

City Council Study Session



2022-2023 Preliminary General Fund Forecast and Budget

January 14, 2022

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Agenda

1. City Manager's Opening Comments
2. Overview of the Budget Development Process
3. Historical Perspective of the General Fund Budget
4. 2022-2023 Preliminary General Fund Forecast
5. Review of Budget and Performance Measures for City Service Areas, Core Services, and Programs
6. Considerations for the 2022-2023 Budget Development Process
7. Public Comment
8. City Council Dialogue (Questions and Comments)

2. Overview of the Budget Development Process

City of San José Budget Development: Policies and Practices

City Charter Requirements for the Budget Development Process

Mayor

- Delivers a budget message [*March Budget Message*] to the City Council that includes a statement of fiscal priorities for the following fiscal year; which Departments, Offices or Agencies the Mayor proposes to be expanded or to receive budget reductions; and specific recommendations concerning any proposed additions to or deletions from the budget

City Council

- Holds a public hearing to consider the Mayor's budget message and make any revision or changes in it which the City Council deems advisable
- Reviews, amends and approves the City Manager's Proposed Budget

City Manager

- Submits a budget request to Mayor and Council (included in the Five-Year Forecast document as the Budget Balancing Strategy Guidelines)
- Submits a balanced budget for the activities of the City proposed for the ensuing fiscal year which reflects accurately the recommendations and priorities specified in the budget message as approved by the City Council (Proposed Budget released at the beginning of May)

City of San José Budget Development: Policies and Practices

Operating Budget and Capital Improvement Program Policy (City Council Policy 1-18)

Requires the use of a performance-based budget, specifying budgets at the Core Service level that correspond with specific performance targets

Maintain fiscal integrity of operating, debt service, and capital improvement budgets

- Ongoing operating program costs will not exceed the amount of ongoing revenue to pay for those costs
- Interfund loans will not be used as a funding mechanism to address ongoing gaps between revenues and costs
- If a new program is added on an ongoing basis, an ongoing revenue source will be identified to fund the program costs
- Any available carryover balance will only be used for one-time purposes

City of San José Budget Development: Policies and Practices

City of San José Budget Principles (approved 3/08, revised 9/08)

Identifies the mission of the City to provide quality services, facilities and opportunities that create, sustain and enhance a safe, livable and vibrant community for its diverse residents, businesses and visitors

Approved during an extremely challenging budgetary environment and focused on achieving and maintaining a structurally balanced General Fund budget; a partial listing of principles are provided below:

- The annual budget should be considered in the context of five-year projections and ongoing revenues shall equal or exceed ongoing expenditures for Proposed and Adopted Budgets
- If a structural imbalance occurs, a plan shall be developed and implemented to bring the budget back into structural balance
- Once General Fund budget is brought into balance, one-time resources shall not be used for current or new ongoing operating expenses
- Negotiations for employee compensation considers the City's budgetary position, revenue growth, and changes in cost-of-living expenses
- Fees and charges should be fully cost recovery, where possible

City of San José Budget Development: Policies and Practices

City Manager's Budget Request and Budget Balancing Strategy Guidelines

The Five-Year Forecast released at the end of February provides an estimated budget condition for the General Fund – surplus or shortfall – and several Capital Funds for the next five years

The Forecast document includes the City Manager's budget request and recommended budget balancing strategy guidelines on the general approaches to use in the development of a balanced budget for the following fiscal year (satisfies Charter requirements)

The guidelines are typically incorporated in the Mayor's March Budget Message and are subject to City Council modification and approval

City of San José Budget Development: Policies and Practices

City Manager's Budget Request and Budget Balancing Strategy Guidelines (cont'd)

The draft guidelines included in the City Manager's direction memorandum to Senior Staff for 2022-2023 budget submittals included, but was not limited to, the following:

- Develop a budget that balances the City's delivery of the most essential services with available resources and considered in context of long-term service delivery priorities
- Pose explicit questions of equity – including who benefits and who is burdened – when considering changes to City services to achieve a balanced budget
- As the City remains committed to balancing ongoing expenditures with ongoing revenues over the long term, use a combination of ongoing and one-time solutions to achieve a structurally balanced budget over a two to three-year period that prioritizes the incorporation of items funded on a one-time basis in 2021-2022 and community and economic recovery workstreams currently budgeted in the American Rescue Plan Fund
- Evaluate program-level budgets to identify opportunities to shift resources or reconfigure operations to mitigate service delivery impacts, meet objectives of City Roadmap, and respond to Council direction and organizational risks
- Explore alternative service delivery models and policy changes that improve service outcomes and efficiency
- Ensure that the City's residents and businesses are educated and engaged, as well as have the opportunity to provide feedback regarding the City's annual budget

City of San José Budget Development: Policies and Practices

City Roadmap

- First formally implemented in 2020-2021
- This tool lists the City's most important programs, strategies, and policies to enact significant organizational change
- Approved by the City Council, the tool focuses the work of the City and informs the budget development process to ensure that sufficient resources are in place to achieve Roadmap objectives

San José City Roadmap | FY 2021-2022

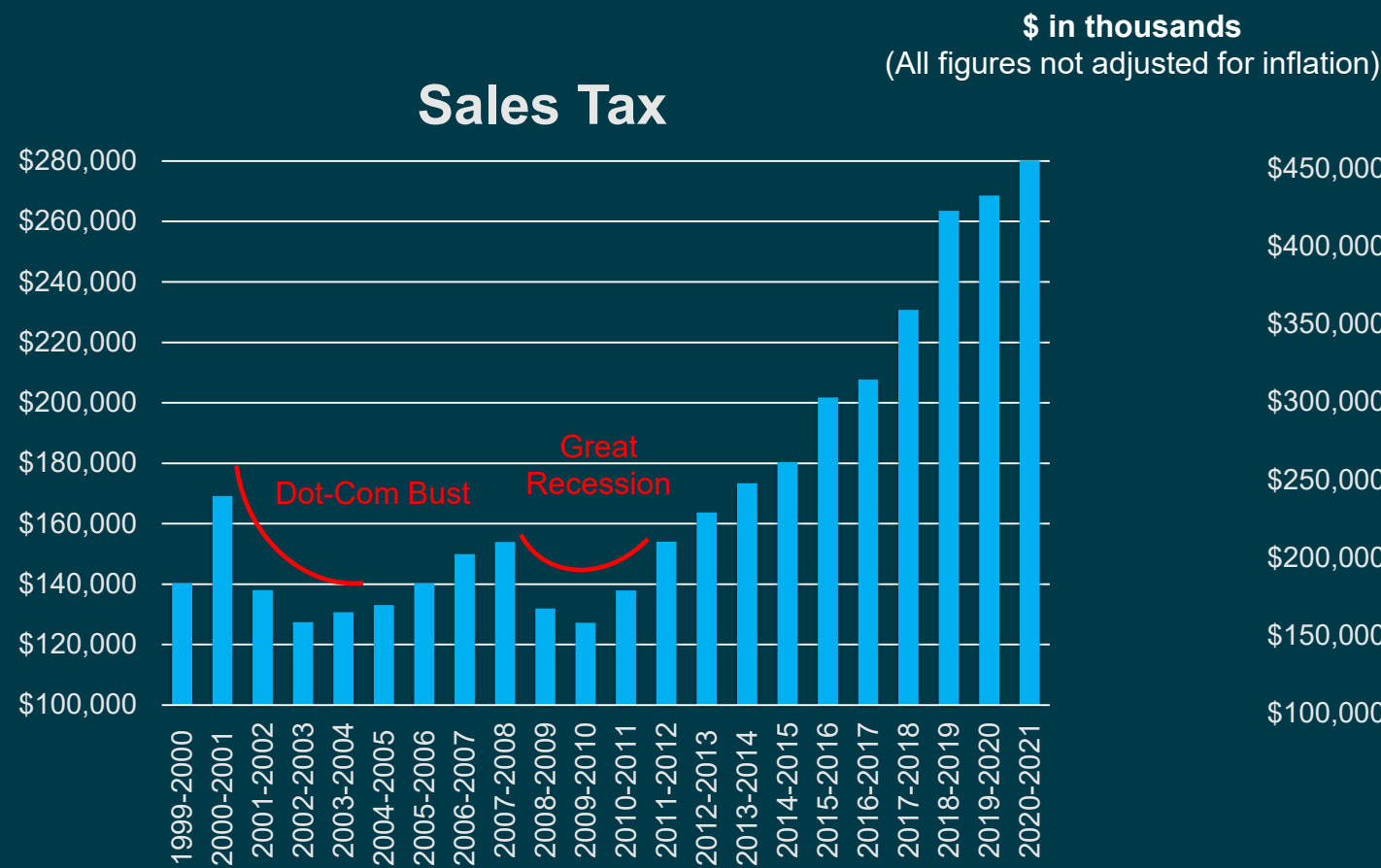
Enterprise Priority	Project						Strategy		Policy				
COVID-19 Pandemic: Community + Economic Recovery	Housing Stabilization	Re-Employment + Workforce Development	Small Business Recovery	Food + Necessities Distribution	Digital Equity	Child Care			Build Back Better + Recovery Task Force				
Emergency Management + Preparedness	Vaccination Task Force										Soft-Story Building Earthquake Retrofit Policy		
Creating Housing + Preventing Homelessness	Emergency Housing Construction + Operation										Sheltering + Enhanced Encampment Services		
Safe, Vibrant, + Inclusive Neighborhoods + Public Life	Police Reforms Work Plan						San José 311 + Service Delivery	Encampment Waste Pick-Up BeautifySJ			Vision Zero Traffic Safety		
Building the San José of Tomorrow with a Downtown for Everyone	Align Zoning with General Plan						Development Services Transformation	Google Development	Major Real Estate Development Projects	BART + High-Speed Rail Strategy			
Smart, Sustainable, + Reliable City: 21 st Century Infrastructure	Pavement, Fire, EOC, Transit Capital Improvements						Regional Wastewater Facility Capital Improvements	Electrical Service for Major Development	Climate Smart American Cities Climate Challenge			Lowering PG&E Above Market Costs for Clean Energy	
Enterprise Priority Foundational	Project						Strategy		Policy				
Strategic Fiscal Positioning + Resource Deployment	Federal + State Recovery Advocacy	Secure City Cybersecurity	Procurement Improvement	Pension Obligation Bond Analysis			Budgeting for Equity	City Roadmap Budgeting, Accountability, + Performance					
Powered by People	Continuity of City Services	Safe Workplace	Employee Health + Wellness	Drive to Digital			Effective Teams	City Workforce Diversity + Skill Building					

