



Memorandum

TO: City Council

FROM: Councilmember Bien Doan
Councilmember Arjun Batra

SUBJECT: SEE BELOW

DATE: June 7, 2024

APPROVED:

**SUBJECT: MAYOR'S JUNE BUDGET MESSAGE
FOR FISCAL YEAR 2024 - 2025**

RECOMMENDATIONS

1. Accept the Mayor's June 2024 Budget Message
2. Direct the City Manager to create an informational memo and report back to council by October 22, 2024, with the following information:
 - a. Define the legal responsibilities and obligations related to homelessness, including but not limited to housing, shelter, social services, addiction, mental health, response to quality-of-life issues, and more, specific to each of the following jurisdictions:
 - i. City of San José
 - ii. County of Santa Clara
 - iii. State of California
 - iv. Federal Government
 - b. Define and list all additional responsibilities the city of San José has taken upon itself outside of those legally required in item 2.a.i for the past five years.
 - i. Identify all city initiatives and programs with their associated costs and/or expenditures
 - ii. Explore the feasibility of recouping that money from the agencies legally responsible for providing those services/programs in 2.b.i
 - c. In response to the recent state audit on homelessness initiated by State Senator Dave Cortese, report back to City Council on the status of all State audit recommendations, including but not limited to tracking spending, performance, and reviews of its service providers
 - i. Account for all funds, list all programs, and define all recipients related to the \$302 Million of taxpayer funding spent on homelessness.
3. Direct the City Auditor to prioritize and conduct an audit of San José's homelessness response infrastructure, departmental setup, and ability to respond to related quality of

life issues, returning to City with a report of findings which include, but are not limited to, the following parameters:

- a. Explore San José's internal departmental structure related to homelessness response including but not limited to cleanups, abatements, lived-in vehicles, bio-waste, jurisdictional issues pertaining to land ownership, access to County/State services, etc.
 - i. Assess coordination of activities across City departments, the County, and the City's service providers
 - ii. Benchmark how other jurisdictions and municipalities are addressing homelessness outside of the housing first/permanent supportive housing models
 - b. Provide feasibility and potential benefits/consequences of consolidating services/activities related to homelessness into its own separate department (excluding police, fire, medical, and code enforcement).
 - c. Provide historical performance and other data around homelessness in San José and the City's response efforts (up to 10 years if data is available), include data from the Point-in-Time counts, formerly unhoused residents housed, the number and percentage of persons who become self-supportive and/or no longer receive subsidies after entering permanent supportive housing, and other performance measures as appropriate.
4. Direct the City Manager to authorize the funding of Med30 for FY 2024/25 on a one-time funding basis as follows:
- a. Increase General Fund funding to the Fire Department by \$1,352,629 and add 3.0 Fire Captain positions limit-dated through June 30, 2025 (BDCE #20)
 - b. Reduce the following General Fund one-time reductions totaling \$1,352,629:
 - i. Decrease the Public Works Department's non-personal/equipment budget by \$600,000 by reducing the Janitorial Services contract as identified in Manager's Budget Addendum #4;
 - ii. Delete 1.0 Analyst II (Employee Services Analyst) position and decrease the Fire Department's personal services budget by \$156,000;
 - iii. Delete 1.0 Senior Analyst position (Racial Equity) and decrease the Transportation Department's personal services budget by \$186,665 as identified in MBA #4;
 - iv. Delete 1.0 Senior Analyst position (Racial Equity) and decrease the Parks, Recreation and Neighborhood Services Departments' personal services budget by \$178,489 as identified in MBA #4;
 - v. Delete 1.0 Senior Analyst (HR Manager) position and decrease the Fire Department's personal services budget by \$212,958 ; and
 - vi. Decrease the City Manager's non-personal/equipment budget by \$18,517.
 - c. Maintain direction, staffing, and funding for the new Ambulance Transport and User Fee Program
5. Acknowledge the need and urgency for low barrier solutions to unsheltered homelessness, such as the SJ LUV program from MBA #17

6. As discussed in MBA #31, prioritize the identification of funding strategies to support the San José Police Air Support Unit as part of the 2025-2026 Proposed Budget development process

DISCUSSION

Approval of Mayor's Budget Message

We appreciate the June Budget Message's thoughtful approach, which aims to enhance the quality of life for all San José residents during a year marked by significant challenges and projected shortfalls. The upcoming fiscal year will require us to prioritize our most pressing needs, and one of the most critical issues is determining the most effective ways to support our unsheltered population. Over the past decade, the number of individuals experiencing homelessness in California has grown substantially, and these individuals face severe challenges to their health and well-being, often exacerbating existing symptoms.

