

City of San José

General Fund Budget Status Overview

City/County Meeting
October 28, 2011
Item 3(a)

General Fund Budget Status Overview

Purpose:

- To provide historical context to the City's General Fund budget problem
- To present preliminary General Fund budget shortfall figures for 2012-2013 and out years
- To provide information on potential strategies and impacts to address shortfall

Ten Consecutive Years of Shortfalls

	Total General Fund Shortfall	City-Wide Position Changes (All Funds)	City-Wide Positions (All Funds)
2002-2003	(\$ 46.3 M)	(36)	7,418
2003-2004	(\$ 92.1* M)	(205)	7,213
2004-2005	(\$ 81.7* M)	(426)	6,787
2005-2006	(\$ 58.0 M)	(115)	6,672
2006-2007	(\$ 34.9 M)	171	6,843
2007-2008	(\$ 19.9 M)	149	6,992
2008-2009	(\$ 29.6 M)	(7)	6,985
2009-2010	(\$ 84.2 M)	(362)	6,623
2010-2011	(\$118.5 M)	(783)	5,840
2011-2012	(\$ 115.1 M)	(440)	5,400
TOTAL	(\$ 680.3 M)	(2,054)	

Now at 1988-89 staffing levels when population was 765,000

***Includes State impact of \$10.8 million in 2003-04 and \$11.4 million in 2004-05**

Structural Imbalance: Position Reductions Necessary to Offset Cost Increases

	<u>2001-2002 Adopted Budget</u>	<u>2011-2012 Adopted Budget</u>	<u>Change</u>	<u>Percent Change</u>
Public Safety				
Budget	\$292.8 M	\$457.0 M	\$164.2 M	56.1%
Positions	2,734	2,263	-471	-17.2%
Other Departments*				
Budget	\$246.1 M	\$221.2 M	-\$24.9 M	-10.1%
Positions	4,719	3,137	-1,582	-33.5%

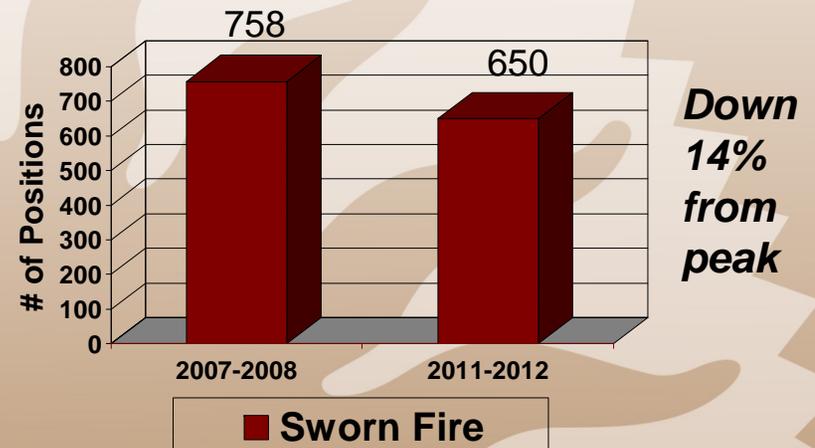
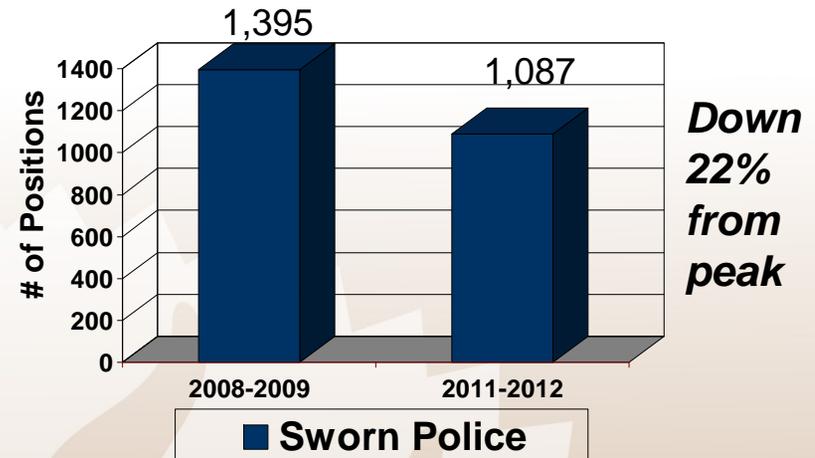
* Other includes: Parks, Recreation & Neighborhood Services; Library; Information Technology; Transportation; Public Works; Environmental Services; Airport; Finance; Human Resources; Planning, Building & Code Enforcement; Economic Development; Mayor; City Council; Council Appointees; etc.