City of San José Budget Development: Calendar

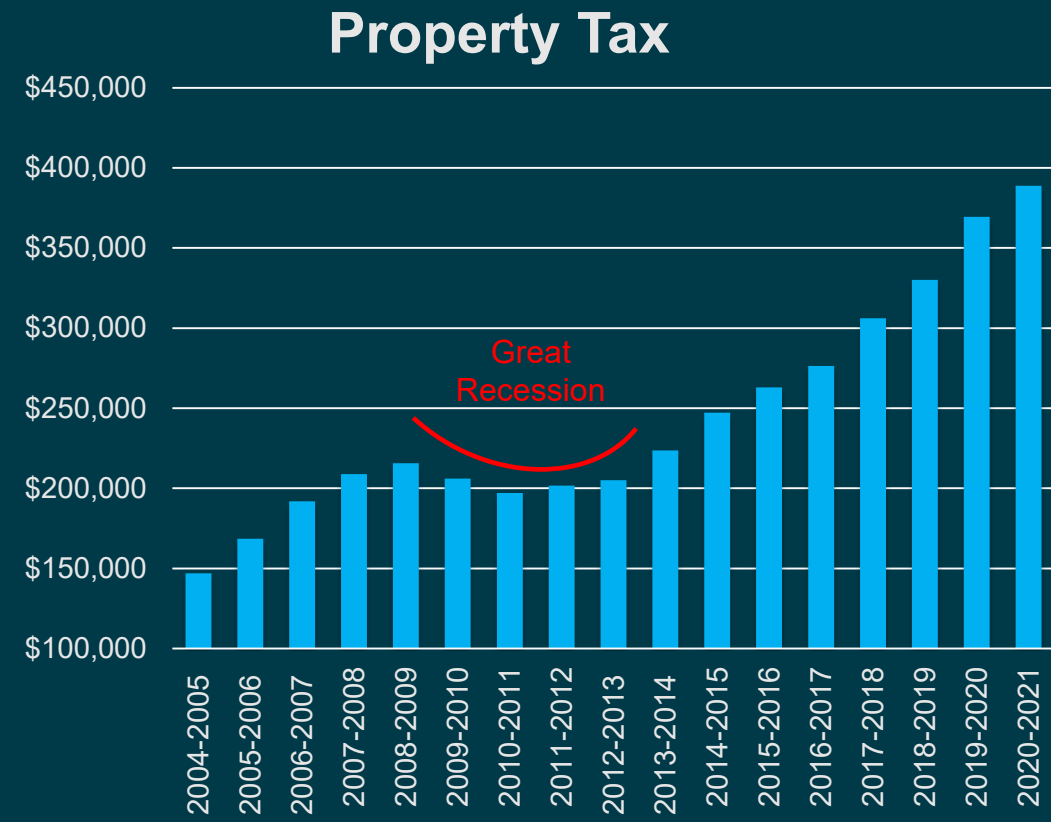
	October – December	January – March	April – June
Community	Input on budget priorities and direction through direct contact with Mayor and City Council, and community-wide surveys, meetings, and March Budget Message public hearings		Community meeting on Proposed Budget, initial and final public hearings on Proposed Budget
Mayor and City Council	Review and approval of the prior year's Annual Report	Mayor's Budget Town Hall, priority-setting and City Roadmap approval, review and approval of Mayor's March Budget Message	Review Proposed Budget during May study sessions, release City Council Budget Documents that recommend modifying Proposed Budgets, review and approval of the Mayor's June Budget Message
Administration	Present Annual Report on the financial performance of the prior fiscal year, develop a preliminary General Fund forecast and develop preliminary budget strategies	Release City Manager's Budget Request and Five-Year Forecast for General Fund and Capital Improvement Program, finalize strategies for development of Proposed Budgets	Release City Manager's Proposed Operating and Capital Budgets and Fees & Charges Report, release City Manager's Budget Addenda

3. Historical Perspective of the General Fund Budget

Historical Perspective of the General Fund: Impacts Economically Sensitive Revenues

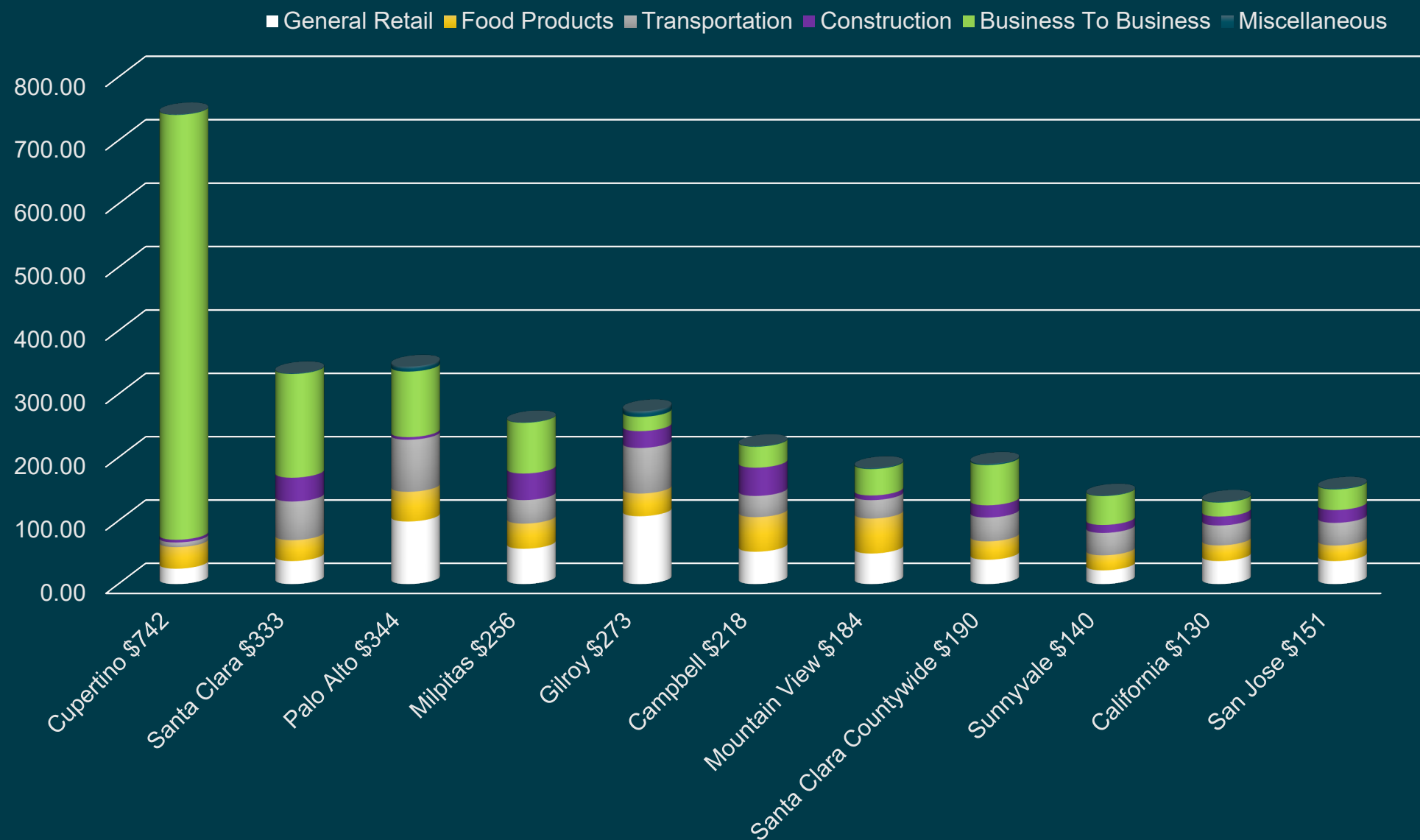


For 2015-2016, amount excludes one-time “Triple Flip” wind down monies; Local Sales Tax implemented October 2016

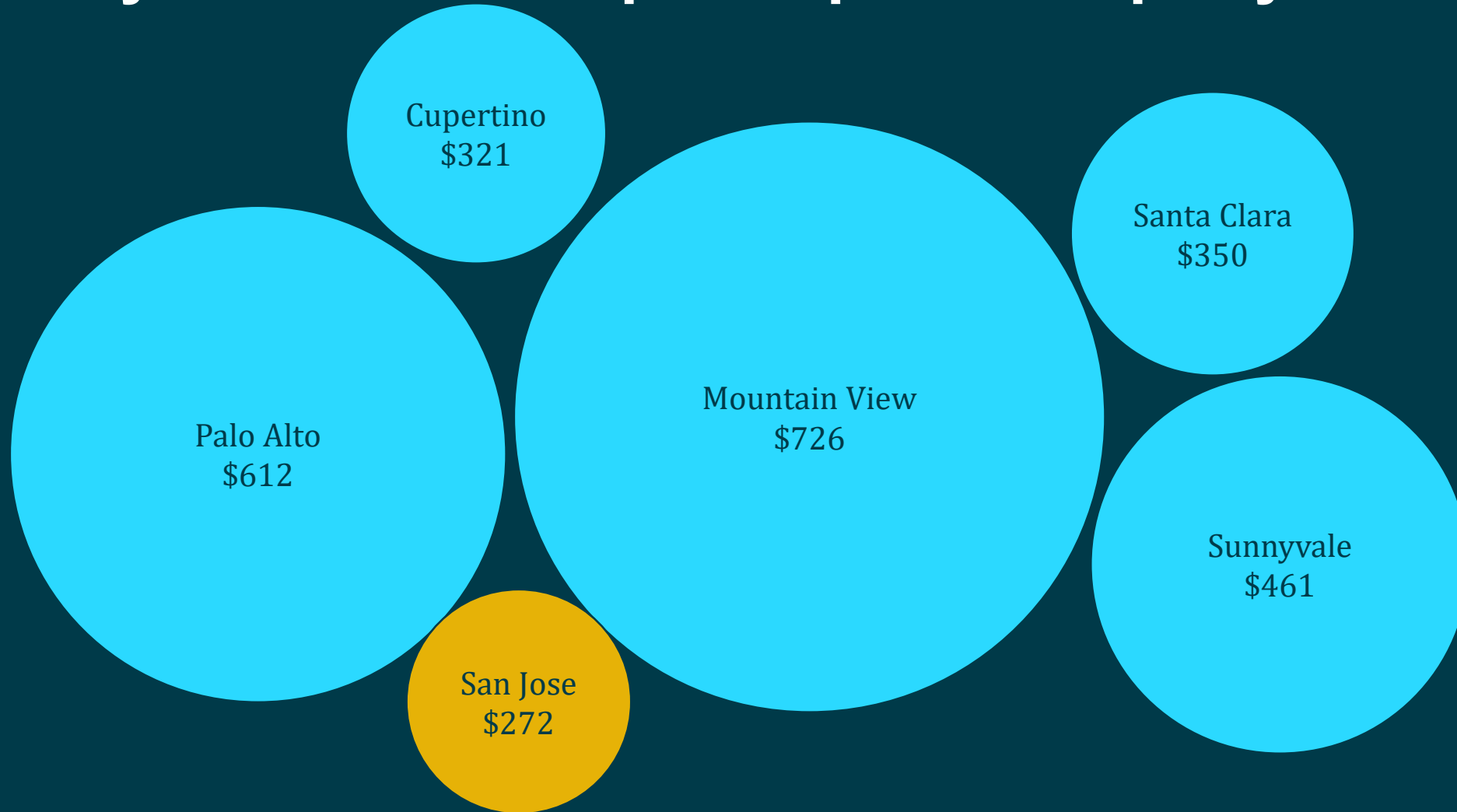


Graph begins in 2004-2005 due to a change in the calculation formula of property tax

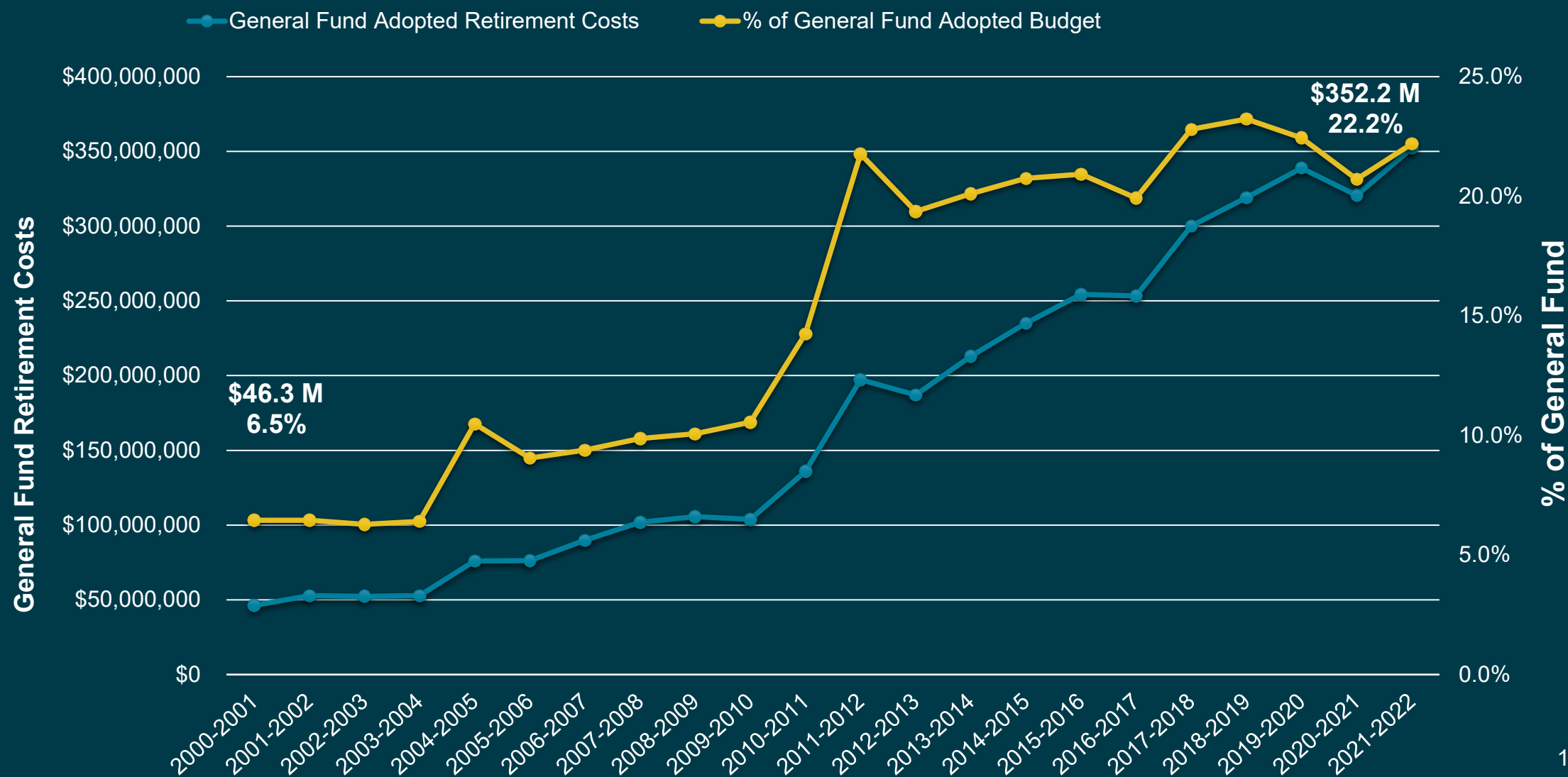
Historical Perspective of the General Fund: Relatively Low Revenue per Capita – Sales Tax



