

City of San José City Budget Overview

City Council District 4
April 14-15, 2010

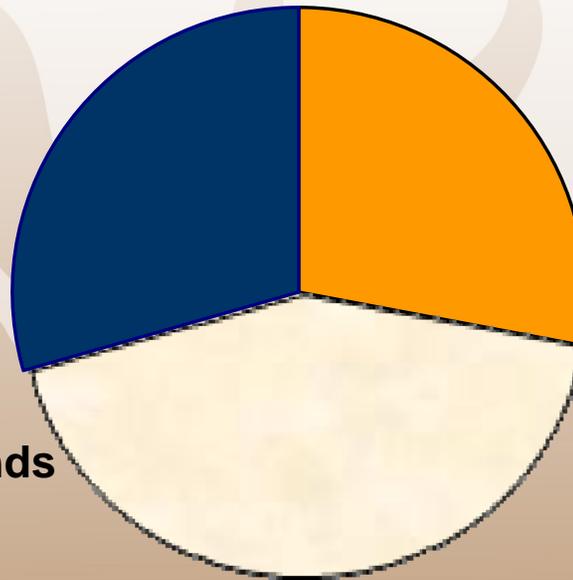
City of San José Budget Overview

2009-2010 ADOPTED CITY BUDGET:	\$3.0 billion
TOTAL NUMBER OF FUNDS:	114
TOTAL NUMBER OF EMPLOYEES:	6,623

Capital Funds
29%

General Fund
28%

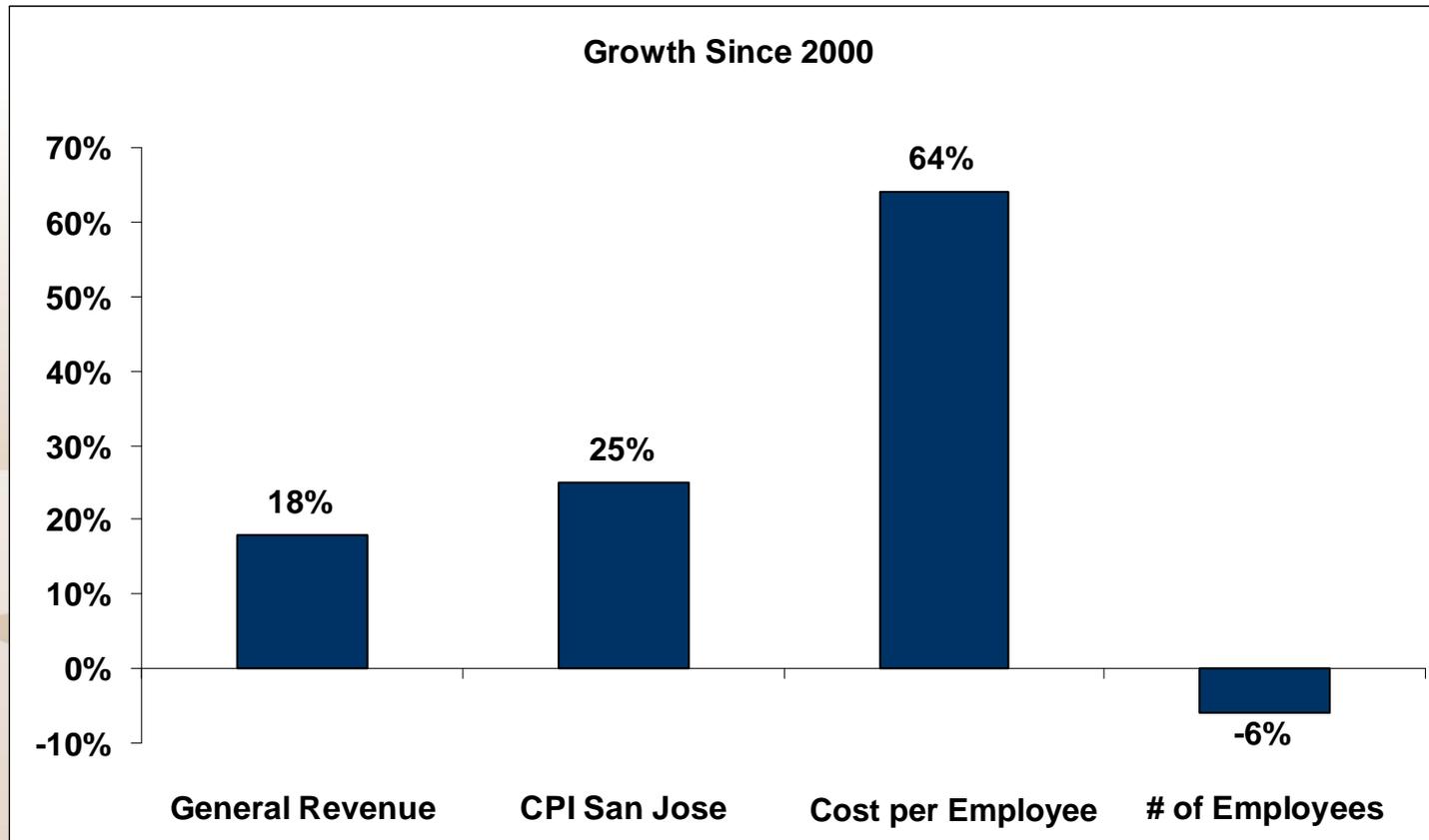
Special Funds
43%



City has Faced Ongoing Fiscal Challenges Since 2002

1. General Fund Structural Deficit:
Expenditure growth outpacing revenue growth
 - Growth in personnel costs (salary, retirement, health care)
 - New operating costs for new facilities
 - Unstable revenue base
2. Severe Economic Downturn
3. State Budget Takes

Expenses Growing Faster than Revenues



Note: Figure for General Revenue in the General Fund excludes Beginning Fund Balance and Transfers and Reimbursements

Growth in Personnel Costs

	2000-2001	2009-2010	Increase
BASE PAYROLL	\$416,010,420	\$582,337,708	39.98%
RETIREMENT BENEFITS	\$63,054,083	\$137,472,029	118.02%
HEALTH/DENTAL BENEFITS	\$30,317,792	\$64,197,978	111.75%
OTHER BENEFITS	\$6,608,312	\$13,566,187	105.29%
FULL TIME EQUIVALENT EMPLOYEES	7,012.51	6,623.36	-5.55%

