

City Council 2024-2025 Budget Priority Study Session

February 13, 2024

Budget Priority Study Session

Today's Agenda

- 1 Introduction/Opening Comments
- 2 Resident Priorities Survey
- 3 Preliminary General Fund Forecast and Budget Process
- 4 Administration Perspectives/Priorities
- 5 Mayor and Council Fiscal Year Priorities Discussion
- 6 Next Steps and Closing

Budget Priority Study Session

Today's Agenda

1 Introduction/Opening Comments

→ 2 Resident Priorities Survey

3 Preliminary General Fund Forecast and Budget Process

4 Administration Perspectives/Priorities

5 Mayor and Council Fiscal Year Priorities Discussion

6 Next Steps and Closing

Local Perceptions of Top Issues in San José

Understanding local public sentiment and priorities for local government

Objectives of Showing Survey Data

- ❖ Provide point-in-time data about how residents are feeling and contextualize San José within the larger Bay Area and the state
 - *Is San José different?*
- ❖ Highlight where residents believe City needs to improve
 - *What do resident perceptions suggest about prioritization?*

Local Perceptions of Top Issues 2023

- 1 Addressing Homelessness
- 2 Provide More Affordable Housing
- 3 Improve Public Safety, Reduce Crime
- 4 Beautify City, Landscaping
- 5 Improve Police Response, Police Presence

We asked residents:

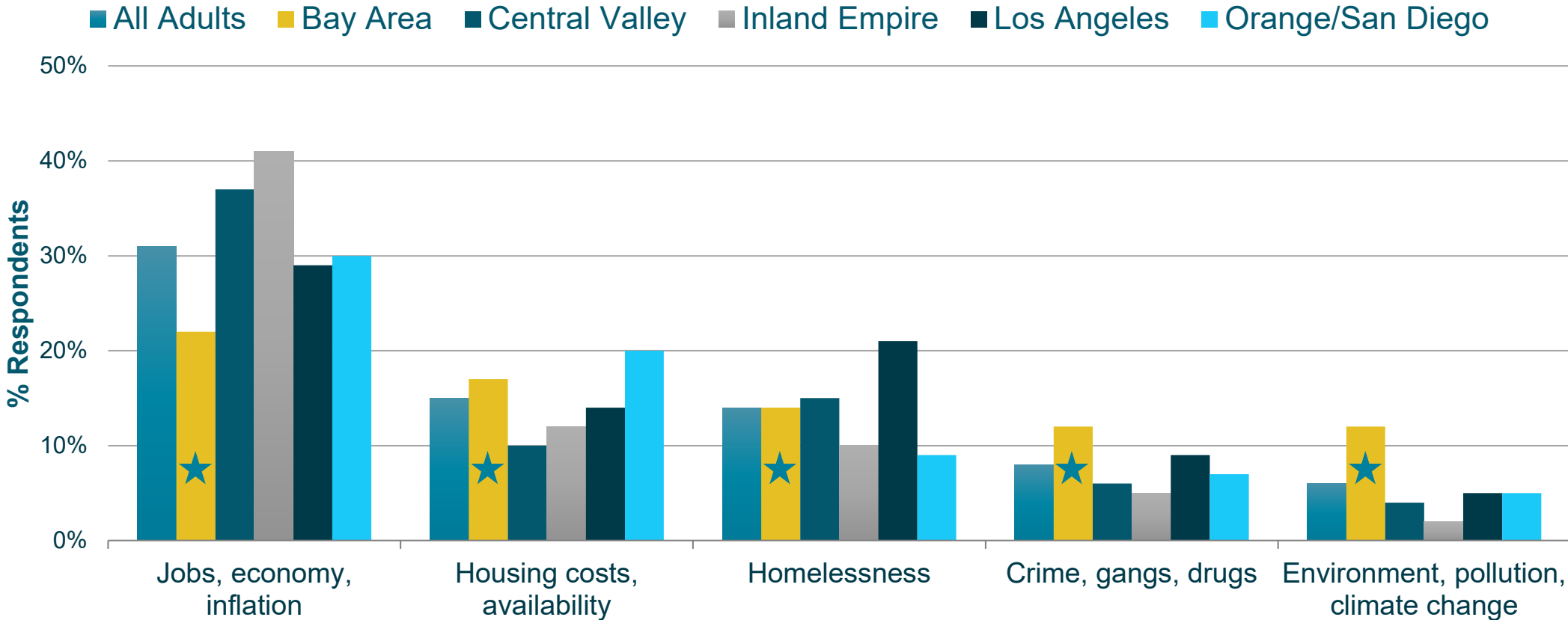
If the City government could change one thing to make San José a better place to live, what change would you like to see?

