



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Vice Mayor Kamei
Councilmember Ortiz
Councilmember Candelas
Councilmember Jimenez

SUBJECT: SEE BELOW

DATE: June 7, 2024

Approved:

Date: 6/7/24

SUBJECT: Mayor's June Budget Message for Fiscal Year 2024-2025.

RECOMMENDATION

Approve the Mayor's June Budget Message, the FY 2024-25 Proposed Capital & Operating Budgets, and the 2024-25 Proposed Fees & Charges Report, with the following amendments:

1. As part of the City's regular monitoring of budgetary performance in the 2024-2025 Mid-Year Budget Review, direct the City Manager to assess the potential to restore a portion of the funding for affordable housing to support NOFA-waitlisted projects if additional General Fund or Measure E revenue becomes available in excess of the amount needed to meet ongoing ending fund balance targets and in consideration of the Preliminary General Fund Forecast for 2025-2026.
 - a. Concurrent with the Mid-Year Review, direct the City Manager to prepare an informational memorandum to outline expenditures related to Measure E to date, and projected expenditures through FY24-25 and FY25-26.
 - b. Following this fiscal year's allocation outlined in the current budget, reset the Measure E allocations expenditure plan to the base budget allocation reaffirmed by council in FY 2023-2024. The Measure E expenditure plan will continue to require a $\frac{2}{3}$ supermajority to be changed.
2. Direct the City Manager to explore additional revenue mechanisms to support the city's ongoing operational needs related to upholding compliance with the Clean Water Act; including but not limited to a Ballot Measure for November 2024.
3. Direct the City Manager to:

- a. Defer for a year the following general fund expenditures as outlined in MBA #4: Enterprise Resource Planning (ERP) System Staffing by \$218,974.
- b. Decrease the non-personal equipment budget to the Parks, Recreation and Neighborhood Services Department for Beautify San José on a one-time basis by \$781,026 from the BeautifySJ \$7.5 million expansion.
- c. With the combined total of \$1,000,000 of available funds from 3a and 3b:
 - i. Fund MBA #2 - Trusted Response Urgent Support Team (TRUST) option #2 for 2 years totaling \$900,000.
 - 1. Staff to return with an update on the program after 1 year.
 - 2. Should the funds not be expended, any leftover funds will be reallocated back to the BeautifySJ team.
 - ii. Provide a grant to the East Side Education Initiative in the amount of \$100,000.

DISCUSSION

Measure E

We acknowledge that difficult decisions must be made during a tight budget landscape. However, we are deeply concerned about the devastating cuts to affordable housing. We understand that obligations are forcing us to divert funds to address requirements from the Bay Area Regional Water Quality Control Board. That being said, we must ensure that we continue to work towards addressing our unhoused crisis through a holistic lens with a focus on creating permanent homes with deep levels of affordability for our most vulnerable residents. Affordable housing is uniquely important and key to the overall health of our community. The lack of affordable housing has consistently been identified as one of our residents' top concerns, and the number of rent burdened residents is out of control and affects tens of thousands of households.

In response, we are directing the City Manager to analyze what additional funds may become available as the year progresses, and bring back a recommendation for what additional funding could be allocated to NOFA-waitlisted projects during the mid-year review.

Finally, we as a City must be proactive in shifting Measure E allocations back to its current baseline expenditure formula so we can continue to prioritize the production of permanently affordable housing for residents struggling with housing instability and grappling with homelessness. Given the City's recent actions supporting the Bay Area Housing Finance Authority (BAHFA) Bond in November, there is a potential new funding source for affordable housing that will allow us more flexibility to revisit the spending allocations. In order to create

an equitable landscape with homes for everyone, we must ensure that our local revenue sources are utilized in a manner that maximizes our ability to further our affordable housing goals.

Trusted Response Urgent Support Team (TRUST)

Ensuring the safety and well-being of all members of community, especially those who are experiencing mental health crises including our unhoused is important. Reducing the burden on our already-strained public safety resources is a critical component of improving overall public safety. Expanding the Trusted Response Urgent Support Team (TRUST) to respond to these calls can de-escalate situations and provide individuals with the appropriate support and resources they need. This alternative response prioritizes empathy, understanding, and access to mental health services. Additionally, diverting funding towards social services can address the root causes of these issues, offering long-term solutions that promote stability and well-being for everyone involved. By expanding TRUST, our City can better serve our community and foster a safer, more compassionate environment for all.

East Side Education Initiative (EEI)

East San José high schools currently receive \$14,000 per student of public funding to provide a comprehensive instructional program and its assumed associated supports. Comparatively, local districts in more well-resourced areas benefit from greater revenue yields through higher property taxes receive \$27,000 per student. The result of this disproportionate funding makes it extremely difficult for East San José schools to offer more than basic academic programs resulting in lower A-G completion rates, dropping college persistence rates, and less livable wage jobs for diploma earners in East San José.

With that understanding, the EEI focuses on four key pillars of success: Student, Family, and Community Engagement, Core Subject Proficiency, College and Career Readiness, and Advocacy to successfully tackle the effects of this funding gap. These pillars shape the program's investment and prioritization areas based on contribution to student achievement. The pillars also provide consistency in program implementation, incorporating community, family, and student voices, accountability for individual districts, and articulation of preferred student outcomes. This funding will allow the EEI to reach more families with their programming and provide access to higher education for East San José students.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.

HONORABLE MAYOR AND CITY COUNCIL

Month Day, Year (of Memo Due Date)

Subject: Abbreviated Reference

Page 4