preliminary Budget Proposals:

- Maintain investment in revenue generating actives (development facilitation, business cooperation)➤ funding shifts to pay for economic development activities from other sources
- Reduce General Fund subsidies to external organizations and marketing subsidy for Team San Jose
- Improve service delivery models to increase quality and reduce cost
- Promote strategic investments that will generate long-term revenues
- Reduce/Eliminate some programs: Historic Preservation Program, Arts and Cultural Development Function, etc.

Neighborhood Services

Mission

To serve, foster, and strengthen community by providing access to lifelong learning, opportunities to enjoy life, ensuring a diverse range of housing opportunities and preserving healthy neighborhoods.

Outcomes

- ◆ Safe and Clean Parks, Facilities and Attractions
- ◆ Vibrant Cultural, Learning and Leisure Opportunities
- ◆ Healthy Neighborhoods and Capable Communities

Core Services by Department

General Services - Animal Care and Services	Planning, Building and Code Enforcement - Community Code Enforcement
Library - Promote Lifelong Learning and Provide Educational Support - Provide Access to Information, Library Materials and Digital Resources	Parks, Recreation and Neighborhood Services (PRNS) - Community Strengthening Services - Life Enjoyment Services - Neighborhood Livability Services

Neighborhood Services

Key Emerging Trends/Themes:

- A need to increase fees and fines to provide services
- Use of technology to streamline/deliver services via web
- Increased need and use of services during recession
- Bond-funded facilities are well used

Neighborhood Services

Preliminary Budget Proposals:

- Increase user fees, rental fees, and sponsorships in PRNS, and higher Library fines
- Eliminate school based afterschool programs including Homework Centers
- Reduction of service hours and days at branch libraries
- Reshape service delivery at community centers, more hours and services, but far fewer sites.

Public Safety Services

Mission

Provide prevention and emergency response services for crime, fire, medical, hazardous, and disaster related situations.

Outcomes

- ◆ The public feels safe anywhere, anytime in San José
- ◆ Residents share the responsibility for Public Safety

Core Services by Department

Emergency Services <ul style="list-style-type: none">- Emergency Preparedness and Planning- Emergency Response and Recovery	Police <ul style="list-style-type: none">- Crime Prevention and Community Education- Investigative Services- Regulatory Services- Respond to Calls for Service- Special Events Services
Fire <ul style="list-style-type: none">- Emergency Response- Fire Prevention	Independent Police Auditor <ul style="list-style-type: none">- Independent Police Oversight

Public Safety Services

Key Emerging Trends/Themes:

- Economic downturn generally results in increased demand for service
- Increased service demands due to growth
- Loss of “Safest Big City” in America designation
- Greater limitations on how Homeland Security grants can be used

Public Safety Services

Preliminary Budget Proposals:

- Shift General Fund Costs to grants
- Shift Emergency Service General Fund costs to grants where eligible
- Reduce number of Firefighter-Paramedics on fire engines to EMS contract minimums
- Eliminate Fire Public Education Program and one Fire Engine or truck
- Create new fees to recover costs for service
- Eliminate School Safety Program, including education and school crossing guards

Transportation & Aviation Services

Mission

To provide the community with safe, secure, and efficient surface and air transportation systems that support San José's livability and economic vitality.

Outcomes

- ◆ Provide Safe and Secure Transportation Systems
- ◆ Provide Viable Transportation Choices that Promote a Strong Economy
- ◆ Travelers Have a Positive, Reliable and Efficient Experience
- ◆ Preserve and Improve Transportation Assets and Facilities
- ◆ Provide a Transportation System that Enhances Community Livability

Core Services by Department

Airport <ul style="list-style-type: none">- Airport Customer Service- Airport Environmental Management- Community Air Service	Transportation <ul style="list-style-type: none">- Parking Services- Pavement Maintenance- Street Landscape Maintenance- Traffic Maintenance- Transportation Operations- Transportation Planning and Project Delivery
Police <ul style="list-style-type: none">- Traffic Safety Services	

Transportation & Aviation Services

Key Emerging Trends/Themes:

- Excellent Traffic Safety Record
- Growing Infrastructure Inventory
- Shrinking Resources
- Growing Maintenance Backlog
- Community wants congestion relief, street maintenance
- Increased Reliance on Property Owners for Maintenance
- Seeking a More Sustainable Model

Transportation & Aviation Services

Preliminary Budget Proposals:

- Transfers
 - Shift eligible expenses from General Fund to other funds

- Revenues
 - Parking Citation Increases
 - Expand Parking Compliance and Meter Zones
 - New/Expanded fees (Sidewalks, Events)

- Service Reductions/Eliminations
 - Pavement Maintenance
 - Landscape Maintenance
 - Traffic Calming
 - Streetlight Shut Off



Large Group Discussion Questions

1. What surprised you most about doing this exercise?
2. How did your values and priorities influence your decision to accept certain ideas and reject others?
3. What was most difficult about this exercise?
4. What was the most important thing you learned from this exercise?
5. What advice do you have for the Mayor and City Council and City Manger as they enter into the 2009-10 budget process?