These are the top issues (in rank order) for San José residents in 2023.

How do these issues relate to the perceptions of residents across the state?

Top Issues for Californians

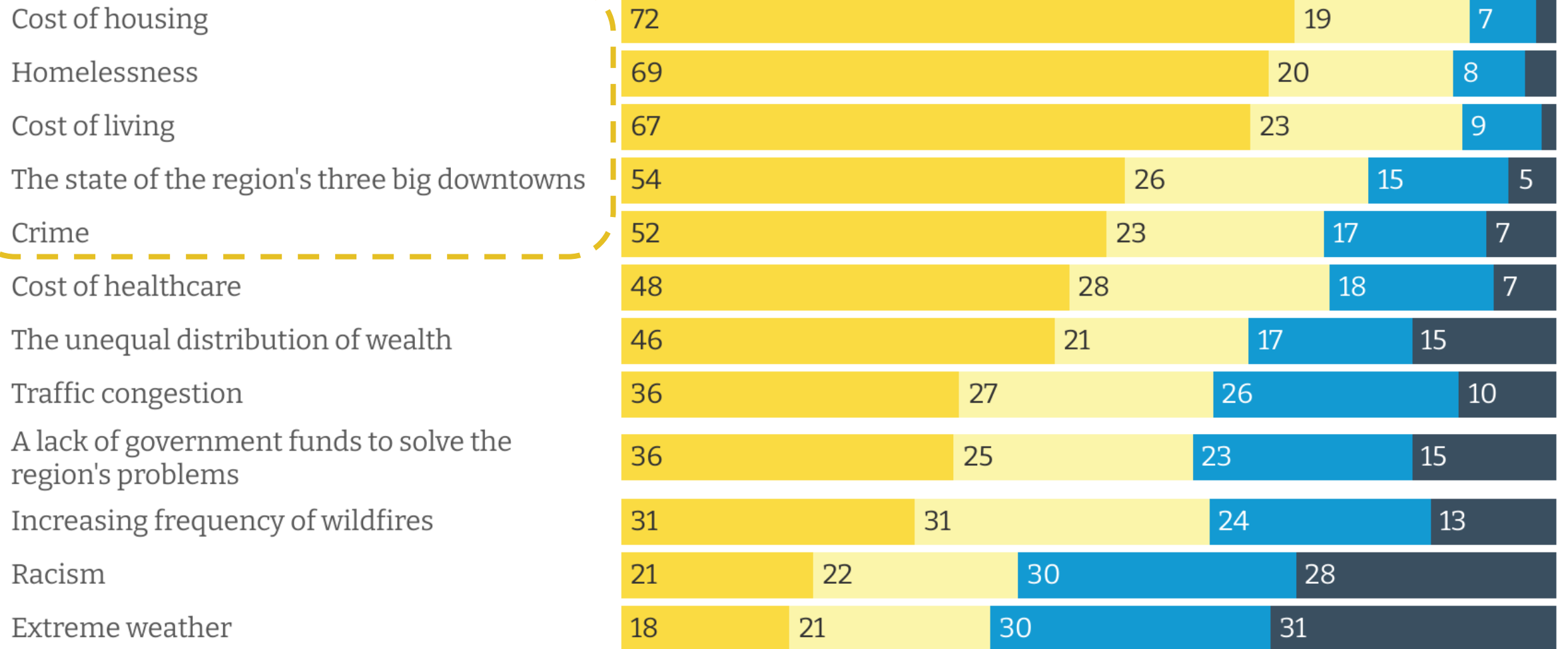
Top Issues Facing People in California. % of residents rating most important issues facing the state (Source: PPIC Statewide Survey, Dec 2023)