Combination of Strategies to Address General Fund Shortfalls Have Been Used

- General Fund Structural Deficit Elimination Plan provided blueprint beginning in 2008
- Revenue Strategies: four revenue-related ballot measures approved by voters; fees for service; transfers from other funds
- Cost Saving Strategies: total employee compensation reductions; outsourcing; new service delivery models; efficiencies; departmental consolidations
- Service Reductions/Eliminations

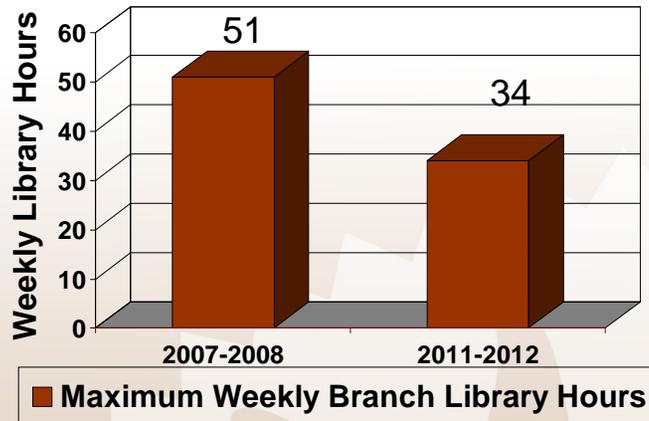
Major Service Impacts – Public Safety

- Reduced police field patrol, special operations, and investigative services
- Eliminated police school liaison program
- Eliminated majority of crime prevention programs
- Suspended police helicopter program
- Reduced police horse mounted unit, PAB lobby hours/staff, police pre-processing center, performance analysis, research, and training
- Reduced police and fire staffing at the airport
- Eliminated 4 Fire Engine companies and 1 Truck company
- Implemented fire company brown-outs
- Reduced fire apparatus staffing