Steep Drop in Economically Sensitive Revenues

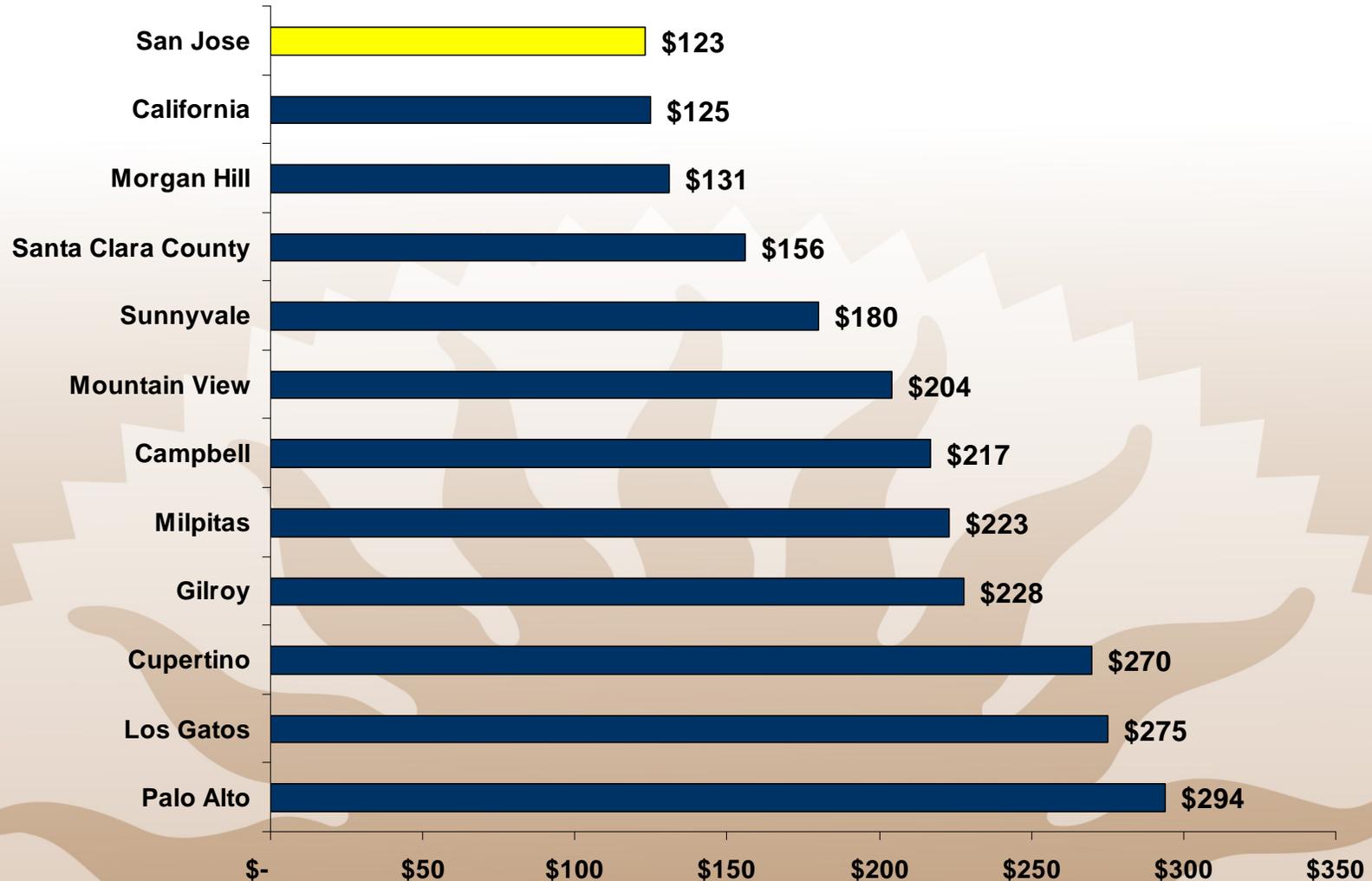
Comparative Performance of Economically Sensitive Major Revenues
(\$ in millions)

Revenue Source	Peak		Actual		Modified Budget	% Decline from Peak	
	Year	Actual	2007-08	2008-09	2009-10	2008-09	2009-10
Property Tax	2008-09	\$ 210.84	\$ 203.72	\$ 210.84	\$ 199.85	0.0%	-5.2%
Sales Tax	2000-01	169.22	154.00	132.01	125.08	-22.0%	-26.1%
Transient Occupancy Tax	2000-01	27.61	24.03	19.35	16.38	-29.9%	-40.7%
Development Fee Programs*	2005-06	41.21	38.20	31.92	25.19	-22.5%	-38.9%
Airport Parking and Roadway Rev.	2000-01	60.01	48.01	42.60	38.71	-29.0%	-35.5%
Airport Passenger Facility Charges	2005-06	22.27	21.22	17.42	16.50	-21.8%	-25.9%
Construction and Conveyance Tax	2005-06	49.00	26.81	20.47	20.00	-58.2%	-59.2%
Construction Excise Tax**	2000-01	20.74	13.55	8.12	5.50	-60.9%	-73.5%
Building and Structure Const. Tax**	2000-01	17.45	9.62	7.05	4.00	-59.6%	-77.1%
Sanitary Sewer Connection Fee	1997-98	2.70	0.79	0.65	0.25	-75.9%	-90.7%

* Development Fee Programs include Building, Fire, Planning, and Public Works.