Top Issues for Bay Area Residents

Top Issues Facing Bay Area Residents. % of residents rating most important issues. (Source: Joint Venture Silicon Valley, Dec 2023)

● Extremely serious problem ● Very serious problem ● Somewhat serious problem ● Not too serious problem



Top Issues for San José, Bay Area, Californians

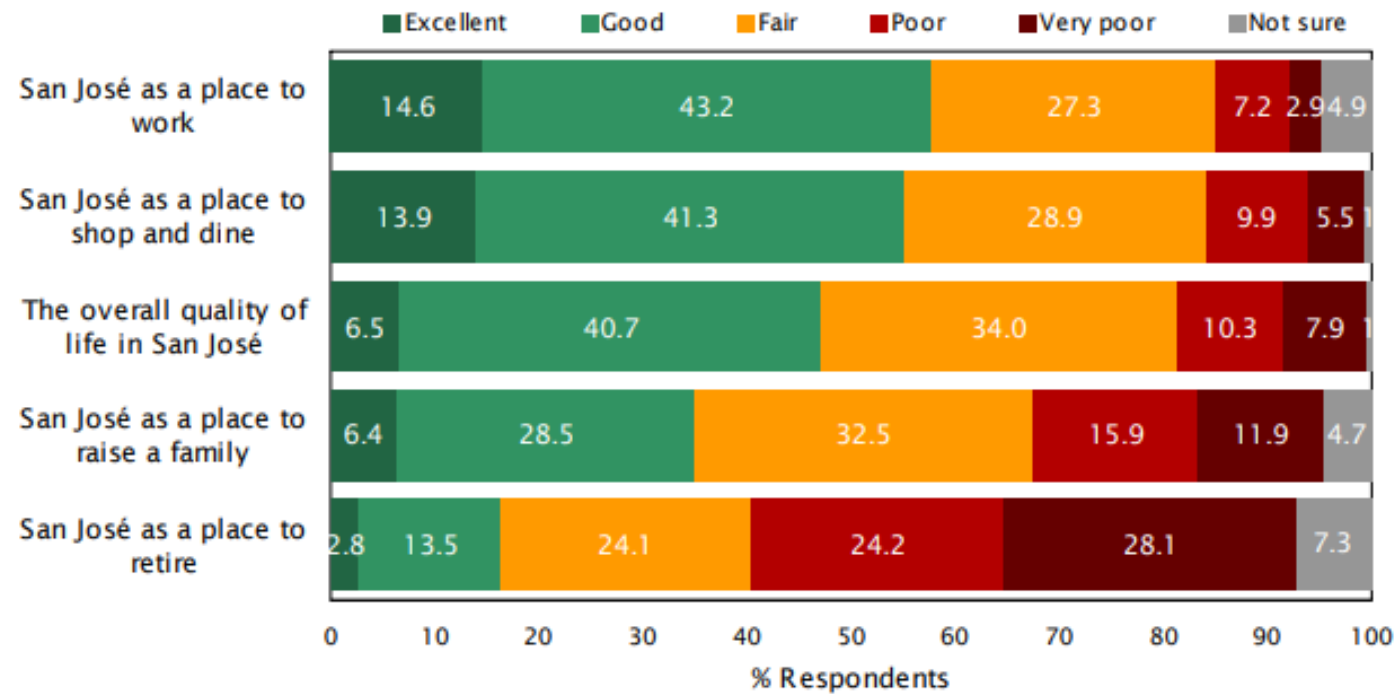
Top Issues Facing People in California.