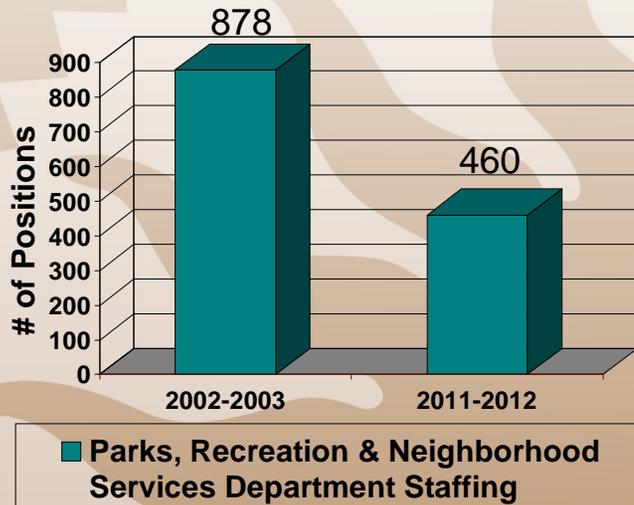


Major Service Impacts – Community Services

**Down
33%
from
peak**



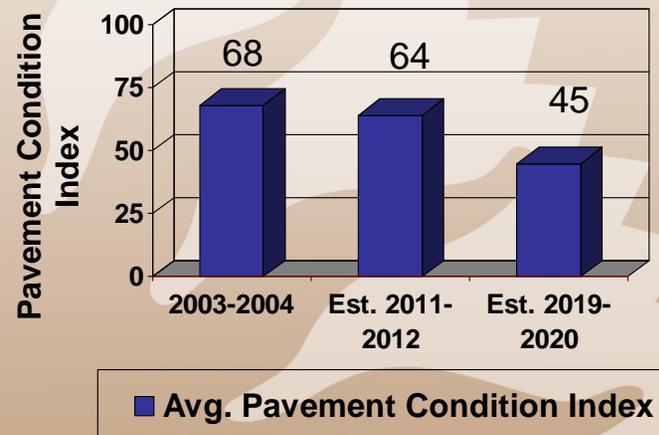
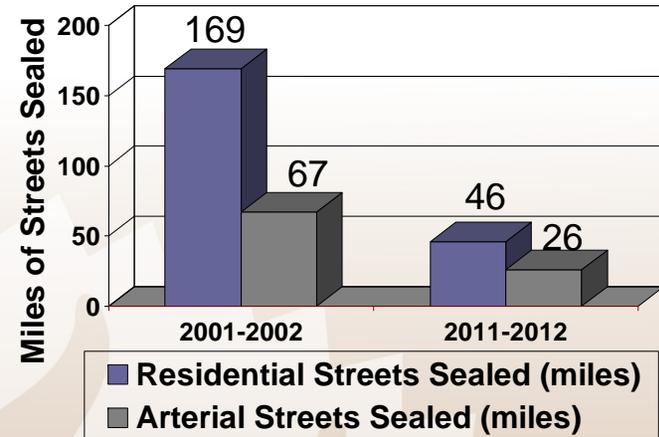
**Down
48%
from
peak**



- Reduced branch library hours/days (from 47-51 hours/6-7 days per week to 33-34 hours/4 days per week)
- Reduced community centers (down from 54 at peak in 2007-2008 to 11 in 2011-2012); 43 sites in re-use program
- Reduced neighborhood park maintenance
- Reduced regional parks maintenance and park ranger staffing
- Reduced/eliminated recreational services and special events support
- Reduced/eliminated services to seniors, persons with disabilities, and youth
- Reduced code enforcement staffing
- Reduced SNI services
- Reduced long-range planning services

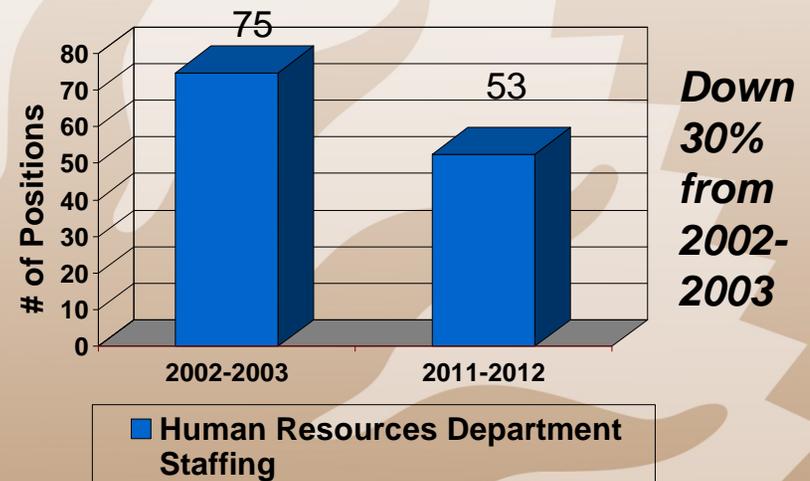
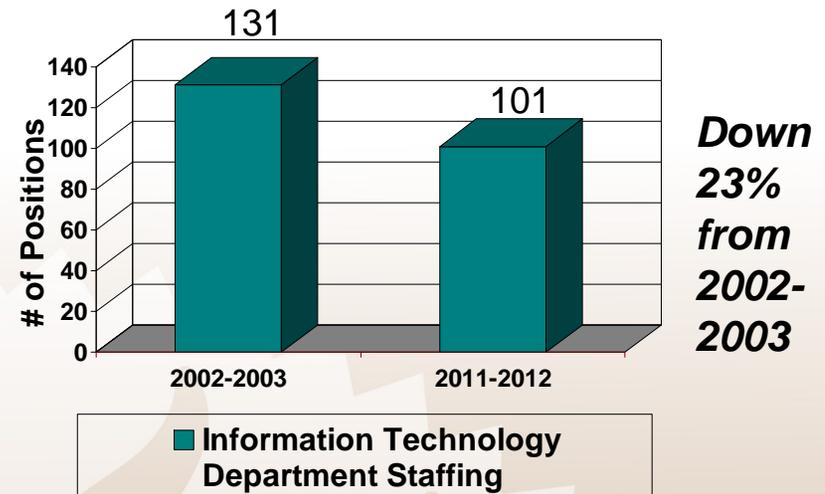
Major Service Impacts – Capital Maintenance