Historical Perspective of the General Fund: Relatively Low Revenue per Capita – Property Tax



Historical Perspective of the General Fund: Escalating Retirement Costs



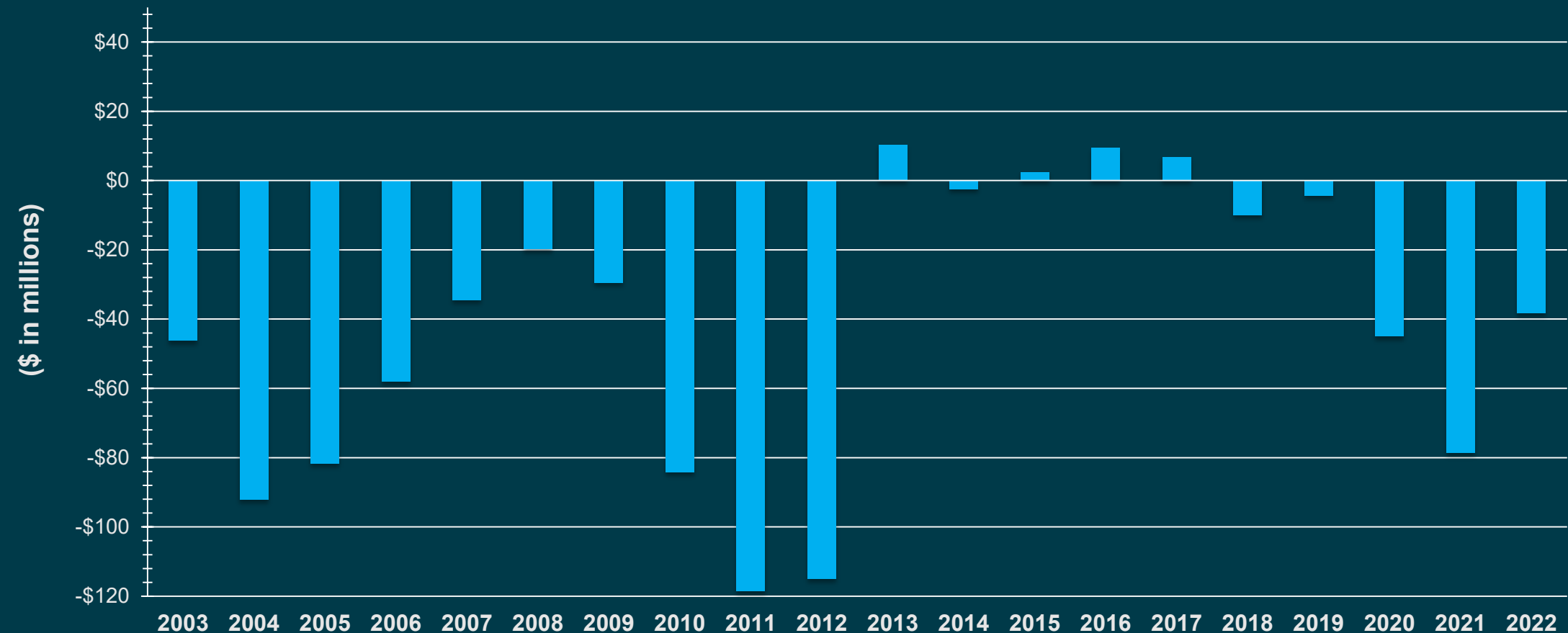
Historical Perspective of the General Fund: Other Impacts

The City's budget was impacted by two other major factors:

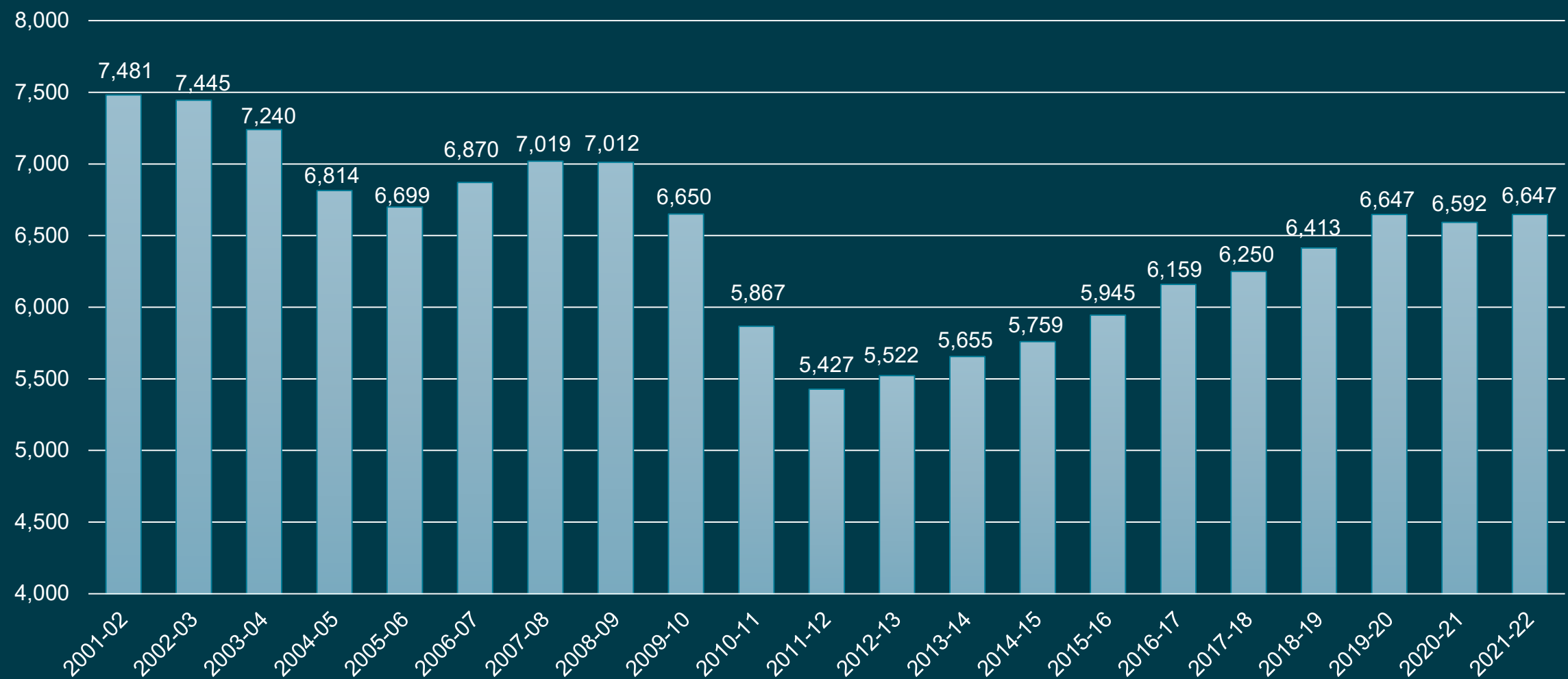
The State of California enacted several revenue takeaways

Operations and maintenance costs of new City facilities constructed with bond funding during the "Decade of Investment"

Historical Perspective of the General Fund: Resolved Ongoing General Fund Shortfalls Exceeding \$800M



Historical Perspective of the General Fund: Budgeted Positions Well Below Peak in 2001-2002 (All Funds)



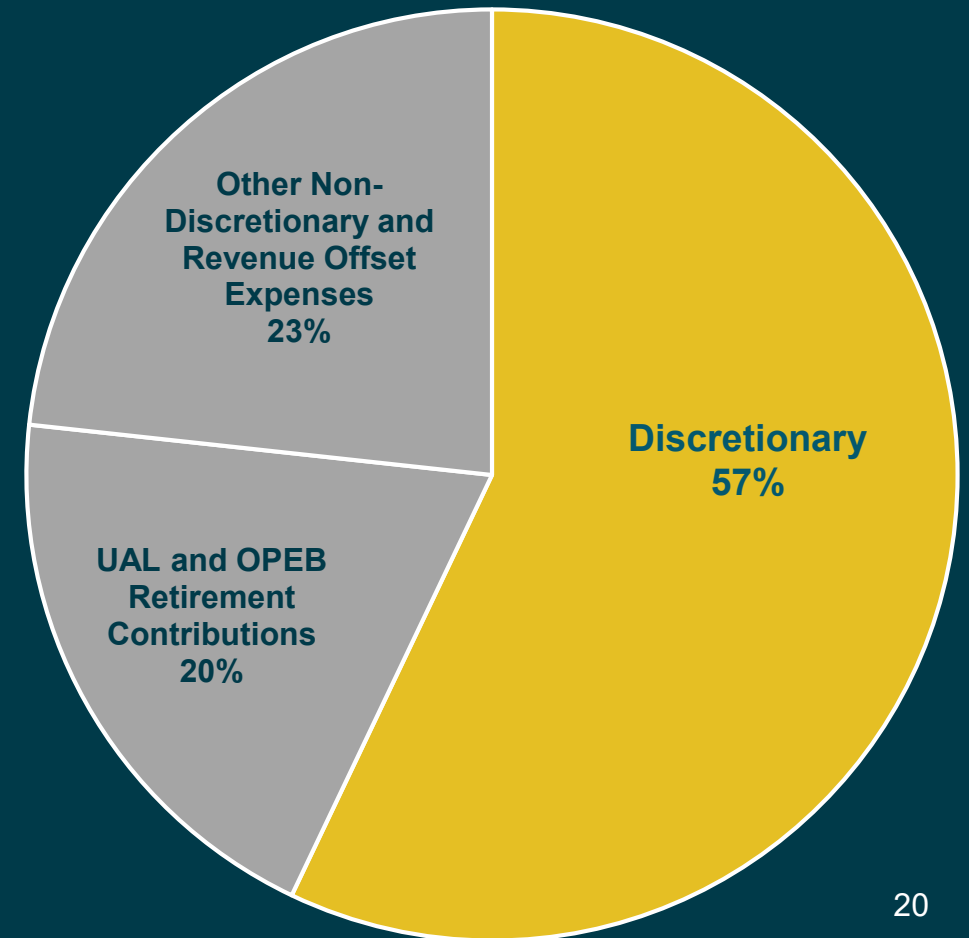
Historical Perspective of the General Fund: Discretionary vs. Non-Discretionary Expenses

Much of the City's expense budget is non-discretionary, which cannot feasibly be immediately reduced

To achieve a balanced budget when facing a shortfall, the City can only reduce discretionary expenditures

This has made budget reductions even more difficult to achieve in years past

Breakdown of the
2020-2021 Base Budget



Historical Perspective of the General Fund: Impacts due to Persistent Shortfalls

To resolve the shortfalls, the City implemented: 1) numerous cost saving strategies, 2) approved several revenue measures, but 3) still had to enact painful service reductions

To bring the General Fund into structural balance, City Council approved a General Fund Structural Deficit Elimination Plan (2008) and a Fiscal Reform Plan (2011)

- We – Council, staff and the community – worked very hard to bring the budget back into balance

Cost reductions included:

- Wage freezes and reductions
- Pension reform
- Outsourcing and public-private partnerships
- New technology deployment
- Civilianization of sworn functions to lower costs

