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Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: Debra Figone
SUBJECT: Summary of January 24, 2009 Budget Priority Setting Session
DATE: February 10, 2009

INFORMATION

BACKGROUND

On Saturday, January 24, the City hosted the Third Annual Neighborhood Association and Youth Commission Priority Setting Session. Approximately 80 neighborhood leaders and youth, supported by City staff, met to provide input on closing the structural budget deficit. This year, the attendees participated in an exercise where they were "City Manager for a Day," and were asked to review preliminary budget proposals (both reduction and revenue proposals) from departments, in an effort to balance the \$65 million deficit for FY 2009-10. Participants were also allowed to add their own ideas, which were quickly reviewed and approved by the City Manager if the idea could conceivably be implemented for FY 2009-10. The exercise was very successful, resulting in the attached feedback for consideration as part of the 2/17/09 City Council FY 2009-10 Budget Review study session.

ANALYSIS

Two Exhibits (attached) summarize the results of the Budget Exercise:

- Exhibit A: Identifies the number of tables that included each proposal idea in their package to achieve the \$65 million reduction.
- Exhibit B: Provides the new proposal ideas developed by the tables and other written comments offered.

There are a few important caveats on using the participant feedback as input to decision-making. While the Budget Exercise is useful for discerning broad indications toward acceptance or rejection of proposal ideas, and general approaches to solving the deficit (relative use of revenue/expenditure solutions), it is important to acknowledge that the information provided on the card about each budget proposal was very general, and not detailed or well-developed in terms of specific impacts. Some of the proposals were very preliminary ideas that require further development and consideration. The Exercise feedback should be considered an early indication

of the acceptability of various ideas to neighborhood leaders, and a starting point for further idea development and engagement.

From the conversation, written comments, and new budget proposals generated by participants, a few common themes emerge:

- Strong interest in reducing City personnel costs, including expectation that City consider tools being deployed by private and public-sector employers: wage freezes, wage cuts, mandatory furloughs (effective pay cut), fewer vacation days, and layoffs.
- Strong openness to new revenue generation. Despite the difficult economy, participants did not shy away from the idea of new revenue generation. Eight of the 11 tables chose the city sales tax. (Note: 2 of those teams reduced it to a 1/8 cent sales tax.)
- Neighborhood leaders expressed strong interest in outsourcing, use of volunteers, and public-private partnership as strategies to retain services that might otherwise be significantly reduced or eliminated.
- Neighborhood leaders seemed understanding that the 09-10 deficit has 2 components—a structural component and a recessionary component—and that ongoing solutions are needed as well as stop-gap measures that could be in place for one or more years as the recession continues.
- Neighborhood leaders remarked that a multi-year, cohesive approach is required to address the deficit. They expressed surprise and concern that many of their new ideas could not be considered and implemented for 09-10.
- Leaders are interested in understanding the relationship between the city's economic development activities and city revenue. Some expressed interest in "promoting" our way out of the fiscal situation.

Assessment of the "City Manager for a Day" Budget Exercise

Feedback from Participants

Without prompting, meeting participants expressed appreciation for the "City Manager for a Day" approach to soliciting their input. They mentioned the following:

- The Exercise provided a mechanism for "structured input" to a real situation.
- Participants appreciated the fact that the cards were real proposal ideas that Department Heads and Manager were considering.

- The conversation was not a generalized conversation of “what are your priorities,” devoid of specific constraints and trade-offs. (Priorities were instead revealed through the give-and-take of real conversation and decision-making.)
- Participants valued the opportunity to interact with Department representatives who could answer their questions and entertain their new ideas. It was essential for functioning of the exercise that enough knowledgeable people were in the room to respond promptly to questions.

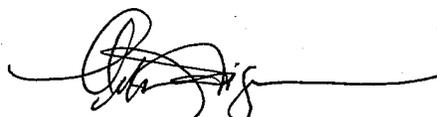
Other Observations

- Participants felt comfortable calling the Budget Exercise a “Game.” Staff had been concerned that using the word “Game” might have trivialized the seriousness of the situation.
- Participants were forced to face opposition, make their case, and arrive at a shared recommendation within their small group, very similar to the dynamic facing the City Manager, Mayor, and Council.
- As participants raised new ideas to control staff cost escalation or otherwise reduce budgets, they seemed surprised at how many of their new ideas would be subject to ‘meet and confer’ processes or union contract negotiations.
- A number of the tables provided budget solutions that exceeded the \$65 million deficit reduction target. A key factor in achieving this was the ¼-cent sales tax proposal idea, worth \$35 million. The Budget Exercise would have been much more challenging without this card.