- Reduced traffic maintenance program (e.g., traffic signal maintenance, roadway striping, and markings maintenance)
- Reduced pavement maintenance program (residential streets sealed down 73% and arterial streets sealed down 61% from 2001-2002)
- Eliminated funding for sidewalk repairs and street tree services (property owners now responsible)
- Reduced street landscape services
- Reduced City facilities maintenance and fleet maintenance
- Reduced transportation operations services (e.g., traffic calming, neighborhood traffic studies, responses to speed compliance calls)



Major Service Impacts – General Government

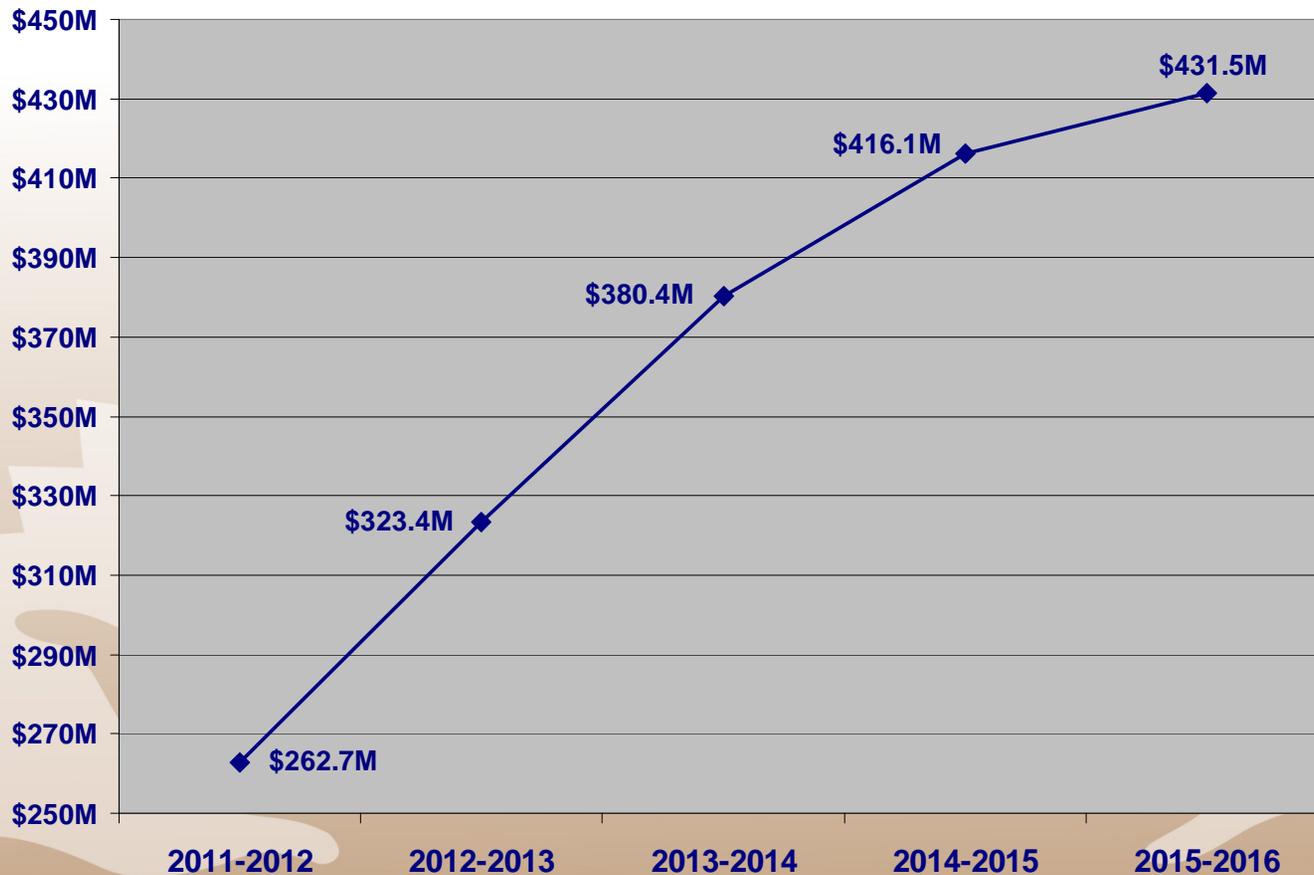
- Reduced financial reporting, financial management, and finance administrative staffing
- Reduced employment services, safety program, workers' compensation claims administration, and training and development
- Reduced city-wide technology coordination, information technology infrastructure support, and development services technology services
- Reduced organization-wide management, support, and leadership staffing



