



Memorandum

TO: CITY COUNCIL

FROM: Councilmember Matt Mahan

SUBJECT: SEE BELOW

DATE: March 14, 2022

APPROVED:

SUBJECT: Approval of the Fiscal Year 2022-2023 Mayor's March Budget Message:
Baking Accountability into the Budget

RECOMMENDATION:

Approve the Mayor's 2022-2023 March Budget Message with the following additions:

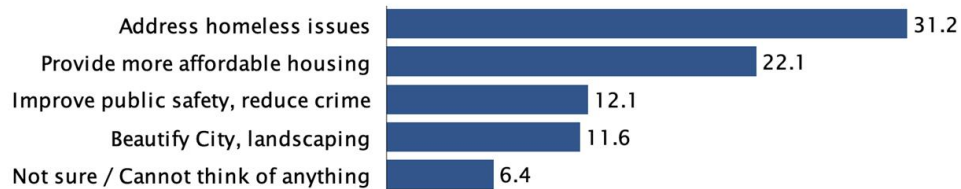
1. The Mayor and Council identify one objective measure of success for each of the six overarching priorities outlined in the Mayor's Budget Message that will help the public evaluate the effectiveness of our spending allocations for the coming year.
2. Direct the City Manager to return to Council through the proposed budget process with proposed targets corresponding to the six objective measures, and report out on these through the Budget Study Sessions for feedback and approval.
3. The City Manager and City Attorney return to Council in the first quarter of the 2022-2023 fiscal year with a review of policy options for tying future raises and bonuses for Councilmembers and relevant Senior Staff to actual performance measured against the targets set through the budget process.

BACKGROUND:

I want to thank Mayor Liccardo and his team for bringing forward a focused and pragmatic budget message that prioritizes critical investments in the areas of greatest concern in our community. As the Mayor points out, our city faces some daunting challenges — from street homelessness and blight to climate change and crime — and San Joséans are relying on their city government now more than ever to step up and solve big problems. I also want to thank the City Manager, Budget Office and senior staff across the organization who have collaborated with the Mayor's Office and helped inform this message.

Fortunately, our community has been consistent in telling us which problems they most want City Hall to solve. The City Auditor's Annual City Services Report included data from the Community Opinion Survey, which surveyed a representative sample of over 1,000 residents, who clearly prioritized their top concerns:

FIGURE 2 CHANGES TO IMPROVE CITY



We've seen these same few concerns consistently rise to the top in opinion polls and surveys published by The San José Mercury News¹, Joint Venture Silicon Valley², and others. We know what San Joséans want. Our city government has the scientific polling to back it up, and as elected officials and City staff we hear from residents every day on this same set of crucial issues. The Mayor's budget does an excellent job of reflecting these priorities and investments to move our city toward a better future.

In addition to knowing that we are focused on their top concerns, residents understandably also want to know, concretely, what impact our spending decisions will have in these areas in the year ahead. Today, unfortunately, far too many San José residents are skeptical that their city government is capable of using their hard-earned tax dollars to solve our most pressing problems.

In fact, the Community Opinion Survey found that only 45% of residents felt that the City operated in a way that is open and accountable to the public, and only 37% felt that the City listens to them when making important decisions. An even lower proportion, 35%, felt that the City is a good steward of public resources. We can do better.

To be clear, City staff members have undertaken heroic efforts throughout the pandemic to deliver meals, share information about vaccines, unwind rent debt and otherwise help our community navigate one of the most challenging periods in recent memory. We've been pulled in many directions by necessity. Now, as we emerge from immediate pandemic response, I'm calling on Council to provide greater leadership by prioritizing and being specific about what matters most, so that staff can do their best work in solving our most pressing problems. Council has historically, even pre-pandemic, pulled staff in many directions with too many unrelated priorities; our alignment and clearer goal setting is necessary to enable staff to better serve San Joséans.

