

Community Budget Working Group Proposals

*For the San Jose Budget 2009 – 2010
Presented to City Council*

May 12, 2009

ABOUT THE WORKING GROUP

The Community Budget Working Group was formed by a group of community leaders to assure that a broad range of voices can bring innovative ideas to elected leaders, as the City of San Jose discusses how to allocate increasingly scarce resources. Convened by Working Partnerships USA, the Working Group is guided by a steering committee of representatives from a broad range of community organizations and constituencies. Participants include City commissioners, heads of ethnic Chambers of Commerce, labor unions, religious leaders, environmentalists and neighborhood activists.

THE COMMUNITY BUDGET WORKING GROUP STEERING COMMITTEE

Honorable Forrest Williams, Honorary Chair

Teresa Alvarado, Executive Director, Hispanic Foundation of Silicon Valley

Leona Butler, Retired, CEO, Santa Clara Family Health Plan

Xavier Campos, City of San Jose Planning Commissioner

Helen Chapman, President, SHPNA

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Tom Fink, Former Chair, San Jose Housing and Community Development Advisory Commission

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Poncho Guevara, Executive Director, Sacred Heart Community Service

Kerri Hamilton, Co-Chair, Healthy Silicon Valley Community Sector

Anjee Helstrup-Alvarez, Executive Director & Curator, MACLA

Lisa Jensen, City of San Jose Planning Commissioner

Dennis King, Executive Director, Hispanic Chamber of Commerce

Michele Lew, President/CEO, Asian Americans for Community Involvement

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Nancy Ostrowski, IFPTE-AEA

Ike Shulman, Shulman Law Offices

Rev. Deborah Simon, Recalling Spirit Ministries

Wiggy Sivertsen, BAYMEC Co-Founder

Ted Smith, Founder, Silicon Valley Toxics Coalition

Reverend Reginald Swilley, Small Business Owner

Buu Thai, Franklin McKinley SB President

Clark Williams, Chair, City of San Jose Appeals Hearing Board

Kerry Williams, Community Member

(Organizations listed for identification purposes.)

Recession Response Plan

This list contains proposals that should be implemented for the duration of the recession but that can be discontinued once the economy has recovered.

1. Focus city investments and subsidies on the goal of producing increased revenues for the General Fund.

The City of San Jose and the Redevelopment Agency (RDA) provide a wide variety of subsidies to firms, including direct grants and investments, land at below market prices, tax reductions, provision of city services at reduced costs, and others. The primary objective of these investments during the recession should be increasing revenue for the General Fund. Projects that do not produce substantial General Fund revenue should be required to demonstrate that they generate some other “extraordinary benefit” to the city, just as proposed conversions of industrial land to residential use must show an extraordinary benefit to secure approval.

Similarly, the City should explore ways that any new stadiums or existing assets such as the convention center can generate more revenue for the General fund.

2. Review and modify the RDA budget to emphasize expenditures that maximize positive revenue effects on the General Fund.

Appropriations by the Redevelopment Agency can benefit the General Fund in a number of ways:

- payments for direct services to the RDA, such as work by the City Attorney’s Office;
- payments for services to RDA project areas, such as added police services or code enforcement;
- allocating revenues for construction projects currently in the General Fund budget, such as street reconstruction in an RDA area or a location that provides primary benefit to an RDA area, thereby freeing up General Fund revenues for other purposes;
- buying or leasing city owned buildings or other assets;
- paying for projects that reduce General Fund costs like renovating public buildings to reduce utility costs or installing “smart” streetlights;
- initiating projects that generate substantial General Fund tax revenue, such as partnerships with high tax generating businesses, providing public infrastructure for such businesses, or accumulating parcels ideal for a retail business site.

3. Utilize funding from the RDA to provide a substantial portion of funding for supplemental security services to combat blight in the RDA project areas.

Currently the General Fund provides an estimated \$30.3 million worth of supplemental law enforcement services annually, to mitigate the higher crime rates in the RDA project areas. The number of calls for police services in these areas is estimated to exceed the rest of the City by more than eighteen percent. The current fiscal situation will diminish the General Fund dollars available to provide supplemental law enforcement activity in these areas. Unless RDA funds are used to maintain these services, RDA areas are likely to experience a disproportionate increase in criminal activity. RDA funds can and should be used to preserve these law enforcement services.