Looking Forward: Continued Budget Shortfalls Projected

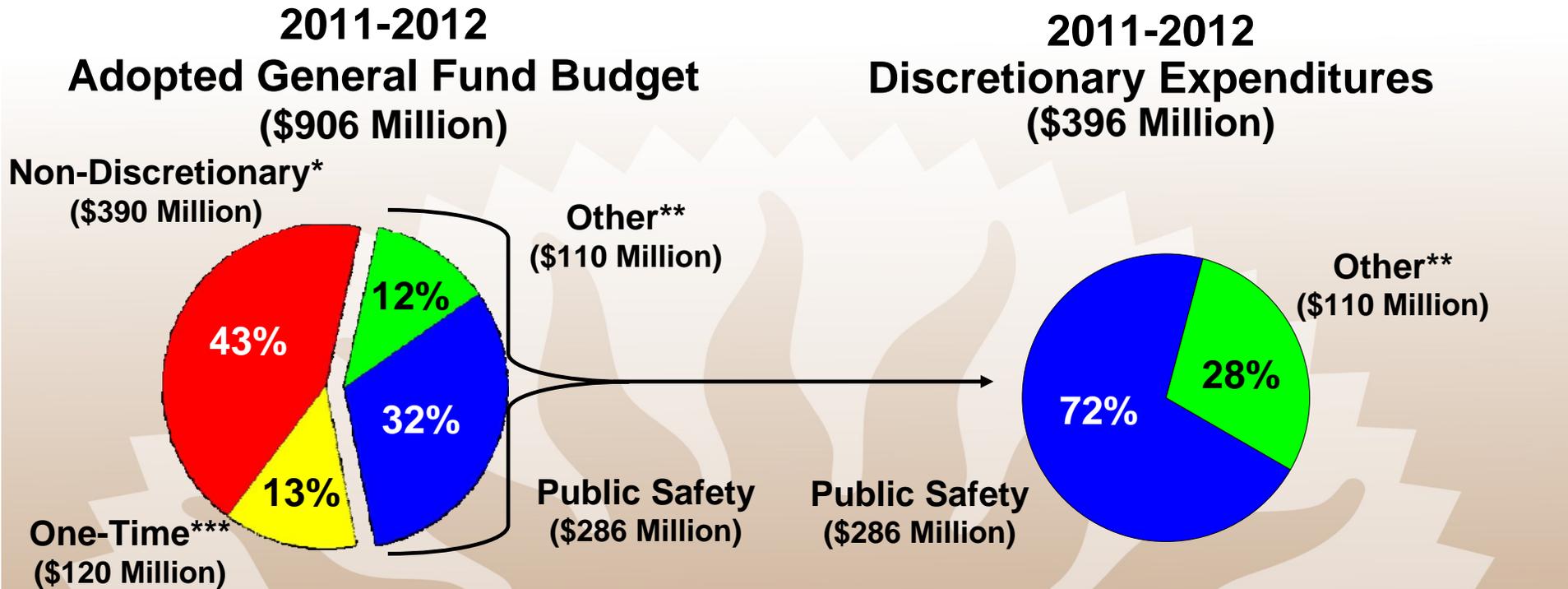
- Preliminary General Fund shortfalls totaling \$113 M projected over the next four years, but likely higher (could be in the range of \$113 - \$150 million)
- Without fundamental change in cost/revenue structure, unacceptable service reductions and eliminations will continue
- Fiscal Reform Plan identifies potential solutions (primarily retirement reform-related) to address structural imbalance and restore services to January 2011 levels