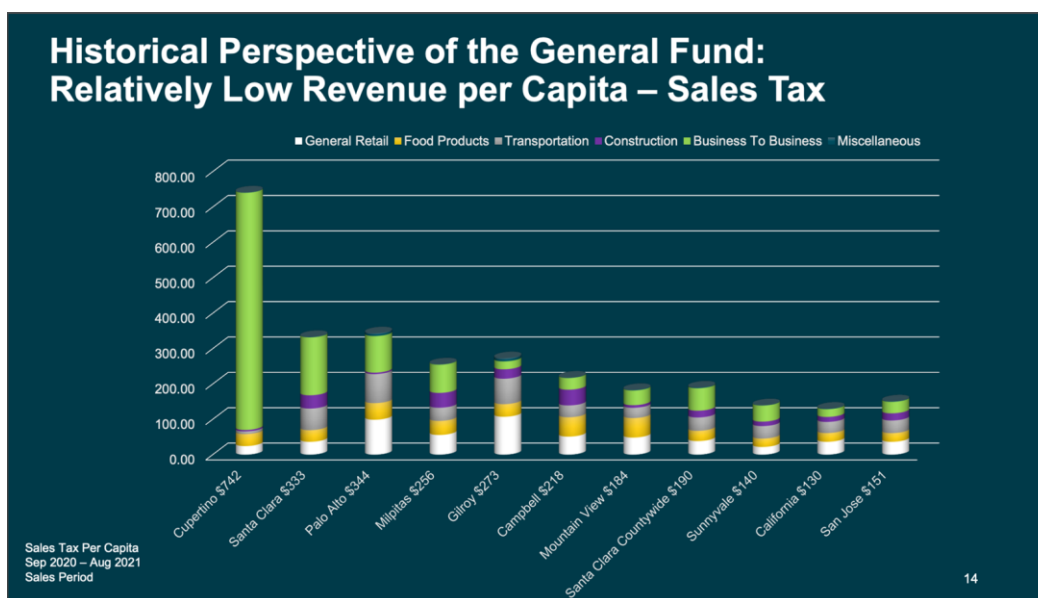
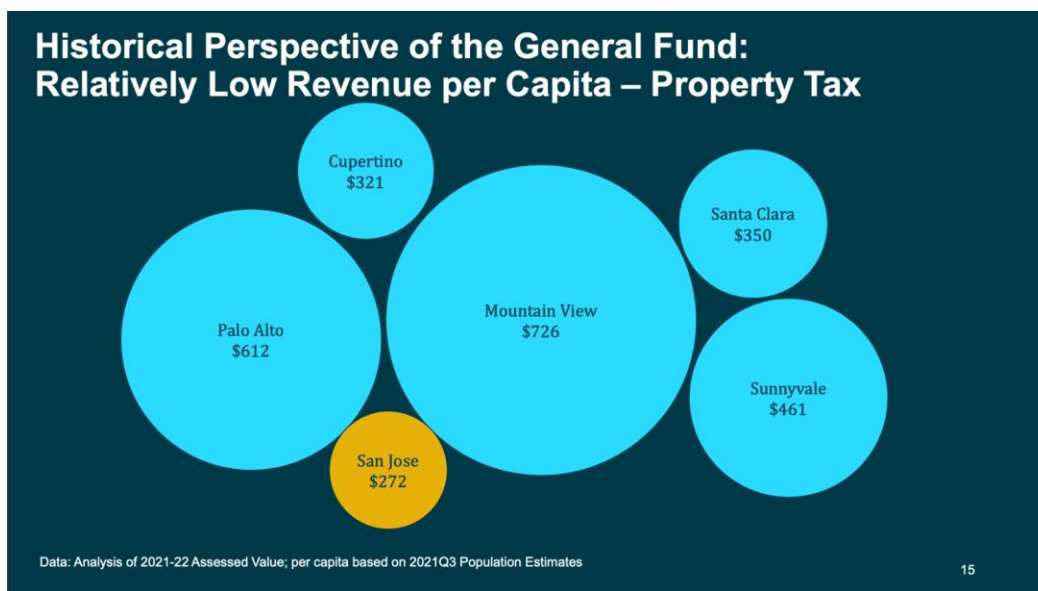
Thus, we have an opportunity to proactively build trust with our community and empower our staff through this year's budget process. By setting at least one clear, measurable and meaningful

¹ <https://www.mercurynews.com/2021/05/04/bay-area-residents-are-fed-up-with-the-homelessness-crisis/>

² <https://siliconvalleyindicators.org/>

goal around each of the six priorities identified by the Mayor, we can communicate to residents and staff not only our priorities, but what, specifically, we expect to be different—ideally better—in twelve months’ time as a result of our spending decisions.