Voter-approved revenue increases included:

- Increased Cardroom Business Tax rate and allowed tables in June 2010, additional adjustment in November 2020
- Established the Marijuana Business Tax in November 2010
- ¼-cent Sales Tax (June 2016)
- Business Tax modernization (November 2016)
- Real Property Transfer Tax (March 2020)

Historical Perspective of the General Fund: Impacted due to Persistent Shortfalls (cont'd)

Significant service reductions in both public safety and non-public safety areas

- Reduced police field patrol, special operations (metro, downtown, VCET, curfew, canine, horse mounted units) and investigative services in all areas
- Reduced police school liaison, PAB lobby hours/staff, police pre-processing center, training, performance analysis and research
- Reduced fire apparatus staffing and fire companies
- Reduced community centers (down from 56 at peak in 2007-2008 to 12 in 2013-2014); established the re-use program
- Reduced neighborhood and 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 strong neighborhoods initiative
- Reduced long-range planning services
- Less resources for pavement maintenance (special funds, grants)
- Reduced traffic maintenance program (e.g., traffic signals, streetlights, roadway striping)
- Eliminated funding for sidewalk repairs and street tree services (property owners responsible)
- Reduced street landscape services
- Reduced transportation operations services (e.g., traffic calming, neighborhood traffic studies)

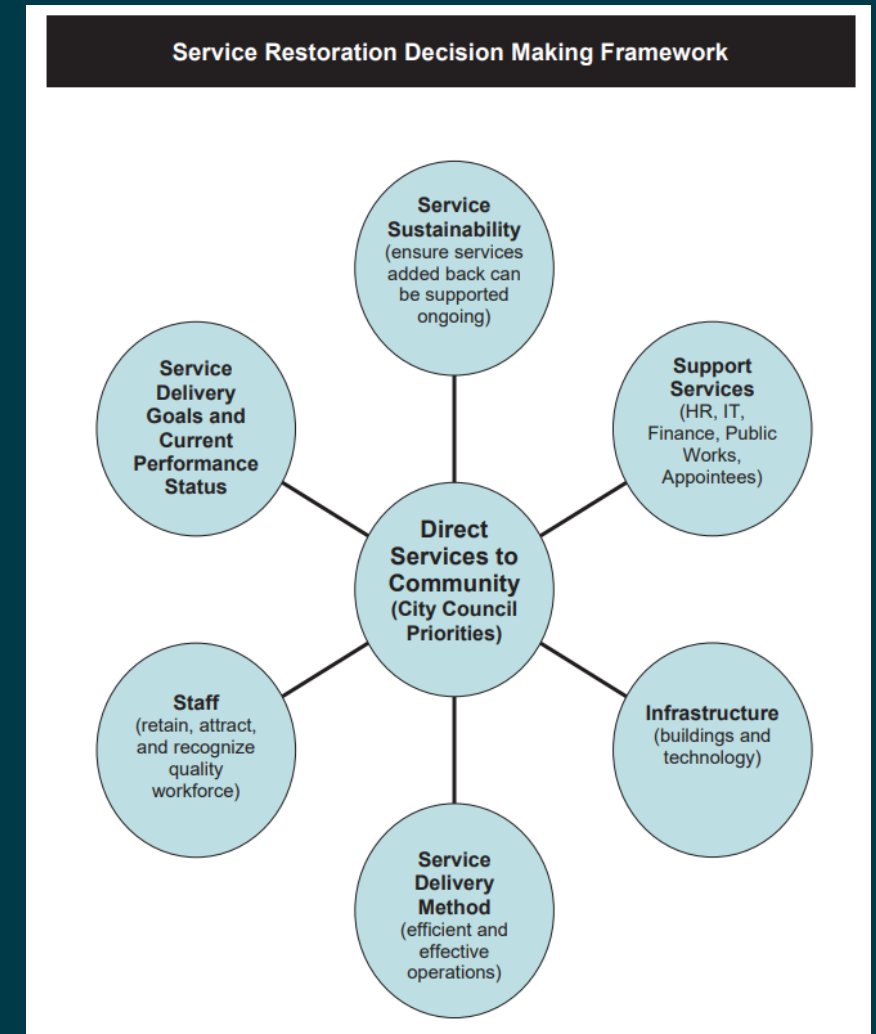
Historical Perspective of the General Fund: Limited Restoration of Some Services

During the relatively stable period between 2012-2013 and 2019-2020, the City was able to solidify its fiscal resiliency, but service restoration was limited

The focus was on direct service restoration to the community in a sustainable way, and balanced with necessary strategic support and infrastructure to facilitate service delivery

Examples of limited restorations:

- Library branch hours returned to six days per week
- Elimination of Fire Station brownouts
- Small addition of budgeted Police Sworn staff
- Modest increases to recreation and community services
- Modest increases to parks maintenance staffing



4. 2022-2023 Preliminary General Fund Forecast

Preliminary General Fund Forecast: Outlook for the Remainder of 2021-2022

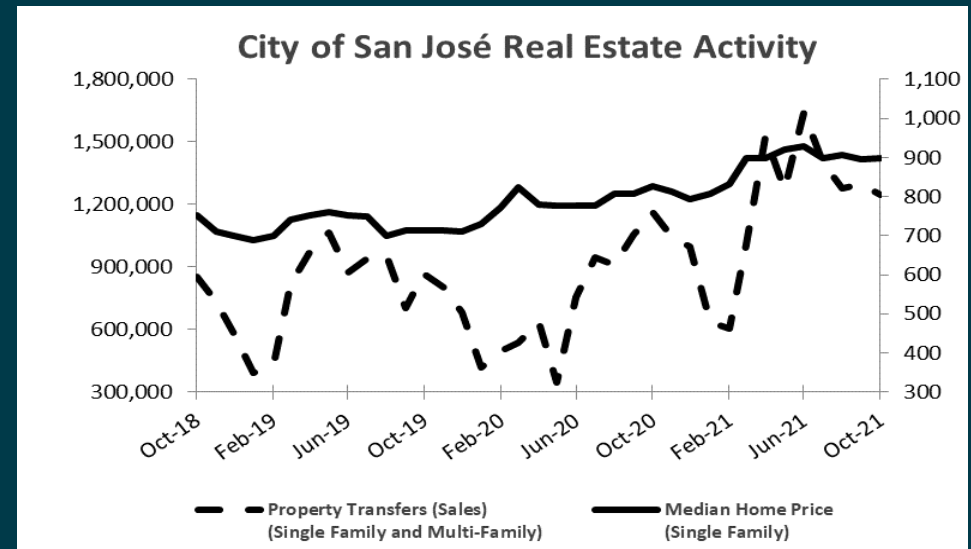
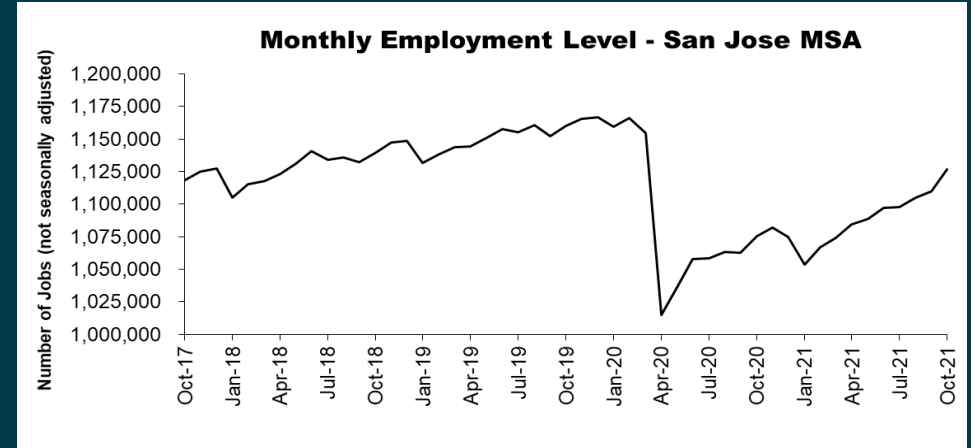
Many areas of economic activity have recovered, and revenues are tracking to meet or exceed the budgeted estimate in many categories

Sales Tax surge experienced in Apr – Jun has so far continued through Jul – Sep, and is expected again for Oct – Dec

- Year-over-year growth in the second half of 2021-2022 is expected to moderate since we started to first see the return to growth during this time last year

Continuing to experience strong residential and commercial property sales, both in price and volume

Cardrooms resumed normal operations and utility-related revenues remain solid



Preliminary General Fund Forecast: Outlook for the Remainder of 2021-2022 (cont'd)

A few headwinds remain, some significant

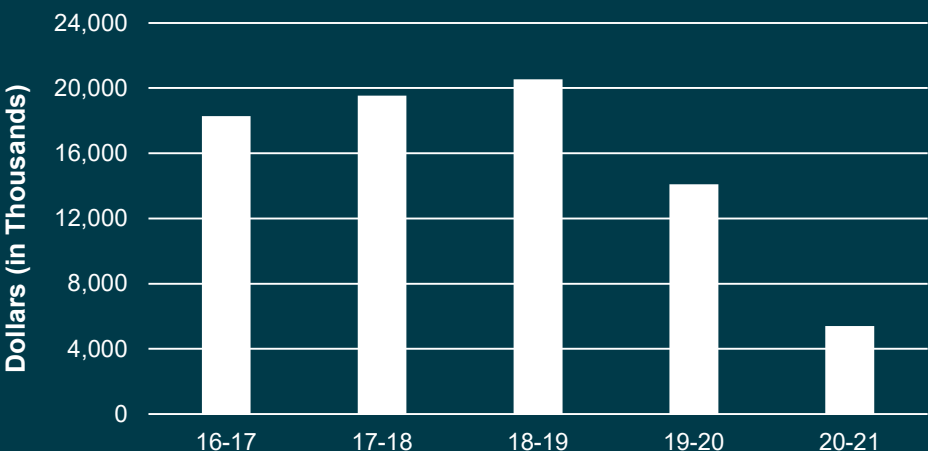
The pandemic continues; the Omicron variant will likely have some dampening effect, though staff is not attempting to quantify the impact

Though somewhat higher than 2020-2021, Transient Occupancy Tax receipts remain significantly reduced

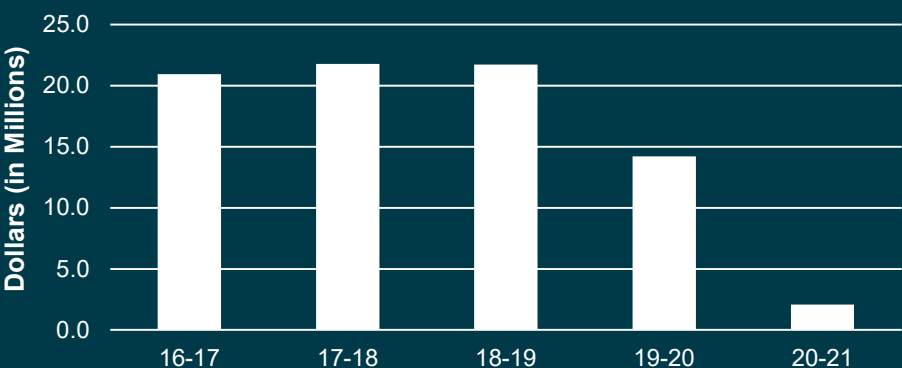
Fee activity revenue is rebounding, but still well below pre-pandemic levels

Recently informed by the State that a portion of the City's previous and current tax revenues could be significantly lower; while the City disputes and will appeal the State's initial determination, the General Fund outlook is negatively impacted and we will take action to set aside funds in reserve as part of the 2021-2022 Mid-Year Budget Review and 2022-2023 budget development process

Transient Occupancy Tax Collections



Parks, Recreation and Neighborhood
Services
Fee Revenue Collections



Preliminary General Fund Forecast: Outlook for 2022-2023

Revenue growth expected to moderate in 2022-2023, but levels remain strong

Strong real estate market for Calendar Year 2021 will translate into solid growth for Property Tax revenues in Fiscal Year 2022-2023

- Educational Revenue Augmentation Fund (ERAF) allocation is a risk factor, as the calculation is currently subject to legal challenge from school districts

While there may be lingering pandemic impacts, they are expected to be limited to a few areas, such as hotel-related taxes and fee revenue

Economic growth is preliminarily expected to continue in the outyears

Preliminary General Fund Forecast: Outlook for 2022-2023 (cont'd)