4. Allocate law enforcement expenditures to target the most needed improvements in public safety.

All law enforcement services are not of equal importance to the public. Strategies to reallocate resources can include reassigning some of the staff from the Mounted Unit and reducing responses to non-injury accidents. Sworn positions can be civilianized. In addition, sworn officers currently performing administrative duties previously performed by clerical personnel can be re-assigned to patrol, thereby helping to meet the city's goal of adding 25 additional officers. Clerical staff from other departments slated for lay-off can be transferred to the police department to take over these administrative roles.

5. Adopt policies to respond to the foreclosure crisis.

The Housing Department should evaluate purchasing foreclosed houses that have dropped drastically in price that could be leased to residents at affordable rates. This strategy would have the added benefit of helping to stabilize neighborhoods with large numbers of foreclosures. The City should also aggressively implement code enforcement inspections of foreclosed properties that are not being maintained and apply fines and fees to the financial institutions that own those sites.

6. Revise the priorities of the City Auditor to concentrate on increasing revenue to the General Fund.

The City Auditor should be directed to emphasize the monitoring of tax collections, such as collection of use taxes, the monitoring of overhead payments from non-General Fund programs to the General Fund, and any other assignments most likely to produce General Fund savings or resources.

7. Present tax increases with sunset provisions to the voters for approval.

Proposed tax increases can be drafted to sunset in a specific period of time, such as 5 years. The electorate may be more willing to support such measures, specifically designed to maintain services during the recession, than increases that continue in perpetuity.

8. Use one-time resources in a planned manner to preserve services of high value to the public.

A city like San Jose usually secures one-time revenues every year. The sources of these funds may be the sale of an asset, a reduction in reserves, success in a lawsuit, or some other event that is not expected to be regularly repeated. Normally, a city would avoid using those one-time resources to pay for on-going expenditures because the level of one-time funds cannot be relied on to be regularly available. However, in a recession – a period during which on-going revenues have declined and are expected to recover – one-time funds would not be relied on to be available indefinitely. They would simply be used for the period of the recession. For example, if the City sold an asset for \$5 million, it could allocate those one-time revenues to prevent the loss of \$1 million worth of critical services for five years. By that time, on-going revenues may have been restored to healthy levels. As long as the amount of one-time funds used in this manner is small in relationship to the size of the budget, this strategy can maintain important services while imposing minimal risk on city finances.

9. Maximize the General Fund impact of Federal Stimulus funds.

Appoint a stimulus “czar” advised by “stimulus working groups” - groups of community leaders who have a proven track record in building working partnerships with a range of regional authorities across a broad spectrum of government services. Their goal is to attract competitive Federal Stimulus discretionary funds to our region, a portion of which will fund General Fund programmatic activities such as Workforce Development and Training, Public Safety, Education, Children & Families, etc.

10. Allocate city resources in a manner that minimizes layoffs, reduction of direct provision of services and loss of other revenues.

The city should make budget reductions in such a manner as to minimize layoffs of direct service staff that result in less city services.

11. Don’t reduce Funds to programs that serve as revenue generators.

The City must minimize any cuts that result in the loss of Government, State or other funds.

Ongoing Budget Proposals

This list contains proposals that can be implemented for the long term.

1. Increase the share of city costs paid by those who require disproportionate amounts of city services.

Examples of these strategies include requiring event sponsors to pay a higher percentage of costs, increasing fees and/or fines for those who use alarm systems that generate repeated calls for service, and imposing fees on downtown clubs to pay for more of the expenses associated with police services in the evening hours.

2. Establish “just-in-time” fund transfer procedures designed to maximize interest earnings to the General Fund.

The City currently transfers money from the General Fund to other funds, where the money sits idle for many months before being spent. The timing of the transfers should be adjusted to maximize the interest earnings for the General Fund.

3. Maximize the practice of sweeping non-General Fund interest earnings into the General Fund.

The City has the discretion, in many cases, to distribute non-General Fund interest earnings into the General Fund.

4. Liquidate any General Fund encumbrances that have been inactive for five years or more and review each encumbrance less than five years old while requiring department directors to justify their existence.