We need this level of focus and clarity about expected outcomes not only to improve public trust and empower staff, but also to make the most of limited resources. It is no secret that San José consistently ranks amongst the lowest cities in the region for per capita tax revenue, as illustrated by the property and sales tax figures included in the presentation from January’s study session:



Given our fiscal constraints and our associated low staffing levels, San José must—more than most cities—be radically focused on and specific about the strategies we are investing in and the impact we expect to create through our allocation of the too few resources at our disposal. Concrete goals will enable us to align our attention and resources with the most important outcomes our community needs. As the famous adage goes, what gets measured gets fixed.

Because it would be unrealistic to propose, discuss and select specifically quantified goals in a single Council meeting, I'm recommending that today the Council discuss and agree on one success metric for each of the six priorities the Mayor has outlined in his Budget Message.

For example, on "Battling Blight," our success metric could be the average resolution time for relevant San José 311-reported issues, such as illegal dumping and abandoned vehicles. Alternatively, it could be resident satisfaction with our blight response as measured via the 311 app or the annual Community Opinion Survey. On "Public Safety," we could focus on our average 911 response time, the rate of property crime in our commercial or high-crime districts, or another critical need the Mayor's Budget Message seeks to address. With each new fiscal year, I'm confident that we will learn from past experience and get better at identifying the right measures of success as we carry out one of, if not our most important, functions as a representative body.

Selecting metrics involves tradeoffs. If we don't elevate some goals above others, the truth is that nothing is a priority. At the same time, we should recognize that prioritization does not imply that nothing else matters. Clearly, as a City, we are responsible for hundreds of services, big and small, that matter to different stakeholders in our community. I am not arguing for only doing six things in the coming year. I am arguing for helping both our residents and our staff know, clearly and concretely, what, specifically, they can expect to be improved in twelve months' time and after the incredible investment of dollars and staff effort that each annual budget represents. This is only a starting place. Over time, I hope that each department will measure the success of its annual operating budget against a small set of measurable outcomes selected in advance of the budget process, reviewed monthly, and thoroughly assessed at the end of the fiscal year.

Once Council has selected success metrics, the Administration should return to Council with a proposed "target" or goal for each success metric over the next 12 months, informed by the Mayor's Budget Message, staff's expertise, and the proposed resource allocation. For example, if the "Public Safety" metric consists of 911 response times, the Administration should return with a specific target (e.g. 5 minutes) that it believes is achievable given our proposed budget allocations.

Finally, and going beyond the scope of setting this specific budget, the City Manager, City Clerk, and City Attorney should begin exploring how in the future we can create a feedback loop between the goals we set through the budget process and future compensation adjustments for those of us who are charged with determining and managing the budget. To truly build trust with the public, it's not enough to prioritize and set goals. We too must have a direct and personal stake in achieving the goals. Department heads whose teams exceed their targets should be rewarded. Councils that set unrealistic goals or fail to achieve reasonable goals through our annual spending decisions should not get a pay raise at the end of that fiscal year. This is basic accountability and, from the perspective of many of our residents, it is long overdue in local government.

While some assume that tying pay to performance is a practice reserved only for the private sector, nonprofit and governmental organizations also have found success in creating performance-based feedback loops. At the level of the State government, for instance, voters tied pay to outcomes in 2010 with the passage of Proposition 25, which withholds pay and benefits for elected officials for each day of delay after the State budget deadline. This initiative came

after years of late budget approvals in the 2000s, which hampered the State's ability to deliver basic services to residents. Unsurprisingly, since 2010, the State has passed their budget on time every year.

Another example of success, parts of the federal government have benefited greatly from implementing accountability mechanisms. An academic analysis published in 2019³ studying various management systems active in the federal bureaucracy found that "accountability in staffing, performance evaluation, and compensation systems positively affected the organizational performance of the federal government," as "individuals are motivated by the expectation of rewards for their performance."

I understand that we cannot snap our fingers and end homelessness by simply tying our pay to such a goal, but it is equally self-evident that accountability systems can bring greater focus and pragmatism to public decision-making processes as they routinely do in other sectors.

In order to increase public trust in government and deliver measurable impact on the pressing issues that residents care most about, we must focus, set goals, track our performance, and be held accountable for results. I look forward to the conversation on the dais, and I thank the Mayor and his team again for their work in putting together a clear and compelling Budget Message for the coming fiscal year.

³ <https://journals.sagepub.com/doi/full/10.1177/0734371X16682816>