



COUNCIL AGENDA: 09/22/2020
ITEM: 3.5
FILE NO: 20-1089

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: September 22, 2020

SUBJECT: Government Accountability Measures

RECOMMENDATION

As recommended by the Rules and Open Government Committee on August 19, 2020:

(a) To assist City Hall save money and eliminate wasteful spending as we brace for difficult financial challenges ahead, as well as to create a more accountable and transparent City Hall to better serve our residents, discuss and consider committing the City to the following, with direction to the Administration to work with the City Attorney's Office to return to Council with the appropriate action, as applicable:

(1) In any year where the City Manager and the Budget Director report a budget surplus in their October budget update, at least 50% of that surplus will be set aside to our Budget Stabilization Fund, until an amount equal to 15% of the General Fund balance has been achieved or be used to pay municipal debt.

(2) A standing commission shall be created consisting of appointed residents of San José to provide oversight of any ballot measures or policy proposals proposed or endorsed by the City that result in tax increases or additional revenue. The commission shall produce a public report annually to certify whether the Council has allocated dollars as promised when the measure or ordinance was proposed.

(3) Prior to the start of the annual budget season and priority setting session, the intergovernmental team shall report to Council about the latest trends and chatter coming from Sacramento and Washington about potential policy changes and funding opportunities relevant to municipalities so that we may strategically align our priorities and resources to maximize benefits for San José residents.

(4) Direct the City Auditor to commence regular performance audits of three key departments that are constituent-facing - such as Police, Fire, Planning, Housing, Transportation, Public Works, Environmental Services, and Parks - every year henceforth, to identify cost savings and process efficiencies, with results put on the Council agenda for public hearing and review:

(i) Audits should reoccur every four years;

(ii) Amend the City Auditor's 2020-2021 workplan to include an audit of our Police Department, focusing specifically on identifying cost savings and process efficiencies.

(b) Accept the response from the Administration on the Government Accountability Measures discussed in the memorandum from Councilmember Diep referred to the City Council from the Rules and Open Government Committee on August 19, 2020.

(c) As an alternative to recommendations (a)(1) and (a)(2) above, adopt a resolution amending City Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, to

modify Section 4 (Fund Balance) and Section 15 (Public Involvement).

CEQA: Not A Project, PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment. (Diep)

[Rules Committee referral 8/19/2020 - Item G.3]



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Councilmember Lan Diep

SUBJECT: GOVERNMENT ACCOUNTABILITY MEASURES **DATE:** August 13, 2020

Approved

Date

8/13/20

RECOMMENDATION

To assist City Hall save money and eliminate wasteful spending as we brace for difficult financial challenges ahead, as well as to create a more accountable and transparent City Hall to better serve our residents, adopt an ordinance committing the City to the following:

1. In any year where the City Manager and the Budget Director report a budget surplus in their October budget update, at least 50% of that surplus will be set aside to our Budget Stabilization Fund, until an amount equal to 15% of the General Fund balance has been achieved or be used to pay municipal debt;
2. A standing commission shall be created consisting of appointed residents of San José to provide oversight of any ballot measures or policy proposals proposed or endorsed by the City that result in tax increases or additional revenue. The commission shall produce a public report annually to certify whether the Council has allocated dollars as promised when the measure or ordinance was proposed;
3. Prior to the start of the annual budget season and priority setting session, the inter-governmental team shall report to Council about the latest trends and chatter coming from Sacramento and Washington about potential policy changes and funding opportunities relevant to municipalities so that we may strategically align our priorities and resources to maximize benefits for San José residents;
4. Direct the City Auditor to commence regular performance audits of three key departments that are constituent-facing – such as Police, Fire, Planning, Housing, Transportation, Public Works, Environmental Services, and Parks – every year henceforth, to identify cost savings and process efficiencies, with results put on the Council agenda for public hearing and review;
 - a. Audits should reoccur every four years;
 - b. Amend the City Auditor's 2020-2021 workplan to include an audit of our Police Department, focusing specifically on identifying cost savings and process efficiencies.

BACKGROUND

Cities are largely funded by property and sales taxes. Unlike the federal government, states and municipalities cannot run a deficit and must balance incoming revenue and spending.

Covid-19 has slowed economies globally, hurting revenue projections of local governments everywhere. San José residents are not spending on goods and services as they once did, and the City is being deprived of much-needed sales tax. Property taxes are being collected but, San José only receives 13 cents of every property tax dollar paid. Our city faces at least a \$72M budget shortfall in the 2020-2021 fiscal year that will likely grow larger this year and next. While it is in the power of Congress to provide relief for state and local governments, there is no relief in sight and what relief may come will be inadequate to fully fund the operating costs and services that San José residents expect and deserve.

ARGUMENT

Even with fewer resources due to the fallout of covid-19, San José must continue to provide services to our residents. While we can't print more money, it is wholly in our ability to make the dollars we do have go further by eliminating inefficiencies and optimizing our processes. In doing so, we prepare for the next crisis even as we endure the present one.

Although it may be some time before we will see a surplus, we should recognize that in this fiscal year we were able to cope with a \$72M budget shortfall because we were able to draw \$11M from our Budget Stabilization Fund and still have \$21M in that fund to help us cope with future hardships. We must ensure that this fund is replenished in good times by committing to set aside 50% of all future surpluses until we save 15% of our General Fund, or only using surplus money to pay down municipal debt.

Further, we can make it easier for our overtaxed residents to follow where their tax dollars are going by creating a standing citizen's commission to report on whether tax revenues from ballot measures or policy proposals endorsed by the City are spent as promised. Such reports will help keep the Council accountable and address the oft-heard complaint of residents that taxes keep going up while they are not getting services in return.

To help maximize the benefit of dollars spent for residents, the City should aspire to vertically align our spending with federal and state funding. Prior to the annual priority setting and budget processes, city staff should appraise the Council on where federal and state dollars can be expected to be allocated in the upcoming budget cycle. With this understanding, we can set better priorities for the year ahead. If we know federal dollars are available to assist with a particular purpose, we can allocate General Fund dollars elsewhere to evenly fund our departments. Or alternatively, we can focus our General Fund dollars to that same purpose, to more fully achieve a desired outcome.

Finally, we should require performance audits every four years of key departments that are constituent-facing. These audits should focus on identifying cost savings and process improvements and should be agendaized for public hearing at council meetings so that the City can improve and the public can better understand how City Hall is working for them.

COUNCLUSION

San José, like the rest of the world, will face steep financial challenges in the years ahead. While there is much beyond our control, we must act to improve what is within our control to save money and improve processes. Doing so will prepare us for future hardships and make our government more accountable, transparent, and responsive to our residents.

COUNCILMEMBER
LAN★DIEP
SAN JOSÉ DISTRICT 4