Decrease in projected retirement costs has a substantial impact on General Fund expenses

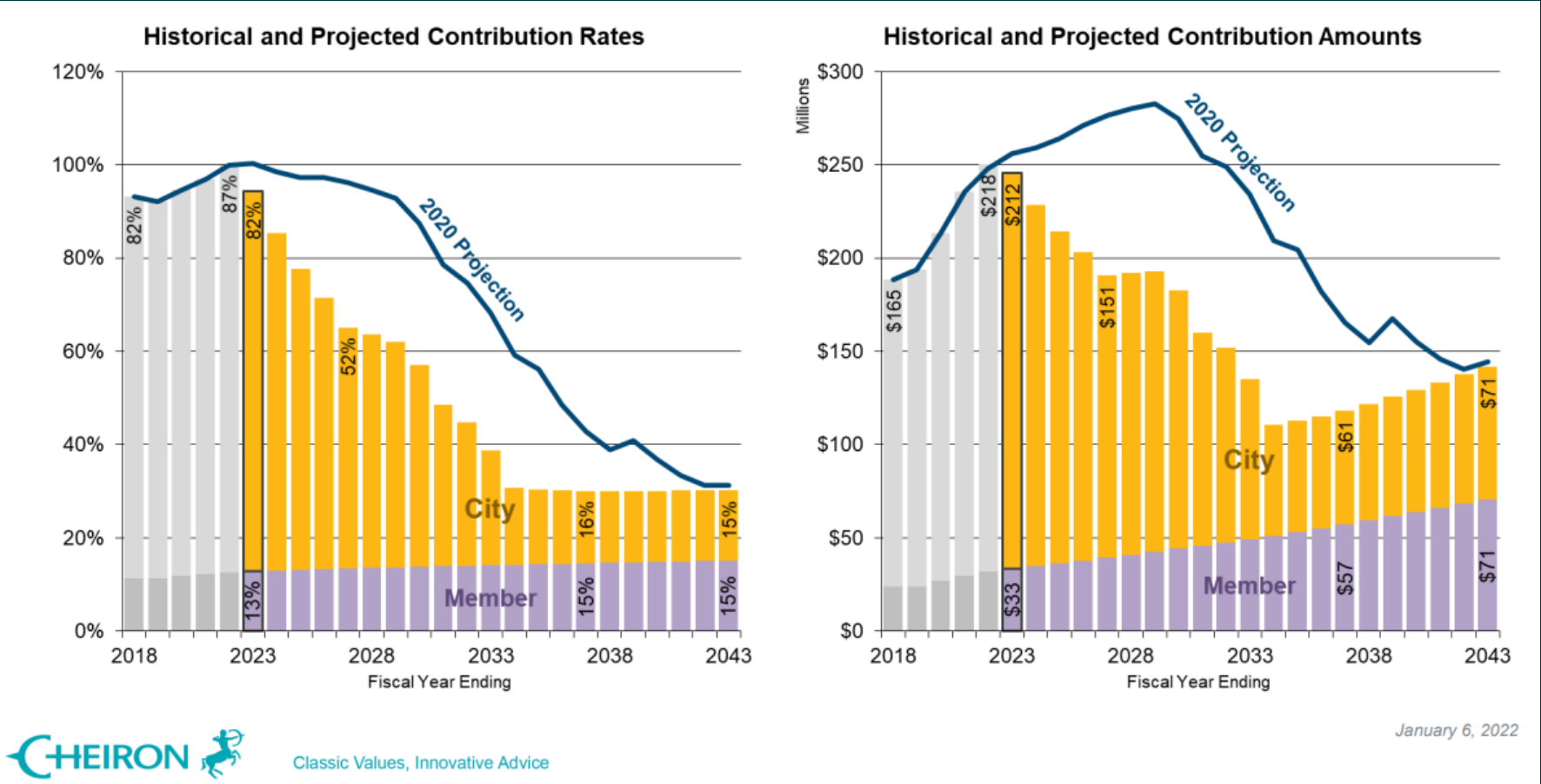
Both the Federated and Police & Fire retirement systems had investment returns of over 25% in 2020-2021

Both retirement boards left the assumed rate of return at 6.625%

While the unfunded actuarial liability is still very large, instead of year-over-year increases to retirement contributions, the forecast has flipped – contributions are now projected to decrease year-over-year

Preliminary General Fund Forecast: Outlook for 2022-2023 (cont'd)

Projection of Police & Fire pension contributions based on the Final Valuation Results for Fiscal Year 2020-2021 conducted by the Board's actuary



When compared to previous projections, the historically high returns in 2020-2021 have substantially reduced estimated required retirement contributions from the City, if future years average a 6.625% rate of return

Source: Police & Fire Board Meeting on 1/6/22, Item 3(a) – Discussion and action on Final Pension Valuation Results as of June 30, 2021 to be presented by Cheiron

Preliminary General Fund Forecast: Outlook for 2022-2023 (cont'd)

The City has not experienced solid revenue growth AND decreasing retirement costs in a very long time, but a structural shortfall remains

Staff's preliminary analysis indicates that anticipated General Fund revenues and the cost to deliver services previously funded in the General Fund on an ongoing basis are approximately balanced

This is good news and a significant change, because last year's projection was a \$28 million shortfall

Because retirement costs are estimated to decrease over time, the forecast is expected to improve in the outyears

However, for 2022-2023, when considering the large number of community-serving initiatives funded in the General Fund on a one-time basis for multiple years, and the community and economic recovery initiatives funded in the American Rescue Plan Fund, the City still faces a structural shortfall

Preliminary General Fund Forecast: Community-Serving Programs That Lack Ongoing Funding

Bringing the General Fund into structural balance requires a critical review of those community-serving programs funded on a one-time basis and those funded by the American Rescue Plan whose elimination would cause negative service impacts

Initiatives funded on a one-time basis in the General Fund in 2021-2022 exceeds **\$20 million**, such as:

- Beautify San José Landscape Maintenance
- Climate Smart Implementation
- Foot Patrol in Downtown and High Needs Neighborhoods
- Parks Rehabilitation Strike and Capital Infrastructure Team
- Police Sworn Hire Ahead Program
- Project Hope
- Restoration of Library Branch hours for lower-resourced communities

Initiatives funded in the American Rescue Plan Fund in 2021-2022 totals **\$105 million**, such as:

- Beautify San José Consolidated Model
- Child and Youth Services
- Homeless Services Outreach Assistance + Resources (SOAR)
- Resilience Corps
- San José Abierto
- San José Bridge
- Small Business Grants
- Supplemental Arts and Cultural Grant Funding

5. Review of Budget and Performance Measures for City Service Areas, Core Services, and Programs

Budget and Performance Measures:

As included in City Council Policy 1-18, the City maintains a performance-based budget that contains a wide range of financial and service-level data

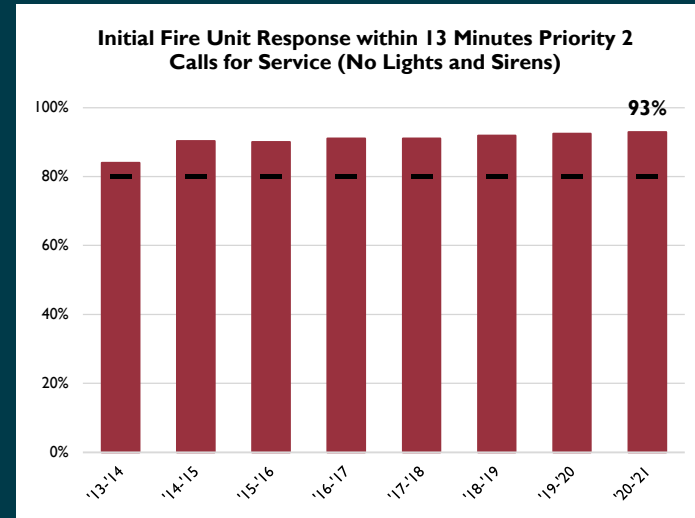
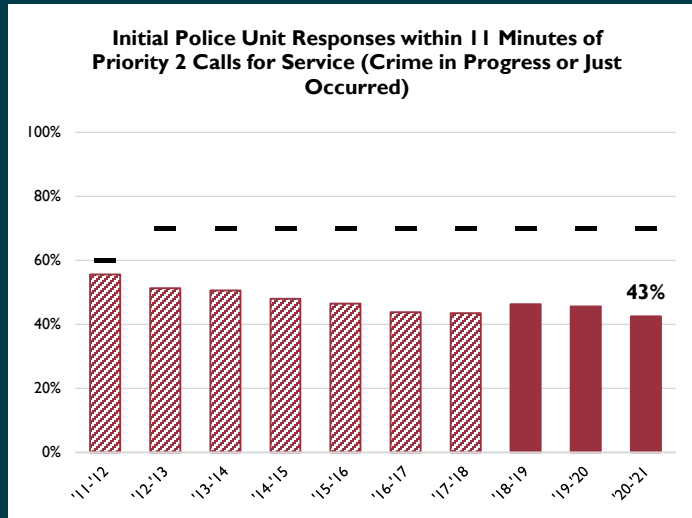
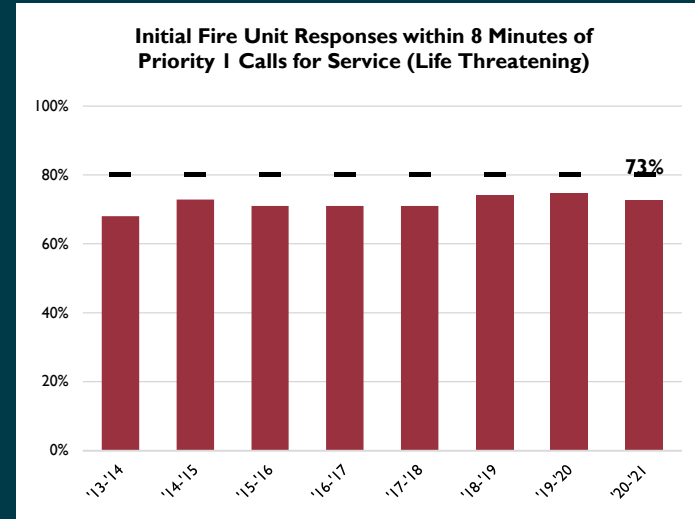
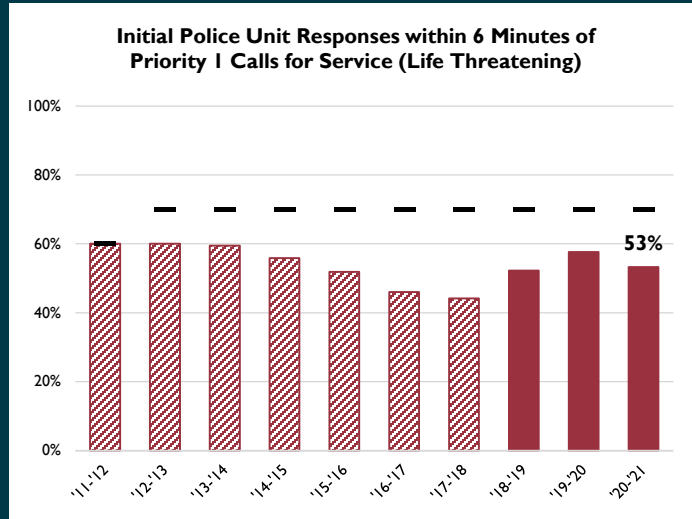
The City's operating budget is organized by:

- City Service Area (CSA) – multiple departments and/or portions of departments
 - Core Services – unique to departments (except Strategic Support)
 - Programs – unique to departments (except Strategic Support-related programs)

CSA and Core Service data includes performance outcomes, activity and workload, expenses, and position allocations

Programs include expenses and position allocations

Budget and Performance Measures: City Service Area



Public Safety CSA 2021-2022 Adopted Budget

- \$824 million across all funds
- \$818 million in the General Fund, or 52% of the General Fund budget










City Service Area Budget Summary**				
	2019-2020 Actuals **	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Adopted
Dollars by Core Service *				
<i>Office of the City Manager</i>				
City-Wide Emergency Management	2,327,782	6,561,908	1,691,589	4,403,643
<i>Fire Department</i>				
Strategic Support - Other - Public Safety	25,488,217	16,896,920	13,414,570	45,211,516
Strategic Support - Public Safety	49,262,932	6,997,088	6,400,307	6,600,995
Emergency Response	175,840,602	229,631,425	248,955,687	253,967,201
Fire Prevention	6,527,734	7,295,271	7,937,285	7,954,988
City-Wide Emergency Management	1,861	0	0	0
<i>Independent Police Auditor's Office</i>				
Independent Police Oversight	1,253,898	1,368,191	1,261,118	1,411,799
Strategic Support - Other - Public Safety	634	152,366	0	2,204
Strategic Support - Public Safety	360	113,481	118,704	118,704
<i>Police Department</i>				
Strategic Support - Other - Public Safety	17,616,929	15,837,057	10,447,639	15,014,938
Strategic Support - Public Safety	58,773,650	60,018,841	55,546,638	60,333,545
Crime Prevention and Community Education	4,915,728	7,092,256	7,053,627	7,187,078
Investigative Services	83,774,727	88,465,656	90,490,498	94,610,978
Regulatory Services	4,441,596	4,763,504	4,860,936	5,000,203
Respond To Calls For Service and Patrol Support	289,082,281	295,352,878	303,242,664	315,925,869
<i>Public Works Department</i>				
Strategic Support - Other - Public Safety	0	0	0	6,700,000
Total CSA	\$719,308,930	\$740,546,842	\$751,421,262	\$824,443,661
Authorized Positions	2,530.24	2,530.65	2,523.37	2,550.33

Note: In 2018-19, SJPD revised their reporting of police response times to be based on how incidents are initially coded into their system. In prior years, SJPD had measured response times based on updated coding of incidents as determined throughout the response, which could change the priorities of incidents and incorrectly affect response times.