Updated Retirement Contribution Projections (Pension & Retiree Healthcare)



Note: Based on Cheiron's Estimates of August 2011 (All Funds)

Unacceptable Service Reductions/ Eliminations Remain



* Non-Discretionary includes annual retirement contributions, grants, reimbursements (incl. gas tax), fee-supported activities, debt service, insurance, workers' compensation, sick leave payments upon retirement, contractually required facility subsidies, Mayor, City Council, Council Appointees, and other non-discretionary items.

** Other includes PRNS; Library; Information Technology; Transportation; Public Works; Finance; Human Resources; PBCE; Economic Development; Mayor, City Council and Council Appointees Offices; and other expenditures.

*** One-Time includes contingency reserve, encumbrance reserve, earmarked reserves, one-time grants, and expenditure rebudgets.

Budget Balancing Strategies: Standard Practices

- Identifying service efficiencies
- Reviewing and lowering to the extent possible non-personal/equipment and overtime allocations (including contract re-negotiation)
- Re-aligning management and administration as programs are reduced or eliminated
- Adjusting fees to achieve/maintain 100% cost-recovery levels
- Identifying one-time funding sources
- Outsourcing/service delivery model changes
- Sale/lease/re-use of assets

Budget Balancing Strategies: Significant Potential Service Cuts

- Reduce police patrol, resulting in increased response times
- Reduce police Investigations staffing, resulting in fewer crimes investigated
- Reduce police communications staffing, resulting in increased call response times
- Eliminate the police school crossing guard program
- Reduce number of fire engines or increase brown-outs, resulting in increased response times (reductions subject to SAFER grant limitations)
- Reduce anti-gang efforts
- Reduce graffiti abatement program
- Eliminate remaining park rangers

Budget Balancing Strategies: Significant Potential Service Cuts

- Close all branch libraries (only MLK open)
- Close or convert all “hub” community centers to re-use sites with no City subsidy; close Grace Community Center
- Eliminate Senior Nutrition
- Eliminate Children’s Health Initiative
- Reduce/eliminate facility operating subsidies (e.g., History San José, Mexican Heritage Plaza, Tech Museum of Innovation, Museum of Art, San Jose Repertory Theatre)
- Reduce the traffic maintenance program (e.g., streetlights, traffic sign maintenance)
- Reduce the pavement maintenance program
- Reduce street landscape services
- Significantly reduce all general government departments

Budget Balancing Strategies: Fiscal Reform Plan

- Fiscal Reform Plan cost reduction strategies (e.g., retirement reform, sick leave payment elimination) subject to meet and confer/arbitration and some may face legal challenges (approx. \$60 million in 2012-2013)
- Revenue strategies (e.g., Sales Tax) subject to voter approval and timing of potential implementation would impact revenue generated next year (approx. \$38 million in 2012-2013)
- Given the barriers to implementation, Fiscal Reform Plan can not be assumed for budget balancing purposes until strategies approved
- If achieved, Fiscal Reform Plan would dramatically change 2012-2013 service delivery impacts

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QUESTIONS & ANSWERS