** The 2009-10 budget includes valuation table increases.

San Jose Per Capita Sales Tax Lags (All Categories)



Source: Muniservices, Cash Receipts Second Quarter 2009

Recent General Fund Budget Shortfalls and City-Wide Position Changes

	Total General Fund Shortfall	City-Wide Position Changes (All Funds)
2002-2003	(\$ 46.3 M)	(36)
2003-2004	(\$ 92.1 M)	(205)
2004-2005	(\$ 81.7 M)	(426)
2005-2006	(\$ 58.1 M)	(115)
2006-2007	(\$ 34.9 M)	172
2007-2008	(\$ 19.9 M)	149
2008-2009	(\$ 47.4 M)	(148)
2009-2010	(\$ 84.2 M)	(221)
TOTAL	(\$ 464.6 M)	(830)

Drop from 7,453 budgeted positions in 2001-2002 to 6,623 budgeted positions in 2009-2010

\$116.2 Million General Fund Shortfall Anticipated in 2010-2011

- Ninth consecutive year of General Fund budget gaps
- Increased expenditures account for almost two-thirds of 2010-2011 shortfall, with decreased revenues accounting for the remaining portion of the shortfall

2010-2011 Shortfall Components

\$ in Millions

Expenditure Changes

- Increased Retirement Contribution Rates (estimate) (Police/Fire: \$43.6M; Federated: \$9.3M)	(\$ 52.9)
- Increased Expenditures (primarily personnel-related)	(10.2)
- 2010-2011 Committed Additions (new officers/facilities)	(7.5)
- Carryover from 2009-2010 Adopted Budget	(3.1)

Sub-Total Expenditure Changes

(\$73.7)

Decreased Revenue Estimates

(42.5)

Total Shortfall

(\$116.2)

Budget Shortfalls Expected Over the Next Five Years

2011-2015 General Fund Structural Deficit (\$ in Millions)

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Total
Projected Base Shortfall (Feb 2010 Forecast)	(\$116.2)	(\$20.1)	(\$18.0)	(\$21.5)	(\$5.8)	(\$181.6)
Unmet/Deferred Infrastructure and Maintenance Needs*	(\$8.1)	(\$8.1)	(\$8.1)	(\$8.2)	(\$8.2)	(\$40.7)
Total Incremental Deficit	(\$124.3)	(\$28.2)	(\$26.1)	(\$29.7)	(\$14.0)	(\$222.3)
Total Cumulative Deficit	(\$124.3)	(\$152.5)	(\$178.6)	(\$208.3)	(\$222.3)	(\$222.3)

** Does not address one-time needs of \$446 million in the General Fund (\$821 million all funds).



APPROACH TO BALANCING THE 2010-2011 PROPOSED BUDGET

**(Closing a General Fund Gap of
Approximately \$116 Million)**

2010-2011 Budget Balancing Strategies

- 2010-2011 Mayor's March Budget Message
 - City Council and Community Goals
 - Incorporates feedback from Mayor's Budget Message Workshop, Neighborhood Association Meeting, and Community Survey
 - Combination of approaches: employee concessions; revenues; service efficiencies, new service delivery models; and service reductions/eliminations
- Program Prioritization Effort

Program Prioritization Effort Public Priority Results

HOW WOULD YOU SPEND A HUNDRED DOLLARS?



A Safe City
\$24.40



**A Prosperous
Economy**
\$23.70



**A Green,
Sustainable
City**
\$15.70



**An Attractive
Vibrant
Community**
\$15.30



**A Reliable,
Well-Maintained
Infrastructure**
\$19.90

Potential New Revenue

- Many potential revenues require voter approval
- Favorable polling results for only a couple of strategies

Polled Strategies	Survey Results (% in favor)	Potential Annual Revenue
Increase Cardroom Tax and/or Number of Tables	64%	\$2 M - \$5.3 M
½ - ¼ Cent Sales Tax Increase	48% - 53%	\$30.25 M - \$60.5 M
Disposal Facility Tax Increase	43%	\$1.5 M - \$8 M
Modernizing Business Tax	43%	\$0.5 M - \$13 M
Parking Lot Tax	37%	\$5.2 M - \$9 M

- Cardroom Tax ballot measure in June 2010
- Additional work to be done before deciding whether to put Sales Tax measure placed on ballot

Employee Concessions Sought

- Employee concessions sought to avoid service cuts and save jobs
- Council direction to achieve a 10% in personnel cost savings (minimum 5% ongoing and another 5% from concessions that could include one-time cost savings with flexibility to help save additional services)
- In 2010-2011, avg. sworn position cost is estimated at \$182,000; avg. non-sworn position cost is estimated at \$110,000; and avg. position cost city-wide is estimated at \$133,000.