Budget and Performance Measures: Core Service

Respond to Calls for Service and Patrol Support

Performance Measures

	2019-2020 Actual	2020-2021 Target	2020-2021 Estimated	2021-2022 Target
 % of 9-1-1 calls that are answered within 15 seconds	93.16%	95%	91.38%	95%
 Average time in which emergency calls, including 9-1-1 calls, are answered (in seconds) ¹	6.00	6.50	6.19	6.50
 Average time in which non-emergency calls, including 3-1-1 calls are answered (in seconds)	144.72	25.00	110.27	25.00
 Average time in which Telephone Reporting Automation Center (TRAC) calls are answered (in minutes)	3.25	6.00	2.68	6.00
 Average response time (City-wide) - (in minutes) Priority One (present or imminent danger to life or major damage/loss of property)	7.01	6.00	7.26	6.00
-Average call processing time	1.21	1.50	1.24	1.50
-Average call queuing time	0.80	0.50	0.61	0.50
-Average call driving-to-arrival time	5.00	4.00	5.38	4.00
 Average response time (City-wide) - (in minutes) Priority Two (injury or property damage or potential for either to occur)	21.04	11.00	22.91	11.00
-Average call processing time	1.48	1.50	1.52	1.50
-Average call queuing time	10.57	3.50	11.75	3.50
-Average call driving-to-arrival time	8.99	6.00	10.10	6.00
 Annual cost of Police to respond to calls for service (in millions)	\$138.8	\$138.8	\$147.2	\$151.7
 Annual cost per call for Police service	\$126.65	\$126.65	\$129.10	\$132.97
 Ratio of fatal collisions to total number of traffic collisions	1:166	1:183	1:173	1:180

Respond to Calls for Service and Patrol Support

Activity and Workload Highlights

	2019-2020 Actual	2020-2021 Forecast	2020-2021 Estimated	2021-2022 Forecast
# of emergency calls received ¹	606,034	630,000	629,036	640,000
# of wireless 9-1-1 calls received	452,890	470,000	468,530	475,000
# of non-emergency calls received ²	502,918	500,000	517,076	525,000
# of reports received by alternative means	25,103	26,000	25,054	26,000
# of officer-initiated calls received	94,631	95,000	70,402	75,000
# of hours of off-duty uniformed work at special events (includes security and traffic control)	21,236	26,000	26,204	26,000
# of special events coordinated by Secondary Employment Unit ³	1,075	800	428	450
# of officer work permits processed for Secondary Employment	520	700	468	450
Cost of providing Secondary Employment capability ⁴	\$825,269	\$825,268	\$832,406	\$828,838
# of total traffic collisions	7,167	11,000	6,348	6,300
# of injury traffic collisions	2,756	2,400	2,292	2,200
# of fatal traffic collisions	44	60	36	35
# of neighborhood traffic enforcement requests received	1,453	1,670	1,400	1,600
# of DUI arrests (Traffic Enforcement generated)	8	10	10	10
# of moving violation citations issued by Traffic Enforcement Unit personnel (both hazardous and non-hazardous)	7,928	7,000	4,300 ⁵	9,000

Budget and Performance Measures: Core Service & Program

Police Department

Department Budget Summary

2019-2020	2020-2021	2021-2022	2021-2022	2021-2022
Actuals**	Adopted	Forecast	Adopted	Adopted Positions

Dollars by Program*

Respond To Calls For Service and Patrol Support

9-1-1 Call Taking & Police Dispatch	25,400,606	28,097,674	28,926,991	29,011,002	164.50
Air Support	2,754,060	2,567,183	2,652,278	2,759,219	7.00
Airport Division	8,398,470	8,641,542	8,787,387	9,009,725	11.00
Downtown Services	1,657,516	2,839,369	2,932,454	3,041,747	8.00
Field Operations Administration	4,128,579	3,863,180	3,976,496	3,864,310	15.00
Field Patrol	215,232,055	213,179,341	215,876,849	225,755,978	755.00
Metro	7,277,332	8,871,775	8,951,663	9,376,351	31.00
Police - Reserves Unit	1,425,634	1,375,808	1,236,468	1,199,997	5.00
Special Operations	12,957,257	12,794,304	16,638,127	17,503,782	53.00
Traffic Enforcement	4,637,033	8,734,943	8,820,540	9,753,165	30.00
Violent Crimes Enforcement	5,213,740	4,387,759	4,443,411	4,650,593	14.00
Sub-Total	289,082,281	295,352,878	303,242,664	315,925,869	1,093.50

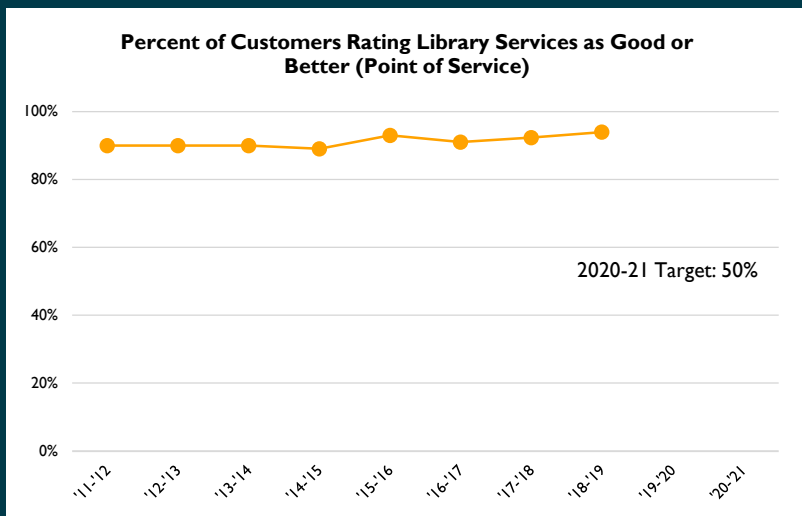
Core Service: Respond to Calls for Service and Patrol Support

- \$316 million budget for 2021-2022
- 38% of the Public Safety CSA budget

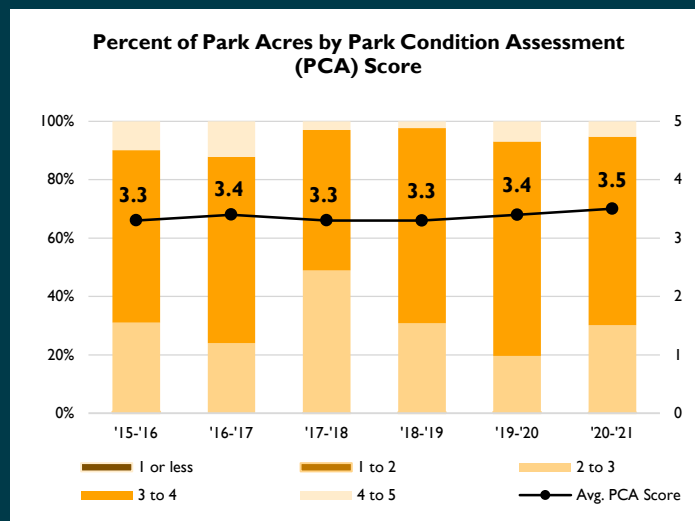
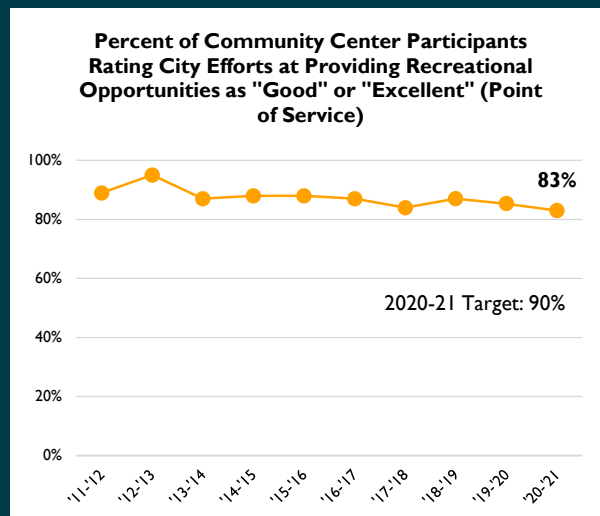
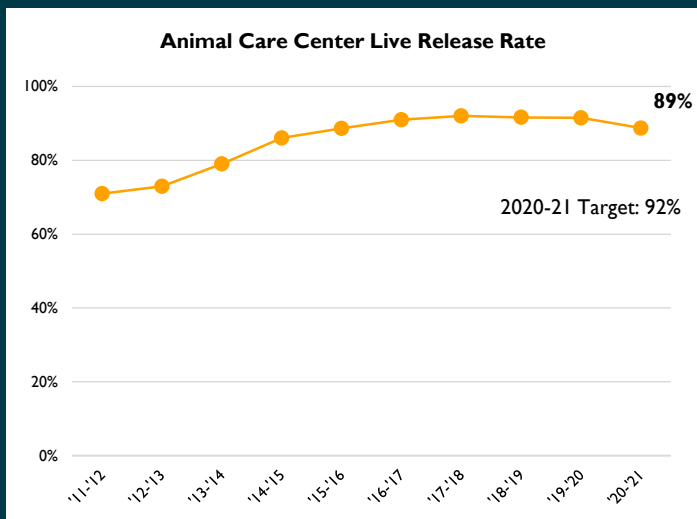
Program: Field Patrol

- \$226 million budget for 2021-2022
- 72% of the “Respond to Calls for Service and Patrol Support” Core Service budget
- 27% of the Public Safety CSA budget

Budget and Performance Measures: City Service Area



Source: Internal survey conducted by the Library.
Note: This survey was not administered in Fall 2020 or Fall 2021 due to COVID.



Note: Condition scores range from 1 (unacceptable) to 5 (new or like new). PRNS is in the process of revising the methodology for this measure.

