

## 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 increased revenue to 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.

### **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 projects, 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. 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.

#### **4. 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.

#### **5. 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.

#### **6. 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.

#### **7. 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, the 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.

## Ongoing Budget Proposals

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

### **1. 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, and controlling street lighting where not needed.

### **2. 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 the use of "smart cars" that can be obtained on an immediate, as-needed, basis.

### **3. 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 for more of the expenses associated with police services in the evening hours.

### **4. 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.

### **5. 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.

### **6. 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.

**7. 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. Among those fees that could usefully be reviewed are those for hazardous materials inspections. In cases in which the city absorbs costs from mitigating the negative environmental effects business activities, new fees should be considered. 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.

**8. 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.

**9. 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 it 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.

**10. Impose increased fines for 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 and fire safety rules.