Savings from Reducing Per Employee Cost* (\$ in millions)

10%		
General Fund	Other Funds	Total Funds
\$63.90	\$22.36	\$86.26

Summary by Bargaining Unit

Employee Unit	Contract Expiration	10% Reduction	Full Time Equivalents (FTEs)
		General Fund	
San Jose Police Officers' Association (POA)	6/30/2010	\$24.73M	1362.0
San Jose Fire Fighters, Local 230 (IAFF)	6/30/2009	\$13.50M	739.0
Subtotal (Subject to arbitration if no agreement)		\$38.23M	2,101
Municipal Employees' Federation (MEF)	6/30/2011	\$13.05M	2199.62
Confidential Employees' Organization (CEO)	9/17/2011	\$1.27M	216.62
Subtotal (Changes to pay/benefits require agreement of these unions to reopen contract)		\$14.32M	2,416

Source: Salary and Fringe Benefit Costs by Employee Unit & Fund for the 2010-2011 Base Budget (2/27/10)

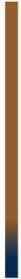
Summary by Bargaining Unit

Employee Unit	Contract Expiration	10% Reduction	Full Time Equivalents (FTEs)
		General Fund	
Executive Management (Unit 99)	N/A	\$3.01M	241.00
International Union of Operating Engineers, Local No. 3 (OE#3)	N/A	\$2.81M	805.42
City Association of Management Personnel (CAMP)	6/30/2010	\$2.60M	391.50
Association of Legal Professionals (ALP)	N/A	\$789.24K	46.00
Association of Engineers and Architects (AEA)	6/30/2010	\$619.26K	233.00
Assoc. of Building, Mechanical & Electrical Inspectors (ABMEI)	12/10/2009	\$594.25K	50.00
International Brotherhood of Electrical Workers, Local No. 332 (IBEW)	3/6/2010	\$443.19K	80.00
Association of Maintenance Supervisory Personnel (AMSP)	6/30/2010	\$372.52K	84.00
Unrepresented Non-Management	N/A	\$106.76K	27.90
Subtotal		\$11.35M	1,959
GRAND TOTALS:		\$63.90M	6,476

Source: Salary and Fringe Benefit Costs by Employee Unit & Fund for the 2010-2011 Base Budget (2/27/10)

Service Reductions/Eliminations

- Eliminate/phase-out programs where the City can no longer afford to provide the service
- Balance public safety and non-public safety reductions
- Delay opening new facilities to avoid new operational costs in 2010-2011
- Use ongoing budget solutions to the extent possible



MAJOR PROPOSALS TO REDUCE OR ELIMINATE SERVICES

Libraries and Community Centers

- Reduce branch library hours/days of operation from 6 to 3 days per week (weekly hours of operation would drop from 47 hours to 25-26 hours)
- Reduce hours of operation/services at Dr. Martin Luther King, Jr. Library
- Close 21 Satellite/Neighborhood Community Centers and place in Re-Use Program, including the Alviso Youth Center, the Noble House Neighborhood Center, the Noble House Modular Neighborhood Center, and the Berryessa Youth Center in District 4
- 10 “hubs” (one per Council District) would remain, including Berryessa Community Center in District 4

Parks and Other Community Programs

- Reduce the Park Ranger Program
- Phase out the Senior Nutrition Program by June 2011
- Reduce the Aquatics Program – with services remaining at Mayfair and Camden Pools (eliminate programming at Alviso Pool)
- Eliminate the Healthy Neighborhoods Venture Fund (HNVF), maintain \$6.1 million of HNVF-related activities
- Eliminate City-Wide Sports Program, except Sports Field Reservations
- Eliminate Office on Aging, Office of Therapeutic Services, and Theater Program
- Reduce PAL staffing and facility maintenance