Next Steps

In addition to utilizing the feedback at the 2/17/09 budget study session, the participants of the 1/24/09 session will be notified that the results are available through this Information Memo.

Please feel free to contact me, Kim Walesh or Deanna Santana should you have any questions or comments regarding the information provided.



DEBRA FIGONE
City Manager

Attachments

EXHIBIT A: SUMMARY OF EXERCISE RESULTS

This exhibit shows the number of tables that accepted each proposal idea in their package to achieve the \$65 million reduction.

Plain text=Cost-reduction proposals

Bold text=Revenue-generation proposals

Proposal	# of Tables (out of 11)
Reduce Rate of Growth in Personnel Costs	10
Require Downtown Night Club Venues to Pay 50% of Police Overtime Costs	10
Achieve Service Delivery Efficiencies	9
Redirect Subsidy for Convention & Visitors Bureau Marketing	9
Increase Parking/Traffic Citation Fines	9
Lease City Assets	9
Increase Library Materials Fines	9
Charge Full Cost to Event Planners for Police to Coordinate and Staff Events (inc. On-Duty)	9
Reduce General Government (Strategic Support Services)	8
Postpone Opening of Public Facilities Scheduled for FY09-10	8
Eliminate Police Officers Response to Non-Injury Accidents	8
Implement a ¼ Cent Sales Tax	8
Implement a Plastic Bag Fee	8
Establish a Security Alarm Fee for Commercial and Residential Alarms	8
Expand Parking Compliance and Meter Zones in the Arena/Diridon Area	8
Eliminate or Modify the School Crossing Guard Program	7
Eliminate 1 Police Department Traffic Enforcement Unit	7
Reduce Park Maintenance by 1 Day per Week	7
Assign to General Fund a % of Additional Future Funds Generated by Anti-Tobacco Settlement Revenues	7
Double the Storm Sewer Service Fee from \$6 to \$12/month	7
Reduce Funding by 50% for Long-Range Land Use Planning	6
Eliminate Streetscape Landscape Maintenance and Replanting	6
Charge a Fee to Entities that Store Hazardous Materials	6
Implement Inspection and Traffic Management Fee	6
Restructure Existing Leases with Non-Profit Operators of City Facilities to Achieve Cost Recovery	6
Achieve Savings by Reducing Recently Implemented Open Government Initiatives	5

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Suspend Hiring of Additional Police Officers	5
Eliminate Arts and Cultural Development Functions	5
Provide 1 (rather than 2) Firefighter-Paramedics per Fire Engine	5
Reduce by 50% the Police Department's School Liaison Unit	4
Eliminate the Police Horse Mounted Unit	4
Reduce Lower-Priority Police Investigative Functions	4
Eliminate the Anti-Graffiti Program in Non-Park Areas	4
Eliminate Fire Engine or Truck	4
Close Neighborhood Park Restrooms During the Week	4
Close Community Centers by 1 Day per Week	4
Increase Existing Fees to Fully Cover Costs to Deliver Services and Institute New Fees	4
Charge Fee to Auto Insurance Companies for Vehicle Accident Scene Response by Fire Department	4
Reduce Anti-Tobacco Settlement Revenues and Transfer to the General Fund	4
Reduce Days of Service at Branch Libraries	3
Reduce Pavement Maintenance Funding	2
Transition to 1 Community Center per Council District	2
Reduce Metro Unit by 1 Team	1
Eliminate Residential Traffic Calming Activities; Limit Service to Mandated Activities	1
Eliminate Stand and Clean Slate Anti-Gang Programs	1
Close City Swimming Pools	1
Eliminate Park Rangers	1
Eliminate General Fund Support of Emergency Preparedness Planning, and Emergency Response and Recovery Services	0
Eliminate the Crime Prevention Unit	0

EXHIBIT B: NEW IDEAS AND OTHER WRITTEN COMMENTS

This Exhibit provides the new proposal ideas developed by the tables, as well as other written comments offered.