San Jose carries encumbrances greater than any other City in California. Currently, San Jose’s encumbrances are three times the average amount reported by the other nine most populous cities. Those funds that have been inactive for many years should be liquidated to preserve essential services. Procedures should be developed to discourage the practice of maintaining large aggregated amounts of encumbered funds.

5. Increase fines for and enforcement of violations of city ordinances.

The city should examine the feasibility of improving the enforcement of various city ordinances and increasing fines for violations. Among the regulations that should be considered are the sign ordinance, fire safety rules and red light running violations.

6. Operate city facilities with an emphasis on reducing unnecessary costs.

Opportunities to reduce costs include limiting lighting in public facilities when not in use, using small rooms for small meetings and events, controlling street lighting where not needed and minimizing the use of air conditioning.

7. Improve the efficiency of the city's use of vehicles.

Options to achieve savings include purchasing or leasing more fuel efficient vehicles, reviewing the allocation of vehicles to personnel to assure they are needed for city purposes, and evaluating both the use of "smart cars" that can be obtained on an immediate, as-needed, basis and an employee car-pool system that encourages City and other government employees to coordinate trips when they are attending the same meetings.

8. Market city bonds directly to individual residents.

Through the direct sales of bonds to residents the city may be able to reduce the costs of issuing debt and offer those who live and work in San Jose the opportunity to invest in the public infrastructure on which they rely.

9. Reduce monitoring costs for pre-qualified, preferred status vendors and non-profits.

By implementing pre-qualification procedures and reviewing vendors and non-profits carefully during the first years of service, the City can identify those institutions that have outstanding records of quality and compliance with public values. In the future, the levels and costs of monitoring can be reduced for these enterprises.

10. Audit the use of consultants.

The use of consultants should be carefully reviewed. Consultants should only be hired in circumstances wherein it is certain that city staff lack the expertise to provide the needed work and when it is clear the benefit to the General Fund substantially outweighs the expenditures on the consultants.

11. Take steps to increase revenue from fees without denying access to city services from residents of limited means.

The cost-recovery ratio for all fees should be examined. Where 100% cost recovery is not being secured, the city should examine the consequences of increased fees on access to services by residents. In addition, park usage fees should be organized so that the site at which an event occurs receives a share of the fee, thereby encouraging park staff and supporters to seek more fee generating activities.

12. Partner with other jurisdictions to form legal defense consortiums in order to assist in consideration of new fees to cover costs of mitigating negative environmental effects of business activities.

In cases in which the city absorbs costs from mitigating the negative environmental effects of business activities, new fees should be considered. If jurisdictions are reluctant to implement such fees due to fear of litigation, cities can form legal defense consortiums in order to share in the costs to achieve legal precedent regarding these fees (similar to the Sinclair Paint decision).

13. Place long term taxes before the voters to improve the city's ability to sustain quality services.

Even after the recession ends, San Jose is likely to need additional tax revenue to provide high levels of public services. Among the taxes worthy of consideration are the modernization of the business license tax, a measure that increases the number of card room tables in the city and increases the tax at the same time, and a quarter- or eighth-cent increase in the sales tax. The City should coordinate with school districts and other overlapping jurisdictions to both coordinate the timing of tax measures as well as learn from other's experiences.

14. Collaborate with the Santa Clara Valley Water District (SCVWD) to achieve water conservation and reduce maintenance costs on city property.

The city owns undeveloped property and land around public facilities that is costly to maintain. The SCVWD is interested in encouraging property owners to redesign their landscaping to reduce water usage. It is possible that the SCVWD would help finance landscape designs on city property that significantly improve water conservation and reduce overall maintenance costs at the same time.

15. Utilize assessment districts as a tailored approach to augment city revenue for high priority needs in neighborhoods as well as funding growth in specific plans while keeping the General Fund whole.

16. Work constructively with City unions to develop cost saving strategies.

City employees are the City's best resource for delivering high quality services. They are a great source of ideas and bargaining units are often willing help with budget shortfalls. For example, numerous bargaining units have agreed to increase their contribution to fund retiree healthcare and many have volunteered to forgo salary increases for 2009-10.

17. Generate additional revenue by contracting with smaller jurisdictions to provide services.

Similar to the model used with the animal shelter, the City could allow smaller jurisdictions to take advantage of economies of scale while increasing revenues by contracting to provide services.