San José	Bay Area	California
Addressing Homelessness	Cost of Housing	Jobs, economy, inflation
Provide More Affordable Housing	Homelessness	Housing costs, availability
Improve Public Safety, Reduce Crime	Cost of living	Homelessness
Beautify City, Landscaping	State of the region's three big downtowns	Crime, gangs, drugs
Improve Police Response, Police Presence	Crime	Environment, pollution, climate change

Resident Perceptions of City Services

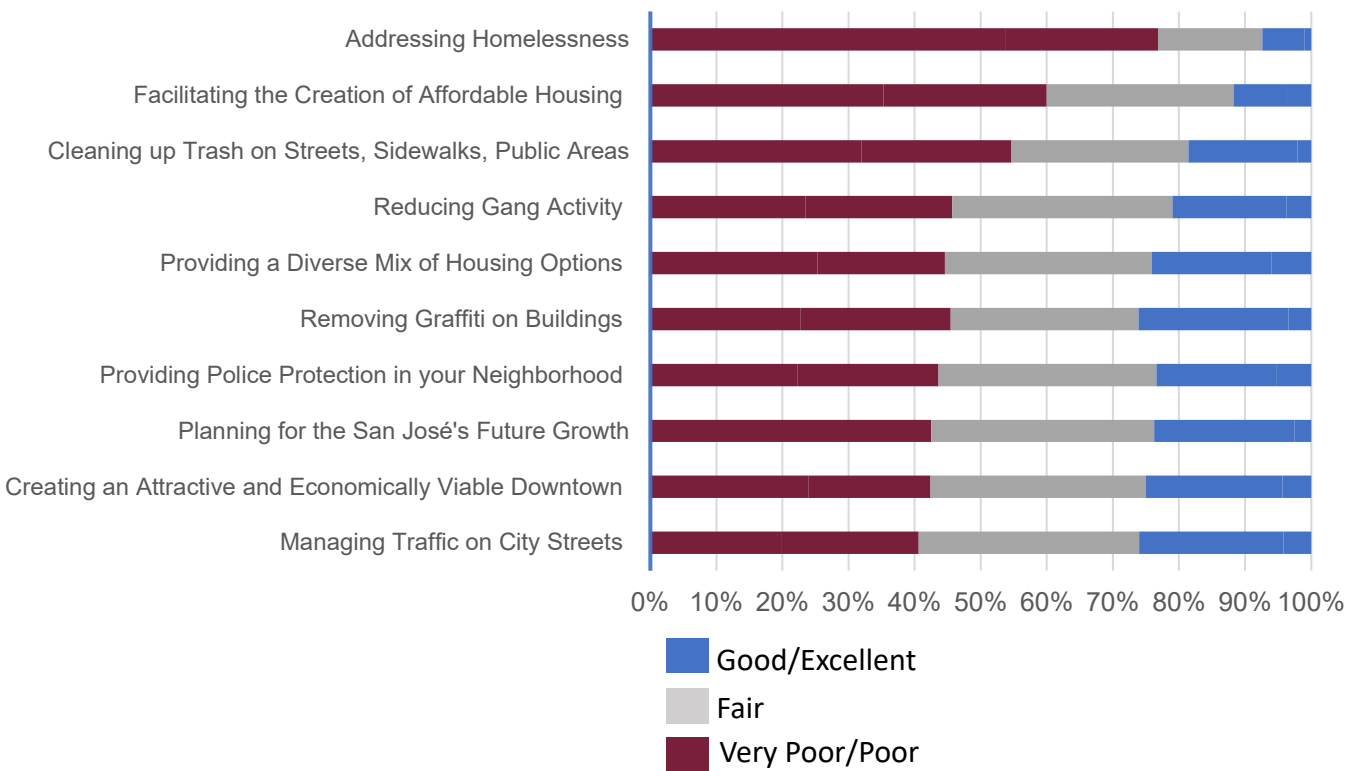
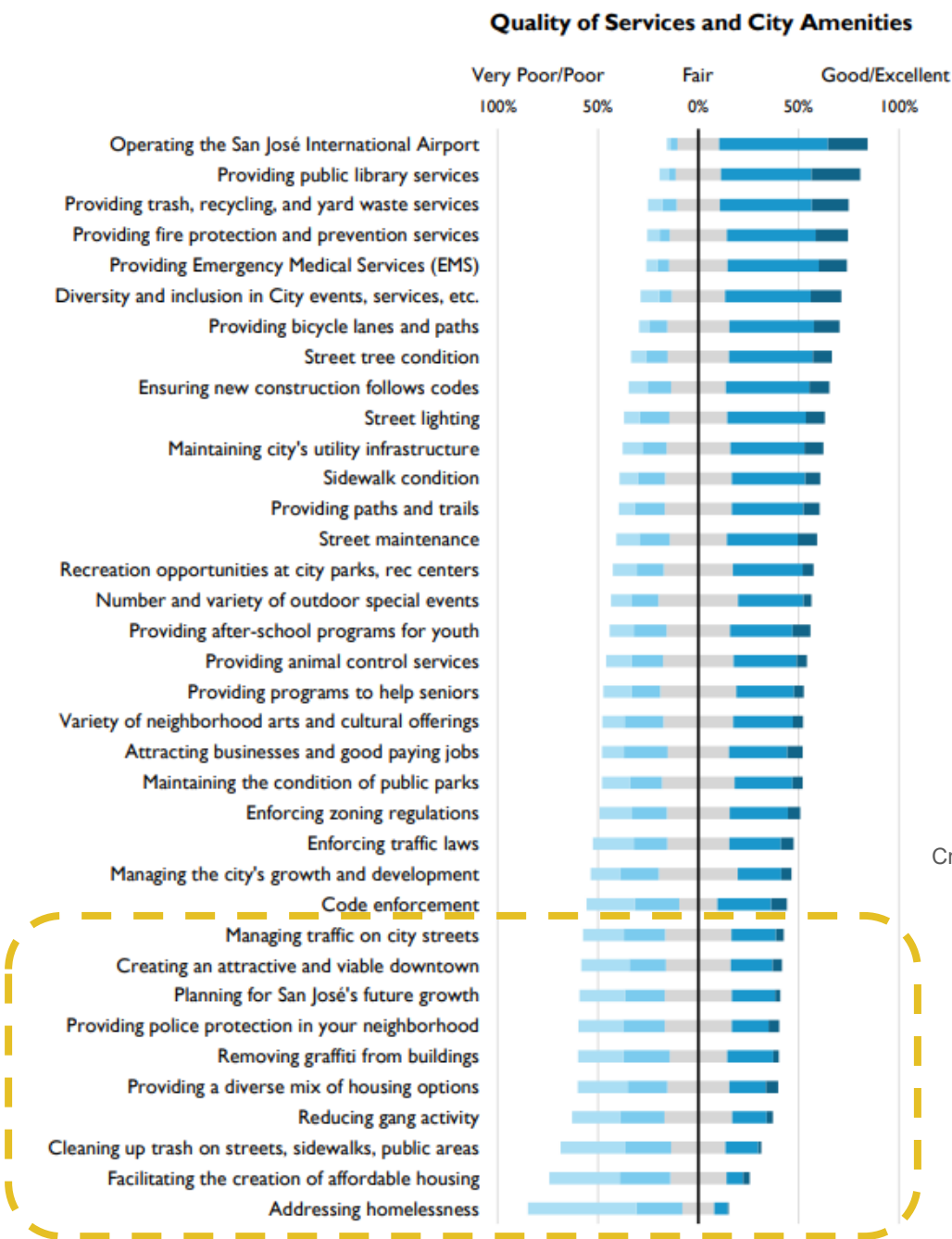
Overall Quality of City Services. How would you rate: ____? Would you say it is excellent, good, fair, poor or very poor?

