



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Ash Kalra

SUBJECT: MAYOR'S JUNE 2011 BUDGET
MESSAGE

DATE: June 10, 2011

Approved

Date 6/10/11

RECOMMENDATION

Make the following amendments to the Mayor's Budget Message dated June 3, 2011:

1. Allocate 25% of any funding deemed available for the Future Deficit Reserve Fund at the time of the 2010-2011 Annual Report to first restore police officer positions.
2. Any savings from election and ballot measure costs being lower than anticipated, or not occurring should there be no ballot measures in November, should be directed immediately to restore police officer positions

ANALYSIS

While I agree with the need to prepare for the projected 2012-2013 budget shortfall, I remain extremely concerned about the impact that the proposed police department reductions will have on the City. This concern is heightened by the fact that under the current proposed budget, there will be little flexibility to address public safety issues that may become apparent, if they haven't already, prior to next year's budget process.

I agree with the direction in the Mayor's June Budget Message to use any excess sales tax revenue to fund additional police positions. I also concur with using marijuana-related revenues to fund additional police positions, as set forth in MBA #30. However, more can and must be done. The current direction to assess different police staffing models and span of control issues can only do so much to offset the loss in police personnel.

The simple truth of the matter is that no one truly knows what the long-term impacts for the City will be with the current proposed level of police staffing. And while it may be difficult to put a dollar figure on the value of having a safe city, there can be no question that the cost to San Jose will be significant if the current upward trend in violent crime continues. While this cost may not be able to be put onto a balance sheet, there can be no doubt that there will be a real fiscal impact on property values, on the attractiveness of the City for new businesses and residents, and tourism. Most

importantly of all, the cost to our residents who are the victims of these crimes cannot be quantified or calculated as a line item on a ledger sheet.

Accordingly, we need to take a more proactive approach to ensure that our commitment to fiscal responsibility doesn't blind us to our duty to protect our residents and to provide a safe city for our constituents.

My recommendation has two components:

1. Allocate 25% of any funding deemed available for the Future Deficit Reserve Fund at the time of the 2010-2011 Annual Report to first restore police officer positions

Because the 2010-2011 excess fund balance will not be determined until October, it is difficult to propose a specific level of funding for additional police officers. However, direction has been issued recently to allocate any marijuana-related revenues from the final quarter of FY 2010-2011 (currently estimated at \$1.2 million), as well as the projected excess revenue of just under \$2.8 million for FY 2011-2012 to the Future Deficit Reserve Fund (MBA #30). Additional proposed contributions to the Future Deficit Reserve Fund as set forth in multiple budget addenda that were approved in the June Budget Message total approximately \$490,000.¹ Thus, we are currently earmarking an approximate total of \$3.3 million to the Future Deficit Reserve Fund. This does not include the recommendation that "any additional funding" and all excess General Fund monies be allocated to the Future Deficit Reserve Fund.

Last year, we had an extremely low excess fund balance of \$6.6 million. Using these figures solely for the purpose of providing an example, the \$6.6 million combined with the projected \$3.3 million discussed above would result in funding in the amount of approximately \$10 million in the Future Deficit Reserve Fund as of the 2010-2011 Annual Report. If 25% of these funds were set aside for police staffing, the resulting \$2.5 million could fund approximately twelve additional police positions while still leaving \$7.5 million in the Future Deficit Reserve Fund.²

I strongly believe that this approach better balances the need for fiscal responsibility with our duty to maintain a safe city. Therefore, I propose setting aside 25% of any funding that has been earmarked for the Future Deficit Reserve in the Budget Message and corresponding Budget Addenda specifically for funding police officer positions. Specifically, I propose using 25% of the funds that will be allocated to the Future Deficit Reserve Fund pursuant to the adopted 2011-2012 Budget and immediately use these funds to restore police positions currently slated for elimination. In addition, once the excess fund balance has been determined for the 2010-2011 Annual Report and the excess fund balance has been transferred to the Future Deficit Reserve, I propose using 25% of the Future Deficit Reserve to again restore police positions. This approach will allow us to responsibly prepare for next year's budget process, while ensuring that we have a certain amount of flexibility to respond to the current crime trends in the city.

¹ This figure is derived from the proposed allocations to the Future Deficit Reserve Fund as set forth in MBAs 20, 36, 38, 39, 41 and 43.

² I am intentionally using last year's excess fund figures, which were significantly less than the excess fund balances from previous years, for the purpose of providing a conservative example. However, given the extremely conservative nature of the revenue and other projections contained in the proposed budget, I believe that these figures will be significantly higher.

2. Any savings from election and ballot measure costs being lower than anticipated, or not occurring should there be no ballot measures in November, should be directed to re-fund police officer positions

The latest developments in the negotiation process with the City's bargaining units with respect to retirement reform, particularly as they pertain to the pending fiscal emergency plan and proposed ballot measures, have led me to question the likelihood of being able to rush to the ballot in November. We should know within the next few weeks whether preparing November ballot measures is feasible. If these measures cannot be prepared in time for the November ballot, I propose using all savings to fund additional police officers.³

While we must continue to plan ahead for next year's projected deficit, we have no greater responsibility than to ensure the safety of our residents. We need to take more proactive steps in ensuring that San Jose does not continue to lose its standing as one of the safest big cities in the nation. The measures recommended in this memorandum would go a long way in meeting our duty to protect San Jose's residents.

³ If there is a charter election next June, the cost of the ballot measures will be far less than the \$3.4 million estimate for November ballot measures due to the fact that there will be a primary election in June. My proposal would use these savings to fund additional police positions.