Need For Legal Responsibilities, Definitions, Transparency, and Accountability in Homelessness

We have a duty to the taxpayers to maintain complete transparency, accountability, and responsibility regarding their funds.

Our direction includes a request for a clear definition of legal responsibilities among the various government entities addressing homelessness at the city, county, state, and federal levels. The City of San José has invested hundreds of millions of dollars in programs that may not fall under its jurisdiction. Funds intended for core services such as police, fire, roads, park maintenance, and infrastructure are being dispersed as we take on these responsibilities. By identifying the responsible agencies, we ask the City Manager to explore the feasibility of recouping these funds and reinvesting them in our City.

Despite increased funding for programs aimed at ending homelessness, the number of individuals experiencing homelessness continues to rise. City administration has assured us that no money has been misspent, however an internal audit is necessary to examine our outcomes, assess the effectiveness of our programs, answer a very simple question: how many unsheltered persons were taken off city streets, and how many of those became self-supportive?

The direction in this memo will allow the City Manager to provide comprehensive answers pertaining to the tracking and reporting of all revenues and expenditures related to homelessness efforts in San Jose.

Senator Dave Cortese initiated the state audit which uncovered several concerning findings related to homelessness, including \$302 million dollars that was ineffectively tracked. We have an obligation to the taxpayers to ensure transparency, accountability, and responsible stewardship of their money.

For far too long, we have discussed homelessness without seeing meaningful change. Businesses and residents are leaving, children feel unsafe, and our constituents are frustrated. We are calling

for a fundamental shift in our approach to addressing homelessness. This memo is proposing legislation that directs our City Manager to provide updates on the implementation of state audit recommendations, address the poorly tracked \$300 million in taxpayer dollars, and clarify the city, state, county, and federal governments legal responsibilities and obligations pertaining to homelessness.

This includes a thorough analysis of Housing First and Permanent Supportive Housing in San José, which, by design, do not address the root causes of homelessness, such as drug addiction, alcohol abuse, and mental illness.

Audit of San José Homelessness

The statewide audit of California's homelessness has revealed some alarming figures. The report indicates that the state spends approximately \$50,000 per year on each unsheltered resident. Since 2018, \$24 billion has been spent to address the unhoused crisis, yet there is a lack of proper tracking metrics to determine the effectiveness of the programs receiving these allocations. Despite this massive investment, the homelessness rate in California continues to rise each year. California Auditor Grant Parks discovered that the state lacks a consistent method for collecting data on the costs and outcomes of individual programs, an issue that our housing department has also grappled with.

San José was one of two cities investigated in the audit, alongside San Diego. San José was recommended by the Joint Legislative Audit Committee, while San Diego was chosen by the audit team based on its geographical location, population, and the number of people experiencing homelessness. It is evident that the State, but more narrowly – our city, is facing a troubling contradiction.

The audit concluded that both San José and San Diego spend hundreds of millions of dollars on agreements with external service providers, often nonprofits, to deliver homelessness programs and services. However, San José does not consistently establish clear performance measures to evaluate the effectiveness of these programs. Recently, due to council action, a dashboard was created to improve performance measures and data collection, but there are still gaps in data, ambiguous metrics, and uncertainty regarding the success of many of our programs and program providers. The State audit revealed that over \$42 million in service provider funding to vendors was inadequately tracked, with the majority lacking comprehensive performance reports (refer to Appendix A). Even more strikingly, all vendors had ambiguous or no clearly defined performance measures.