FIGURE 2 RATING CITY OF SAN JOSÉ



Resident Perceptions of City Services

10 Lowest Ranked City Services



(Source: Auditor's Annual Services Report 2023)

Resident Perceptions of City Services

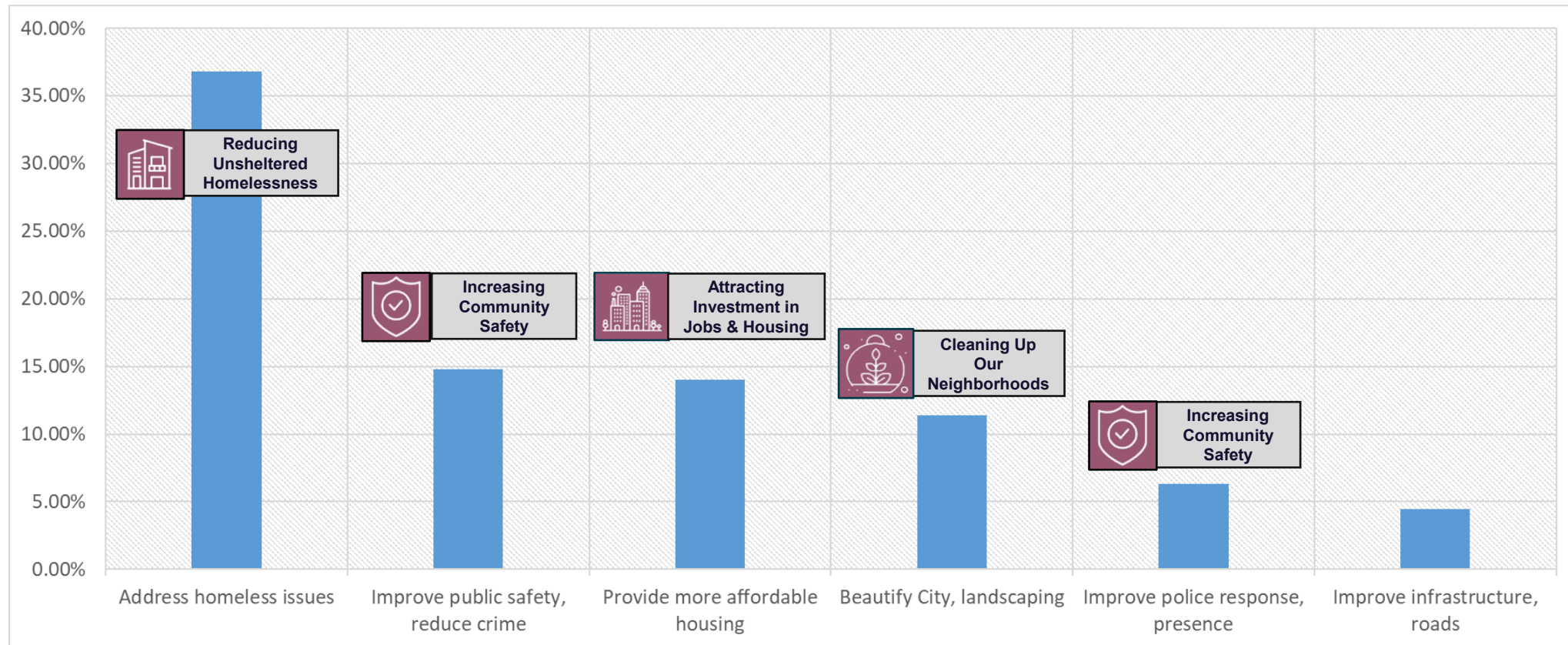
Top Issue. Lowest Ranked Services are Aligned with Current Focus Areas



Local Perceptions of Top Issues

Residents' top concerns align with existing Focus Areas; Addressing homelessness far exceeds other concerns

Top Issue. If the City Government could change *one* thing to make San José a better place to live, what change would you like to see?

