



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Candelas
Councilmember Cohen

SUBJECT: SEE BELOW

DATE: March 18, 2025

Approved: *David Cohen* *Domingo Candelas*

Date: 3/13/2025

SUBJECT: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

RECOMMENDATIONS:

Accept the Mayor's Budget March Message with the following edits and additions:

1. Direct the City Manager to engage the Santa Clara County Executive to convene a joint meeting of the City Council and the Board of Supervisors on homelessness and the coordination with other initiatives including behavioral health and transition plans into permanent supportive housing no later than June 2025.
2. Direct the City Manager to engage the Santa Clara County Executive to convene and develop a work plan for a Special Committee on Housing, Homelessness and Behavioral Health Coordination co-chaired by the committee chairs and consisting of the members of the City of San José's Rules and Open Government Committee and the County's Finance and Government Operations Committee.
3. Refer the proposed "Responsibility to Shelter" policy for consideration by the Special Committee along with a work plan that includes:
 - a. Strengthening City-County planning for data-driven decisions to better coordinate investments.
 - b. Roles and responsibilities for financing, operating and coordinating pathways between systems for preventing homelessness, improving and professionalizing homeless outreach and data sharing. Providing shelter and interim housing and coordinating appropriate behavioral health approaches (including the implementation of CARE Courts and Prop 1) to assist both unsheltered residents seeking services and those who are service-resistant.
 - c. Creating a much-needed pipeline of opportunities for interim housing residents to access permanent housing.
4. Direct the City Manager to return with an informational memo to include how we might pursue alternative funding options for promoting affordable housing development by working with our regional partners and stakeholders by summer 2025
5. Direct the City Clerk to agendize a discussion on aligning Council salary increases with specific "Pay for Performance" metrics for fall 2025 and provide an analysis of:
 - a. How other public agencies use metrics
 - b. The current process for determining salaries
 - c. The history of how Council salary setting occurs

HONORABLE MAYOR AND CITY COUNCIL

Subject: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

Page 2

BACKGROUND.

We appreciate the Mayor for his thoughtful message that creates a starting point to a longer-term conversation on how we as a city can address key city priorities through the budget priorities. It is critical that the Council leaves this meeting in alignment on addressing the serious budget challenges we face in the next couple years. The Mayor's Budget Message includes nearly 40 pages of important approaches to closing this year's \$45 million deficit and setting us up for subsequent years.

The Budget Message also includes two major policy shifts that warrant serious consideration separate from the budget, particularly since they have no direct budget implications. We must have a staff analysis before deciding on those directions. Rushing these policies into the budget bypasses necessary community and stakeholder engagement. These policies may have long-term social, legal, and financial implications that require dedicated analysis and informed consideration.

Before considering a vote on amending our city ordinances to establish legal penalties on unhoused residents, it is crucial that we fully understand how new state laws and other available services can be currently leveraged to address the issue and potential legal challenges. Much has been made of the Grants Pass decision. It is narrower than most give it credit for--it only addresses the 8th Amendment jurisprudence of the 9th Circuit. It does not address other considerations that exist under law, such as the 5th Amendment, the 4th Amendment, California constitutional due process rights and other existing state law impediments to the Mayor's approach. Deeper analysis of what the law permits is appropriate as we consider this proposal.

Similarly, there is a lot of important context needed in a discussion about changing the way Council and staff are compensated. If the Council were to decide that the voters needed to weigh in on any changes, a ballot measure would be placed before the voters no sooner than June 2026. Therefore, the Council would have until March 2026 to make a decision. We should use that ample time to carefully deliberate on this new proposal. Accountability is a critical aspect of government and as we explore expanding the Management Performance Program to Senior Staff, City Council, and the Mayor, it would be best suited to review this outside of the Budget Process. Our primary goal this year is to balance the budget while ensuring we continue to make progress in all of our City Council Focus Areas. We must not dilute our ability to focus on the task at hand.

As members of the City Council, we get calls from residents on a daily basis regarding a range of issues including public safety, city services, and how we as a city are looking to solve our housing and homelessness crisis that is impacting everyone. One glaring takeaway in the Mayor's budget message and proposed actions is that the City Council and the Santa Clara County Board of Supervisors need to do better at genuinely coordinating on a deep level to track and implement solutions based on existing programs and new opportunities. We believe that there is an opportunity to create a space where the City and County are partnering intentionally on addressing the housing and homelessness crisis in the South Bay. For that reason, we are recommending a joint hearing between the Council and the Board of Supervisors take place since we will only solve this problem in partnership. Following that hearing, an ongoing working group, comprised of key committee chairs and members along with administration and a broader set of partners, should convene on a regular basis to identify solutions and ultimately execute on key pieces of work.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Approval of the Fiscal Year 2025-2026 Mayor's March Budget Message

Page 3

The creation of a special committee should focus on moving quickly to improve the efficiency and sustainability of existing efforts while seeking innovation and accelerating partnerships between the City and County together with state, federal, non-profit, philanthropic and private sector partners to bring the necessary resources and tools to tackling these interrelated challenges as part of a data-informed plan. This committee should be tasked with identifying and carrying out key strategies, including but not limited to:

- Exploring effective and accelerated coordination of City and County investments that will enhance planning
- Sharing data and agreeing on what is needed to support data-driven decisions
- Developing new funding/financing strategies, including funding for supporting permanent supportive housing
- Identifying systemic barriers and developing new pathways to prevent homelessness jointly; improve outreach, and ensure an effective multi-pronged strategy including interim shelter and permanent housing
- Sharing implementation plans and addressing barriers with behavioral health and substance abuse strategies such as CARE Courts and Prop 1
- Addressing community needs regarding homeless impacts in a cost-effective, humane, and sustainable way
- Engaging cross-sector partners including non-profits, philanthropy, and the business community

A crisis of this level requires a comprehensive, “all-hands-on-deck” approach. Most importantly, what is required is a deep, genuine partnership with Santa Clara County given our interdependence on services provided. Without a deeper level of coordination, gaps in reaching our goals will continue to exist. In the spirit of accountability and a commitment to implementing solutions, we need to have the City, the County, and a broader set of partners working together on an ongoing basis to develop and carry out a plan that will allow the South Bay as a region to truly move towards ending homelessness.

In addition to developing structural partnerships, we are also directing staff to continue to explore revenue opportunities so we can unlock and/or create necessary mechanisms to finance the creation of new affordable homes. This should be done in tandem with conversations with regional partners, particularly as funding will be more difficult to obtain from the Federal government during the next few years. It is important that we pool resources and coordinate affordable housing development.

We thank the budget office staff for working tirelessly to keep our budget balanced and fair for San José residents and city employees.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.