Police Services

- Eliminate 90 Patrol Officers (leaving approx. 500)
- Reduce Police Investigative Units by a total of 17 positions (Vehicular Unit, Robbery Unit, Sexual Assaults/Investigations Unit, Family Violence Unit, Assaults/Juvenile Investigations Unit, Vice Unit)
- Reduce the Police Metro Unit
- Reduce the Downtown Services Unit
- Reduce the School Liaison Unit
- Reduce the Crossing Guard Program
- Delay Opening of the Police Substation
- Consolidate the Police Financial Crimes and High Tech Units
- Consolidate Crime Prevention and Community Education

Fire and Transportation Services

Fire Services

- Implement Dynamic Deployment and Reduce the Number of Fire Engine Companies by 5 from 34 to 29 (Fire Engines 30, 33, 34, 35, and one TBD); Truck 18 may be redeployed to Fire Station 35
- Reduce Number of Fire Truck Companies from 10 to 9
- Reduce Number of Fire Fighter Recruit Academies from 2 to 1
- Eliminate the Fire Department Public Education Program

Transportation Services

- Reduce Neighborhood Traffic Calming
- Reduce Street Resurfacing

District 4 Capital Projects

- Educational Park Branch Library (2nd Qtr. 2011)
- Berryessa Library Parking Lot (4th Qtr. 2010)
- Mabury Yard VoIP (4th Qtr. 2010)
- Berryessa Community Center Improvements (2nd Qtr. 2011)
- Cataldi Park Minor Improvements (2nd Qtr. 2011)
- Penitencia Creek Park Playground Renovation (1st Qtr. 2012)
- Townsend Park Minor Improvements (2nd Qtr. 2011)
- TRAIL: Lower Guadalupe River (Gold St to Hwy 880)
- TRAIL: Penitencia Creek Reach I (construction docs)
- 30" Old Bayshore (2nd Qtr. 2012), 60" Brick Interceptor (2nd Qtr. 2013), Fourth Major (2nd Qtr. 2011) Interceptor Sanitary Projects

District 4 Capital Projects

- Gold Street (4th Qtr. 2011), Capitol Ave. (2nd Qtr. 2014), Cropley Ave. (2nd Qtr. 2011), Lamplighter Relief Pump Station and Main (2nd Qtr. 2014), Morrill Ave/Sierra Road (2nd Qtr. 2011), Spreckles Main (2nd Qtr. 2012) Sanitary Sewer Improvements
- Alviso (2nd Qtr. 2012), El Dorado Street (4th Qtr. 2011), Gold Street (4th Qtr. 2011) Storm Sewer Improvements
- North San Jose Area Trail (2nd Qtr. 2011)
- Montague Expressway Improvements (multi-phase)
- Nortech Parkway East Loop Water Utility Main (2nd Qtr. 2011)
- Various Water Pollution Control Plant Improvements

Key Assumptions: 2010-2011 Proposed Budget

Employee Concessions

- The 2010-2011 Proposed Budget will assume no concessions unless concessions achieved by early April
- The final budget will assume no concessions unless concessions achieved by early June
- Will develop plan on services and jobs that can be restored if concessions are achieved

Revenues

- Assume Cardroom Tax measure will pass; will develop contingency plan with additional reductions in case measure fails

Discussion Question

Based on everything you've heard tonight, what is most important for City leaders to keep in mind as they plan the 2010-11 budget?

For additional information, please visit the City's website at www.sanjoseca.gov, click on "About the Budget"

Next Steps

Early April

Deadline for Labor Negotiation Results for Inclusion in the City Manager's Budget

May 3rd

Budget Released

May 10th thru 20th

City Council Budget Study Sessions

May 18th/June 14th

Public Budget Hearings (Evening Mtgs.)

June 3rd

Deadline for Labor Negotiation Results for Inclusion in the Mayor's June Budget Message

June 15th

Council Review/Approval of Mayor's June Budget Message

June 22nd

Adoption of the 2010-2011 Budget and Fees and Charges