Despite the substantial funds allocated, our unsheltered population is not decreasing, and even more alarming is the inadequate tracking of metrics and funding. The results of the state audit suggest that we must take immediate steps to prioritize both self-sufficiency and cost-effectiveness. This memo directs our City Auditor, Joe Rois, to conduct an audit of San José's homelessness response to identify any improvements and recommendations that would improve our ability to prevent and end homelessness and improve our ability to respond to consequent quality-of-life issues.

The proposed audit will evaluate the effectiveness of our internal structure and practices; seeking ways to enhance our ability to assist unsheltered residents; improve accountability and efficiency in the use of taxpayer dollars; and reduce response times for quality-of-life issues such as cleanups, abatements, lived-in vehicles, bio-waste, jurisdictional matters related to land ownership, access to county/state services, and other associated services.

The current system has individual City departments report their outcomes to Council through numerous reports throughout the year. While these reports offer valuable insights, they present a fragmented and decentralized view of our overall homelessness response, which extends beyond our Housing Department and into SJPd, Fire, PRNS, ESD, and other departments. As highlighted in a recent Stanford study, "To reduce the unsheltered homeless population, more shelter capacity and increased investment in cost-effective housing are needed."¹ This highlights the need for a comprehensive audit to optimize our resources and departmental structure, allowing us to most effectively address unsheltered homelessness in San José.

By thoroughly examining our current strategies, departmental structure, and funding allocation, we can develop a more effective and accountable approach to tackling homelessness in San José. The audit will ensure we make data-driven decisions, optimize resources, and advance our efforts to tackle homelessness. As leaders, it is our responsibility to act decisively and demonstrate our commitment to finding sustainable and fiscally responsible solutions to this pressing human issue.

Med30

Med30 saves lives.

Eliminating our Paramedic Supervisor position, Med30, would be a detrimental move to the residents and employees of San José, hindering our ability to protect the public and our first responders. San José relies on Med30 to ensure the safety of first responders on the job and assist our residents during emergencies. Redistributing Med30 responsibilities to already overburdened San José Fire personnel adds strain to positions that are already dealing with being the lowest-staffed big city fire department in the country and is cost inefficient due to the need for overtime to supplement these services, and the detrimental stress overload on our fire personnel.

Last year, Councilmembers Doan and Batra championed the effort with their colleagues on the city council to retain the Med30 position and co-authored a memorandum to include it in the City's 2023/24 budget, protecting it moving forward. The council approved that recommendation, making San José a safer city as a result. This year's recommendation aims to save Med30 once more, requesting a one-year stay of the position for FY 2024/25 on a one-time funding basis and maintains the Ambulance Transport and User Fee Program Analyst position to recover \$1.7M from hospital transports which should serve to make Med30 permanent going forward.

¹ Streeter, Jialu L. "Homelessness in California: Causes and Policy Considerations." Stanford Institute for Economic Policy Research (SIEPR), May 2022.

This approach strikes a balance between maintaining critical public safety services and managing the city's budget responsibly.

Tensioned Membrane Modular Buildings

The February 29, 2024 memorandum from Councilmember Batra and Councilmember Doan, which was discussed at the March 6, 2024 Rules and Open Government Committee meeting, was incorporated by amendment of Councilmember Torres as part of the Mayor's March Budget Message for Fiscal Year 2024-2025. On March 19, 2024, City Council approved the Mayor's March Budget Message for Fiscal Year 2024-2025.

Given the urgency of clearing our waterways across San José, it is imperative that we continue to evaluate the potential of low-barrier solutions that would quickly and effectively provide a robust shelter and service model. As discussed in the Manager's Budget Addendum #17, tensioned membrane modular buildings offer many advantages, including quick construction, customization, space for supportive services, and durability. Individuals need supportive services to successfully transition to permanent housing. The rates of returning to homelessness are staggering when the root causes of homelessness are not addressed. For these reasons, we recommend the continued consideration of tensioned membrane modular buildings as a solution for shelter with wrap-around services.

AIR3/San José Police Department Air Unit

AIR3, the San José Police Department's helicopter, is an invaluable resource that significantly contributes to the department's effectiveness and the public safety of our community. However, the continuous demands placed on AIR3 have resulted in excessive strain on the aircraft, which recently resulted in a burst oil pressure hose and an emergency landing which jeopardized the lives of our officers. It is imperative that we take immediate action to protect the lives of our officers.