Neighborhood Services CSA 2021-2022 Adopted Operating Budget:

- \$241 million across all funds
- \$172 million in the General Fund, or 11% of the General Fund budget

City Service Area Budget Summary**				
	2019-2020 Actuals **	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Adopted
Dollars by Core Service *				
<i>Library Department</i>				
Strategic Support - Other - Neighborhood Services	1,326,080	1,532,854	1,535,495	3,472,473
Strategic Support - Neighborhood Services	8,152,500	6,944,248	7,072,836	14,267,928
Literacy and Learning, Formal and Lifelong Self-Directed Education	4,384,229	4,380,561	3,874,298	4,462,346
Access To Information, Library Materials, and Digital Resources	34,269,562	35,794,659	36,298,771	36,889,436
<i>Parks, Recreation and Neighborhood Services Department</i>				
Strategic Support - Other - Neighborhood Services	3,469,201	15,033,137	2,723,811	10,508,978
Strategic Support - Neighborhood Services	12,844,361	5,789,418	5,623,043	34,276,919
Recreation Services	28,924,493	27,975,008	27,075,274	33,802,757
Community Services	10,901,857	14,729,131	12,568,996	25,081,949
Parks Maintenance and Operations	53,365,442	57,674,107	58,547,185	49,775,514
Community Facilities Development	4,953,418	5,659,525	5,807,758	5,930,728
<i>Planning, Building and Code Enforcement Department</i>				
Strategic Support - Other - Neighborhood Services	292	0	0	0
Strategic Support - Neighborhood Services	547,312	636,137	659,448	659,448
Code Enforcement	10,501,487	12,401,056	11,985,023	11,831,496
<i>Public Works Department</i>				
Animal Care and Services	8,100,676	8,666,310	8,860,916	8,878,649
Strategic Support - Other - Neighborhood Services	4,202,782	225,000	225,000	174,000
Strategic Support - Neighborhood Services	922,210	752,148	825,955	825,955
Total CSA	\$186,865,890	\$198,195,299	\$183,681,809	\$240,838,576
Authorized Positions	1,296.07	1,270.07	1,206.20	1,290.02

Budget and Performance Measures: Core Service & Program

Core Service: Parks Maintenance and Operations



- \$50 million budget for 2021-2022
- 38% of the Neighborhood Services CSA budget

Program: Neighborhood Parks and Regional Parks

- \$30 million budget for 2021-2022
- 60% of the “Parks Maintenance and Operations” Core Service budget
- 12% of the Neighborhood Services CSA budget

Parks Maintenance and Operations

Performance Measures

	2019-2020 Actual	2020-2021 Target	2020-2021 Estimated	2021-2022 Target
 Maintenance dollars per developed park acre maintained (includes regional and neighborhood parks, trails, community center and civic grounds, and community gardens)	\$13,160	\$14,054	\$14,237	\$14,232
 % of customer concerns completed within time standards established by PRNS	53%	50%	54%	60%

Activity and Workload Highlights

	2019-2020 Actual	2020-2021 Forecast	2020-2021 Estimated	2021-2022 Forecast
# of developed neighborhood and regional parks	209	210	209	211
# of developed acres maintained (includes regional and neighborhood parks, trails, community center and civic grounds, and community gardens)	1,791	1,796	1,794	1,796
# of customer concerns	1,868	1,500	1,891	1,650
Volunteer Unit - # of One Day Volunteer Events	182	50	50	100
Volunteer Unit - # of Adopted Parks	54	70	60	80

Parks, Recreation and Neighborhood Services Department

Department Budget Summary

2019-2020 Actuals**	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Adopted	2021-2022 Adopted Positions
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Dollars by Program*

Parks Maintenance and Operations

Family Camp	792,822	191,868	840,037	607,202	7.60
Happy Hollow Park & Zoo	9,036,849	8,597,222	8,702,668	8,303,065	95.24
Municipal Golf Courses	10,708,161	10,271,000	10,271,000	900,000	0.00
Neighborhood Parks and Regional Parks	26,195,574	30,820,845	29,818,277	30,318,920	174.86
Park Rangers	2,675,213	3,054,566	3,160,513	3,191,259	22.94
Parks Administration	1,745,841	2,378,782	2,363,822	2,362,797	8.89
Sports Fields Maintenance and Reservations	1,472,291	1,420,519	2,485,006	3,073,640	23.69
Volunteer, Adopt a Park, and Community Gardens	738,692	939,305	905,862	1,018,631	6.24
Sub-Total	53,365,442	57,674,107	58,547,185	49,775,514	339.46

Budget and Performance Measures: Core Service & Program











Core Service: Community Services

- \$25 million budget for 2021-2022
- 10% of the Neighborhood Services CSA budget

Program: Youth Gang Prevention and Intervention

- \$10 million budget for 2021-2022
- 44% of the “Community Services” Core Service budget
- 5% of the Neighborhood Services CSA budget

Parks, Recreation and Neighborhood Services Department					
Department Budget Summary					
	2019-2020	2020-2021	2021-2022	2021-2022	2021-2022
	Actuals**	Adopted	Forecast	Adopted	Adopted Positions
Dollars by Program*					
Community Services					
Anti-Graffiti and Anti-Litter	2,675,862	3,881,947	3,177,406	4,241,842	23.50
Illegal Dumping and Homeless Encampment	0	0	0	9,937,554	28.00
Trash Collection and Abatement Services					
Youth Gang Prevention and Intervention	8,225,995	10,847,184	9,391,590	10,902,553	50.98
Sub-Total	10,901,857	14,729,131	12,568,996	25,081,949	102.48

Community Services				
Performance Measures				
	2019-2020 Actual	2020-2021 Target	2020-2021 Estimated	2021-2022 Target
 % of surveyed youth customers (BEST) who successfully completed a BEST Funded Program compared to the total number of participants	83%	75%	80%	80%
 % of school conflicts resolved with re-establishment of a safe learning environment within two weeks out of # total	99%/302	97%/464	0% ¹	97%/464
 % and # of Safe School Campus Initiative customers surveyed rating services good or better	94%/71	97%/64	N/A ²	94%/71
 % and # of graffiti service requests completed within 72 hours by graffiti eradication vendor (service requests reported by the public)	92.3%/39K	75%/27K	75%/27K	75%/27K
 % of Clean Slate Tattoo Removal program participants who complete the Life Skills Sessions classes	90%	94%	97%	97%
 % of encampments receiving trash pickup in last two weeks (all encampments within the City's jurisdiction) ¹	N/A	N/A	N/A	75%
 % of Tier 3 encampments receiving trash pickup in last two weeks ¹	N/A	N/A	N/A	75%
 % of Tier 2 encampments receiving trash pickup in last two weeks ¹	N/A	N/A	N/A	65%
 % of Tier 3 encampments receiving on-schedule trash service on weekly basis ¹	N/A	N/A	N/A	75%
 % of encampments contained to 12x12 footprint ¹	N/A	N/A	N/A	50%
Activity and Workload Highlights				
	2019-2020 Actual	2020-2021 Forecast	2020-2021 Estimated	2021-2022 Forecast
# of BEST youth service program participants	3,229	2,500	2,600	2,500
# of graffiti work orders assigned to graffiti eradication vendor (service requests reported by the public)	39,157	27,000	22,000	30,000
# of Clean Slate Tattoo Removal program participants who complete the Life Skills Sessions classes	73	110	25	100
# of responses to incidents on Safe School Campus Initiative school sites	302	440	0 ²	440
# of Anti-Litter Program clean-up events coordinated at # of locations (neighborhood, business, and community litter clean-up events)	366/286	250/100	265/98	400/300
# of bags of litter collected by the Anti-Litter Program	21,958	41,500	11,000 ³	32,500
# residents enrolled in Cash for Trash ⁴	N/A	N/A	N/A	500

Performance Measures and the Budget: Challenges in Making Big Performance Gains

The continued evaluation of service delivery effectiveness is an integral part of the budget process, but the City's fiscal past has impacted our ability to drive significant change

Due to a high-cost burden and relatively low revenue per capita, the City had to eliminate or scale back many services in the aftermath of the “Dot-Com Bust” and “Great Recession”

The reduction in service level can be seen in our performance measures; reversing this trend will take time, even with an improved General Fund forecast

From 2012-2013 through 2019-2020 (pre-pandemic), the City has focused on stabilizing service delivery and very limited restorations with the guidance and direction of City Council-approved March and June Budget messages

Many of the budget additions addressed gaps or corrected problems – the lack of ongoing funding makes large-scale service restoration very difficult, especially when considering potential trade-offs

Performance Measures and the Budget: Challenges in Making Big Performance Gains (cont'd)

Police Department data provides a good example of the impact of potential trade-offs to achieve improved performance

Police Department	2007-2008	2020-2021	% Change
# of Emergency Calls Received	403,983	612,453	52%
Average Response Time for Priority One Calls (min)	5.91	7.12	20%
Budgeted Sworn Field Patrol FTE	750.0	686.0	(9%)
Calls per Budgeted Sworn Field Patrol FTE	539	893	65%
Total Budgeted Sworn FTE	1,370.0	1,159.0	(15%)

- Police Department service demands have substantially increased over time, while budgeted sworn staff has decreased
- For reference it would cost approximately \$49 million to add back 211 sworn staff positions (a mix of officers, sergeants, and lieutenants) in 2022-2023, and even that level would be a proportionately lower historical staffing level given the growth in city-wide service demand

Performance Measures and the Budget: Challenges in Making Big Performance Gains (cont'd)

Finding an offset to add \$49 million of resources to one part of the budget would result in service reductions elsewhere

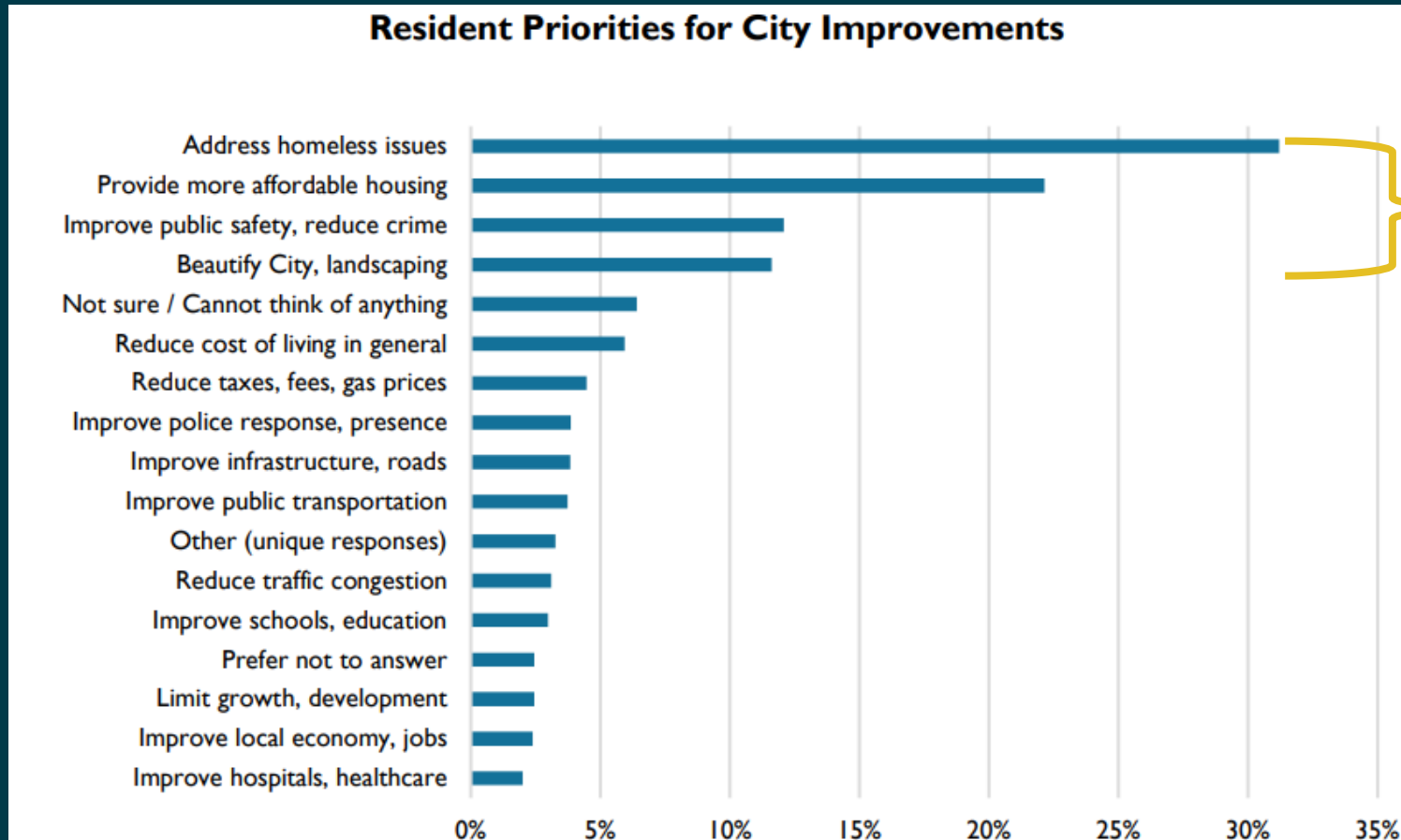
A sampling of 2021-2022 Core Service budgets in the General Fund:

- Parks Maintenance and Operations: \$47 million (PRNS)
- Access to Information, Library Materials and Digital Resources: \$30 million (Library)
- Recreation Services: \$29 million (PRNS)
- Traffic Maintenance: \$14 million (Transportation)
- Technology Infrastructure Operations: \$9 million (Information Technology)
- Revenue Management: \$6 million (Finance)
- Code Enforcement: \$5 million (PBCE, excludes Multiple Housing and Solid Waste Fee programs)

For an organization that has managed through years of difficult budget years, there is no room for ***significant*** cost cutting without service impacts

For this reason, the 2021-2022 Adopted Budget used significant one-time resources to achieve a balanced budget; the alternative would have been to reduce key services during the pandemic

Priorities for Improvements According to Resident Survey



Top four resident priorities for improvement align with recent significant investments by the City, for example:

- Measure B (2016), sales tax increase that helped stabilize Police Department staffing and added 47 sworn positions
- Measure E (2020), real property transfer tax that is allocated to homelessness prevention and affordable housing
- BeautifySJ Programs (2017-2022) funded in both the General Fund and American Rescue Plan Fund

Note: Verbatim responses were recorded and later grouped. Categories identified by at least 2% of respondents shown in the chart.