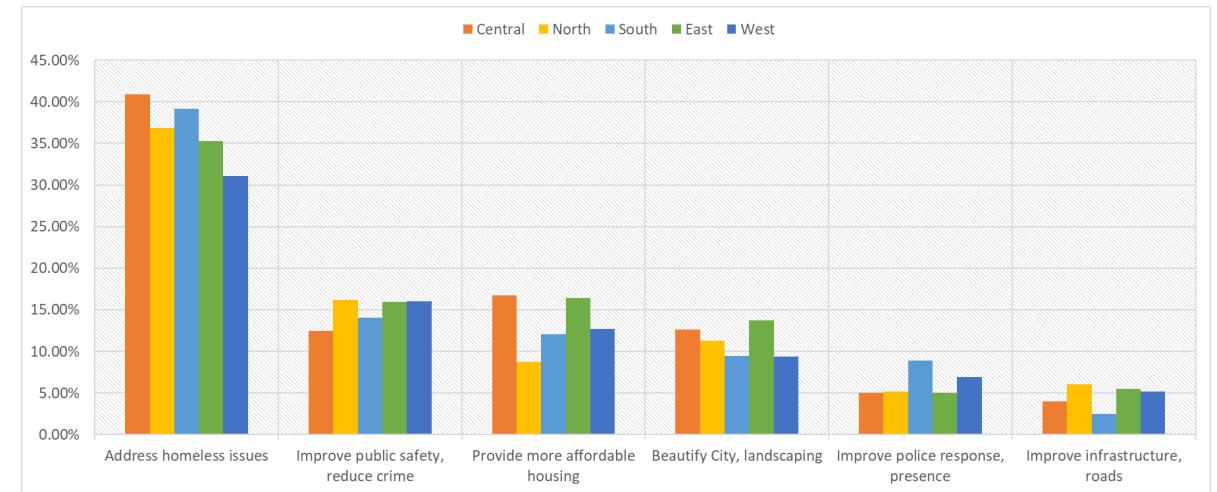
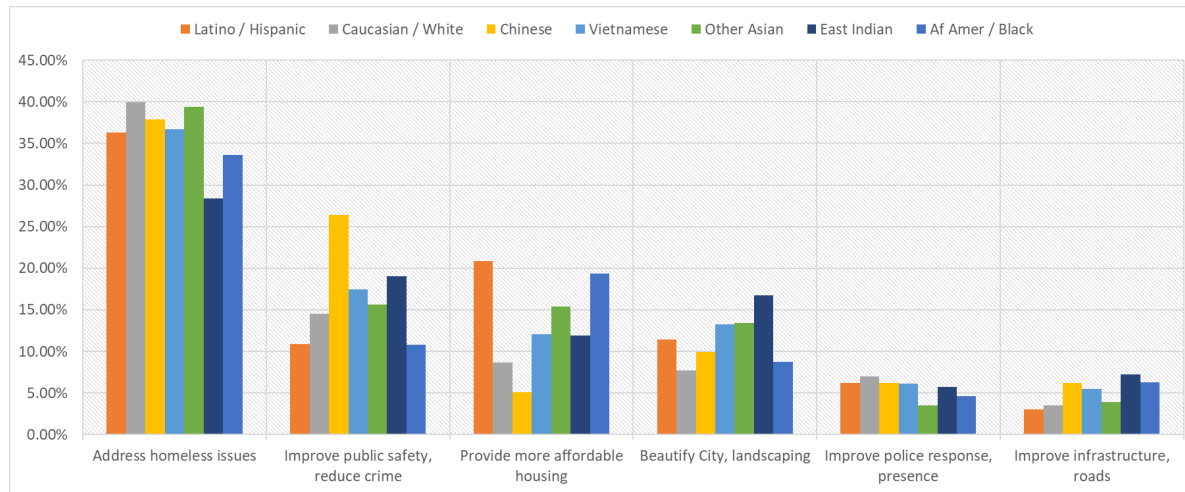


(Source: City of San José Quarterly City Council Focus Area Survey, Dec '23)

Local Perceptions of Top Issues: by Race, Geography, and Income

Top issues remain consistent across Race, City geography, and income, with some prioritization variation

Top Issue. If the City Government could change *one* thing to make San José a better place to live, what change would you like to see?