AIR3 is equipped with advanced technology, including a sophisticated radio system, spotlight, high-resolution camera, and thermal imaging system, making it an essential tool for a wide range of police operations. Due to its extensive use, typically flying 4.5 hours a day, 7 days a week, the cost of maintenance cycles and operation has increased, limiting AIR3's availability to approximately 55% of the time.

To ensure we maintain existing service levels and protect both our community and our officers, we recommend prioritizing the expansion of the Air Support Unit during the mid-year budget cycle by exploring the addition of a new fixed wing aircraft. The lead time for replacement is between 18 and 24 months, making swift action all the more imperative. This investment will be a proactive approach to ensure that San José remains a safe and secure city for all of its residents.

APPENDIX

APPENDIX A: PERFORMANCE REPORTING ACCORDING TO SERVICE PROVIDER AGREEMENTS

Table 4
San Jose Did Not Always Clearly Define Performance Measures or Ensure It Received Performance Reporting in the Service Provider Agreements We Reviewed

VENDOR / AGREEMENT NUMBER / FISCAL YEAR	AGREEMENT AMOUNT	FUNDING SOURCE(S)	SERVICES	PERFORMANCE MEASURES CLEARLY DEFINED?	RECEIVED PERFORMANCE REPORTING?
Destination: Home SV HTF-16-011C 2020-21	\$3,000,000	Homeless Housing, Assistance and Prevention (HHAP)	Employment Initiative and Homelessness Prevention System	III-Defined	Yes
Destination: Home SV HTF-16-011D 2020-21	2,735,000	Measure E	Homelessness Prevention System	III-Defined	Incomplete
People Assisting the Homeless (PATH) ESG-20-EC01 2020-21	2,066,188	Emergency Solutions Grants—CARES Act Round 2 (ESG-CV2)	Service Outreach Assistance and Resources (SOAR)	III-Defined	Incomplete
The Health Trust HALA-17-003C 2020-21	234,956	General Fund	Rapid rehousing— Supportive services	III-Defined	Not Received
Destination: Home SV HTF-21-004 2021-22	4,800,000	HHAP2 Measure E	Homelessness Prevention System	III-Defined	Incomplete
Opening Doors 2020 647021 2021-22	187,000	General Fund	Downtown Meals and Services Program	III-Defined	Incomplete
LifeMoves ESG-21-003A 2021-22	2,000,000	General Fund and Housing Authority Litigation Award	Rapid rehousing	III-Defined	Yes
Abode Services GF-20-005B 2021-22	1,746,264	HomeKey Housing Homeless Program	SureStay Hotel	None	Not Received
Sacred Heart Community Service CPS-20-003 2021-22	1,000,000	Community Development Block Grant—CARES Act Round 1 (CDBG-CV1)	Emergency Rental Assistance Program— COVID-19 Case Management	III-Defined	Incomplete
Sacred Heart Community Service GF-20-007A 2022-23	12,305,942	Emergency Rental Assistance Program (ERAP)	Emergency Rental Assistance Program	III-Defined	Incomplete
Destination: Home SV HTF-21-004A 2022-23	8,000,429	Measure E	Homelessness Prevention System	III-Defined	Incomplete
People Assisting the Homeless (PATH) GF-19-013C 2022-23	2,880,000	HHAP	Emergency Interim Housing (EIH) at Evans Lane	III-Defined	Not Received
People Assisting the Homeless (PATH) ERF-22-10018-01 2022-23	801,000	Encampment Resolution Fund (ERF)	Safe Encampment Resolution	III-Defined	Incomplete
HomeFirst Services of Santa Clara County ESG-20-002B 2022-23	300,000	Measure E	Rapid rehousing program	III-Defined	Yes

Source: Table 4, San José Did Not Always Clearly Define Performance Measures or Ensure It Received Performance Reporting in the Service Provider Agreements We Reviewed. (2024). Report 2023-102.2, Homelessness in California, 18-19. <https://information.auditor.ca.gov/reports/2023-102.2/index.html#section3>