

**Fw: Agenda 3.5**

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**From** City Clerk <city.clerk@sanjoseca.gov>  
**Date** Tue 3/3/2026 9:10 AM  
**To** Agendadesk <Agendadesk@sanjoseca.gov>

**Office of the City Clerk | City of San José**

200 E. Santa Clara St., Tower 14<sup>th</sup> Floor  
San Jose, CA 95113  
Main: 408-535-1260  
Fax: 408-292-6207

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**From:** brian darby [REDACTED]  
**Sent:** Tuesday, March 3, 2026 9:02 AM  
**To:** City Clerk <city.clerk@sanjoseca.gov>  
**Subject:** Agenda 3.5

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Dear Mayor Mahan and Councilmembers,

As the City evaluates the **2025-2026 Mid-Year Budget Review (Legistar ID 15260917)**, I am writing to express a combination of support for current fiscal discipline and deep concern regarding the looming "budget cliff" and the redirection of critical voter-approved funds.

While the administration has successfully navigated a \$35.6 million shortfall this year through preemptive measures, external reports from the California State Auditor and recent fiscal outlooks from the Legislative Analyst's Office (LAO) suggest that San José's long-term sustainability is at a critical juncture.

## **1. The Looming \$65M Structural Deficit**

While the Mid-Year Review highlights a balanced current year, public reports now indicate that the projected deficit for FY 2026-27 has ballooned from an initial **\$52.9 million to as much as \$65 million.**

- **Concern:** The reliance on "one-time" carryover funds and the liquidation of reserves (currently below the 7% policy target) is a temporary bridge, not a permanent solution.
- **Inconsistency:** The City continues to expand the workforce (now over 7,000 positions) while simultaneously warning of an "anemic" real estate sector and stagnant sales tax revenue.

## 2. Measure E Reallocation & Homelessness Accountability

The decision to redirect **\$39.2 million** from permanent affordable housing to interim shelter solutions (8-3 vote) remains a point of significant community friction.

- **Achievement:** The rapid deployment of 1,937 interim placements is a commendable response to the immediate crisis on our streets.
- **Concern:** The **California State Auditor** recently labeled San José's homelessness spending transparency as only "Partially Implemented." There is still no single, consolidated location for residents to track the effectiveness of these millions in Measure E funds.
- **Recommendation:** Before the FY 2026-27 budget is finalized, the City must fulfill the Auditor's requirement to document the performance and cost-effectiveness of every service provider receiving these redirected funds.

## 3. Neglect of Core Infrastructure (Parks and Roads)

Reports from the Parks, Recreation, and Neighborhood Services (PRNS) department indicate a 19% reduction in staffing over 20 years despite a 22% increase in park acreage.

- **The Issue:** The "Building More Housing" focus area—while vital—has led to significant fee waivers for developers. These waivers are starving the General Fund of the very resources needed to maintain the neighborhoods where this new housing is built.
- **Achievement:** The \$2.5 million allocation for asphalt paving is a step forward, but it is a drop in the bucket compared to the billion-dollar maintenance backlog.

## 4. Economic Headwinds & Federal/State Risks

The LAO and State Controller reports suggest that the "AI Boom" revenues may not be sustainable, and changes in federal Medi-Cal and housing reimbursements (HUD/FAA) place **over \$64 million** of San José's anticipated revenue at risk.

### Formal Request for Action:

1. **Transparency:** Publish the "Homelessness Spending Dashboard" by the April 2025 deadline to restore public trust in Measure E expenditures.
2. **Parks Protection:** Re-evaluate developer fee waivers to ensure they do not permanently "blight" our neighborhood services.
3. **Reserve Restoration:** Prioritize returning the Budget Stabilization Reserve to the 10% policy mandate before committing to new one-time expansions.

San José is at a crossroads where "invisible" budget cuts are no longer possible. We urge the Council to prioritize the long-term structural health of our city over short-term political wins.

Sincerely,  
Brian Darby Stakeholder

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