Personnel Cost Containment Strategies

- "Cut four paid holidays."
- "Freeze all wages across the board until the budget is passed."
- "Base retirement benefit on base salary only."
- "City needs to change the employee 1040 rule for part-time employees. It is outdated and it hurts the City, the employee and the community."
- "Retired city employees cannot be hired as contractors in their departments or areas of prior expertise if they are drawing on their retirement and benefits at the same time."
- "Freeze pay increases for 5 years."
- "New employees have new benefit package - 2 tiered system."
- "Reduce City employee overtime."
- "Reduce management salary by 5%."
- "4 week cap on accrued vacation so that people cannot add it to their retirement income." "No accrued sick time to be paid in retirement income."
- "Eliminate Executive pay week - no more paid personal days."
- "Salary freeze for over 100K salaries (subject to negotiations with labor unions)."
- "Request during bargaining agreement process that police/fire reduce slightly their benefits."
- "Eliminate disabled designation for retired police and fire to determine fraud and over compensation."

Contract Out/Use Volunteers/More Public-Private Partnership

- "All school crossing guards should be volunteers."
- "School crossing guard program--implement a volunteer program to replace this program."
- "Private/public partnership for libraries; use community volunteer hours."
- "Public/private partnerships in all neighborhood services; outsource where possible."
- "Private/school partnerships to keep swimming pools open."
- "More partnerships for parks, community centers, libraries, etc. to increase revenue and remove city barriers to develop benefits (including sponsorships and ability to enter into agreements quickly)."
- "Start budget year with zero-based budget. Justify all jobs and Department costs. Decrease Across the board, decrease or implement furlough. Contract out based on need."
- "Use volunteers for park maintenance."
- "Private/public partnerships, volunteers, and outsourcing."
- "Reduce ordinances that make it difficult for the public to accept responsibility for tree trimming and sidewalk repair."
- "Private sponsorship for police mounted unit."
- "Public/private partnership with friends of San Jose Mounted Unit."

Revenue Generation Ideas“

- Sell old City Hall and adjacent building.”
- “Charge the County jail for Fire response to jail medical emergencies.”
- “Don't have fire truck and ambulance go to medical calls.”
- “Make firemen EMS.”
- “Use RDA funds to free up GF Dollars.”
- “Increase green fees for all three golf courses.”
- “Cost recovery from Police response to multi-family units owned by unresponsive landlords. Permit license from the City would have to include emergency owner contact information.”
- “Shift response to parking violation calls from Police to Parking Control. Currently PD comes and sometimes the Towing Division. We need PD on more serious situations.”
- “Increase citation fees for parking on the lawn. Institute boots for vehicles. Increase fees for vehicles parking on No Parking on Street Sweeping Days.”
- “Focus on economic development via business development strategies.”
- “No free parking in entertainment areas.”
- “Identify and increase all user fees where cost identification is possible.”
- “Increase a fee for use of shopping carts.”
- “Implement fines and/or give fire greater enforcement on business violations.”
- “Require 75% of PD OT costs are paid for downtown night clubs.”
- “Fire provision of ambulance and other emergency medical services for a fee.”

Other Cost-Reduction Ideas

- “Reduce number of firemen per truck from 4 to three which is the County level.”
- “Hire non-police/fire officers to do administrative jobs at lower cost to reduce PD/Fire staffing costs.”
- “Reduce amount of sworn officer that could be filled by civilian jobs.”
- “Eliminate Automatic Reduced Fee for large generalized categories such as Seniors.”
- “Move from City employees under Team San Jose to Team San Jose Employees.”
- “Eliminate two Council positions by combining districts. Retain adequate staffing.”
- “Reduce the 2% art set aside for capital projects to 1.2%.”
- “Website competition open to the City and Bay area to cut costs and generate revenue.” “Winners will be invited to an awards ceremony, no cash reward.”
- “Require 911 dispatchers to ask more questions to determine if police presence is required.”
- “Eliminate Team San Jose and civil servants - administrative positions.”
- “Hire 25 Police Officers -- Lateral transfers with \$20K incentive.”