Source: Community Survey, City Auditor's Annual Report on City Services 2020-21

Priorities for Improvements According to Resident Survey (cont'd)

Many of the resident priorities align with the 2021-2022 City Roadmap

San José City Roadmap | FY 2021-2022

Enterprise Priority	Project						Strategy		Policy	
COVID-19 Pandemic: Community + Economic Recovery	Housing Stabilization	Re-Employment + Workforce Development	Small Business Recovery	Food + Necessities Distribution	Digital Equity	Child Care			Build Back Better + Recovery Task Force	
Emergency Management + Preparedness	Vaccination Task Force								North San José Strategy	Soft-Story Building Earthquake Retrofit Policy
Creating Housing + Preventing Homelessness	Emergency Housing Construction + Operation									Sheltering + Enhanced Encampment Services
Safe, Vibrant, + Inclusive Neighborhoods + Public Life	Police Reforms Work Plan	San José 311 + Service Delivery		Equity Strategy Development	Neighborhood Services Access Strategy					
Building the San José of Tomorrow with a Downtown for Everyone	Align Zoning with General Plan	Development Services Transformation	Google Development	Major Real Estate Development Projects	BART + High-Speed Rail Strategy					
Smart, Sustainable, + Reliable City: 21 st Century Infrastructure	Pavement, Fire, EOC, Transit Capital Improvements	Regional Wastewater Facility Capital Improvements	Electrical Service for Major Development	Climate Smart American Cities Climate Challenge			Lowering PG&E Above Market Costs for Clean Energy			
Enterprise Priority Foundational	Project						Strategy		Policy	
Strategic Fiscal Positioning + Resource Deployment	Federal + State Recovery Advocacy	Secure City Cybersecurity	Procurement Improvement	Pension Obligation Bond Analysis			Budgeting for Equity	City Roadmap Budgeting, Accountability, + Performance		
Powered by People	Continuity of City Services	Safe Workplace	Employee Health + Wellness	Drive to Digital			Effective Teams	City Workforce Diversity + Skill Building		

The City Roadmap should continue to drive investment priorities for change initiatives

Once Roadmap item objectives are completed, the resulting service levels/policy changes are incorporated into the City base budget and service delivery expectation, as appropriate

Multi-Year Project to Update Performance Measures

The Administration is in year one of an anticipated three-year re-evaluation and update of performance measures that will also include a more explicit focus on equity

Though we have an internal annual process to review and adjust CSA and Core Service performance and activity measures, there has not been a comprehensive overhaul since their initial establishment

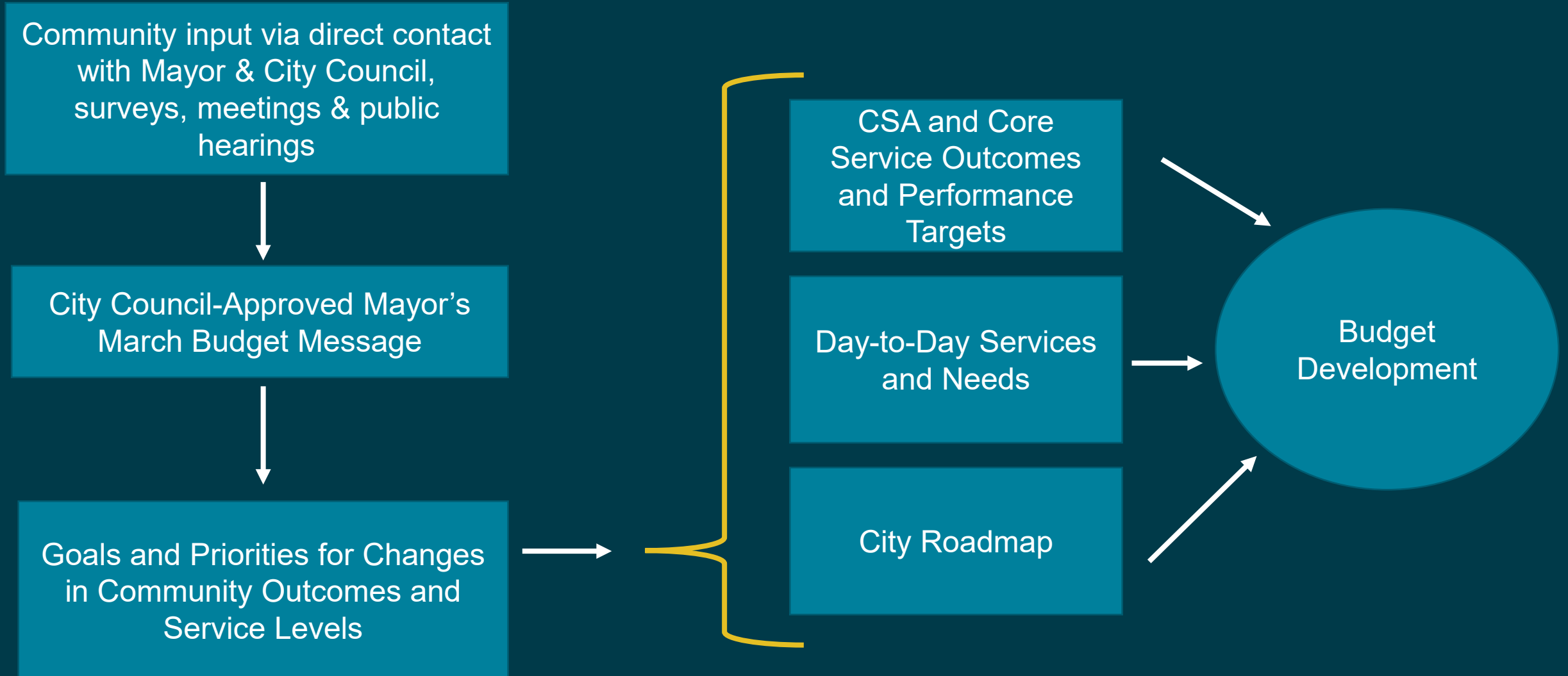
Most measures do not contain disaggregated data, which limits the City's ability to assess service impacts and community outcomes by race

- Critical information to more fully understand budgetary trade-offs

Currently piloting an effort with several departments to more closely link community-level indicators with service delivery outcomes and activity levels within a selected Core Service

- Seeking better understanding of community indicators at a disaggregated level
- Manager's Budget Addendum will review the results and lessons learned from the pilot
- Expand the program to all CSAs and Core Services over the following next two years

Inputs and Direction to Develop a Balanced Budget



6. Considerations for the 2022-2023 Budget Development Process

Considerations for the 2022-2023 Budget Development Process: City Manager's Direction to Departments

City Council's approval of the Mayor's March Budget Message for Fiscal Year 2022-2023 will provide formal budget direction and any significant policy or service delivery changes

In preparation for the 2022-2023 budget process, the City Manager issued a memorandum to department directors in December giving preliminary direction on budget submittals with a focus on the following:

- Evaluate and recommend the continuation, where appropriate, of high-priority programs funded on a one-time time basis in 2021-2022 in the General Fund, with the expectation that a significant portion will be recommended for funding on an ongoing basis beginning in 2022-2023 (**\$20 million allocated in 2021-2022**)
- Evaluate and recommend, where appropriate, the continuation of community and economic workstreams currently budgeted in the American Rescue Plan Fund, with the expectation that some workstreams will be recommended for ongoing funding in the General Fund, and some will be recommended to be again one-time funded within the American Rescue Plan Fund (**\$105 million allocated in 2021-2022**)
- Address a very small number of new initiatives to resolve limited gaps for City Roadmap items, and focus on a small handful of key policy priority areas, including public safety
- The restructuring and shifting of existing resources to better meet the City's ongoing service level objectives

Considerations for the 2022-2023 Budget Development Process: City Manager's Direction to Departments (cont'd)

The City Manager's preliminary direction to departments regarding one-time funded initiatives in the General Fund and American Rescue Plan funded workstreams is consistent with past City Council direction in two important ways:

1. Prioritizes returning the City to a structurally balanced General Fund budget
 - When considering that both the one-time and American Rescue Fund community-serving programs are priorities for the City Council, community, and Administration, and that their elimination would cause negative service impacts that no one would want for our city, the City's budget effectively has a structural shortfall – not enough ongoing resources to pay for ongoing services
 - We may need to again leverage one-time resources as a bridging strategy to achieve a balanced budget over a two to three-year period
 - Continued focus and implementation of strategies to reduce vacancies so that we have a more accurate picture of the City's workload capacity prior to adding other new programs
2. Prioritizes our most vulnerable communities
 - Many of the one-time and American Rescue Plan Fund programs, and those included in the City Roadmap, are aimed at assisting communities disproportionately impacted by COVID-19 or otherwise a vulnerable population
 - The City continues its efforts to explicitly embed equity in the budget development process

Considerations for the 2022-2023 Budget Development Process: Consideration of Equity

The development process of the 2022-2023 Proposed Budget attempts to allow for a more in-depth analysis of equity implications at the department and Core Service level

Budgeting for Equity Worksheet (Year 2)

- Departments to evaluate how specific proposals and resource allocation impedes or advances equity of a community-serving Core Service
- Allows for a more focused approach to help develop equity analysis skills

Pilot Program to Revise a Department's Core Service Performance Measures

- DOT, ESD, HR, Library, Housing, Police, PRNS, and OEDCA
- Revise metrics to better understand community outcomes at a disaggregated level

Results and lessons learned will be published in a Manager's Budget Addendum

Considerations for the 2022-2023 Budget Development Process: Consideration of Equity (cont'd)

Equity considerations also guide development of the final proposal package that the City Manager's Office will present to the City Council as the Proposed Budget

Overall budget development direction will be provided by City Council's approval of the Mayor's March Budget Message for Fiscal Year 2022-2023

In addition to the March Budget Message direction, the Administration will explicitly consider who benefits and who is burdened by the recommended budget proposal package

- Including the consideration of recommending lower cost-recovery levels for targeting community-serving fee programs and/or those impacting the most vulnerable, as appropriate
- Informed by the Budgeting for Equity worksheets

Unless directed to do so by City Council's approval of the March Budget Message, the Administration does not anticipate reallocating **significant existing** resources from one area of the City's budget to another

- Service shortfalls and gaps exist throughout the organization due to repeated historical General Fund challenges; City Council direction would be needed to consider substantial service impacts
- Focusing on integrating the one-time funded and American Rescue Plan funded programs is consistent with the City's focus on our most vulnerable communities

Considerations for the 2022-2023 Budget Development Process: Next Steps

2022-2023 City Manager's Budget Request / 2023-2027 Five-Year Forecast and Revenue Projections
(end of February)

City Council review and approval of the Mayor's March Budget Message for Fiscal Year 2022-2023
(March 15)

Release of City Manager's Proposed Budgets (early May)

- 2022-2023 Proposed Capital Budget and 2023-2027 Capital Improvement Program
- 2022-2023 Proposed Operating Budget
- 2022-2023 Fees and Charges Report

Refine alignment of budget proposals with performance outcomes

- Within the Proposed Operating Budget document and budget study sessions, include additional analysis and discussion on how the recommended package impacts performance outcomes

City Council Study Session



2022-2023 Preliminary General Fund Forecast and Budget

January 14, 2022

Jim Shannon, Budget Director

Bonny Duong, Assistant Budget Director

Claudia Chang, Deputy Budget Director