Local Perceptions of Top Issues: Over Time

Residents' priorities have stayed the same over the last three years



(Source: Community Opinion Survey Report 2023)

Budget Priority Study Session

Today's Agenda

1 Introduction/Opening Comments

2 Resident Priorities Survey

 3 Preliminary General Fund Forecast and Budget Process

4 Administration Perspectives/Priorities

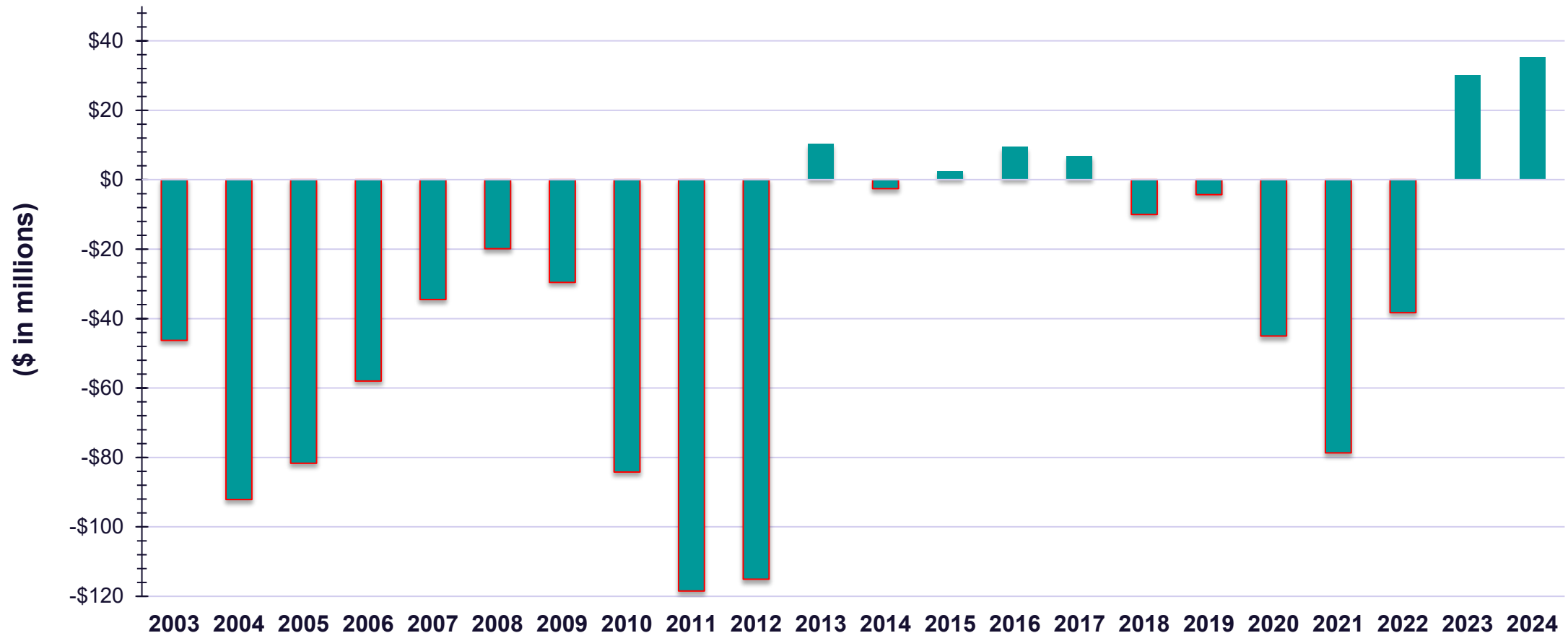
5 Mayor and Council Fiscal Year Priorities Discussion

6 Next Steps and Closing

Preliminary General Fund Forecast and Budget Process

Historical Perspective of the General Fund

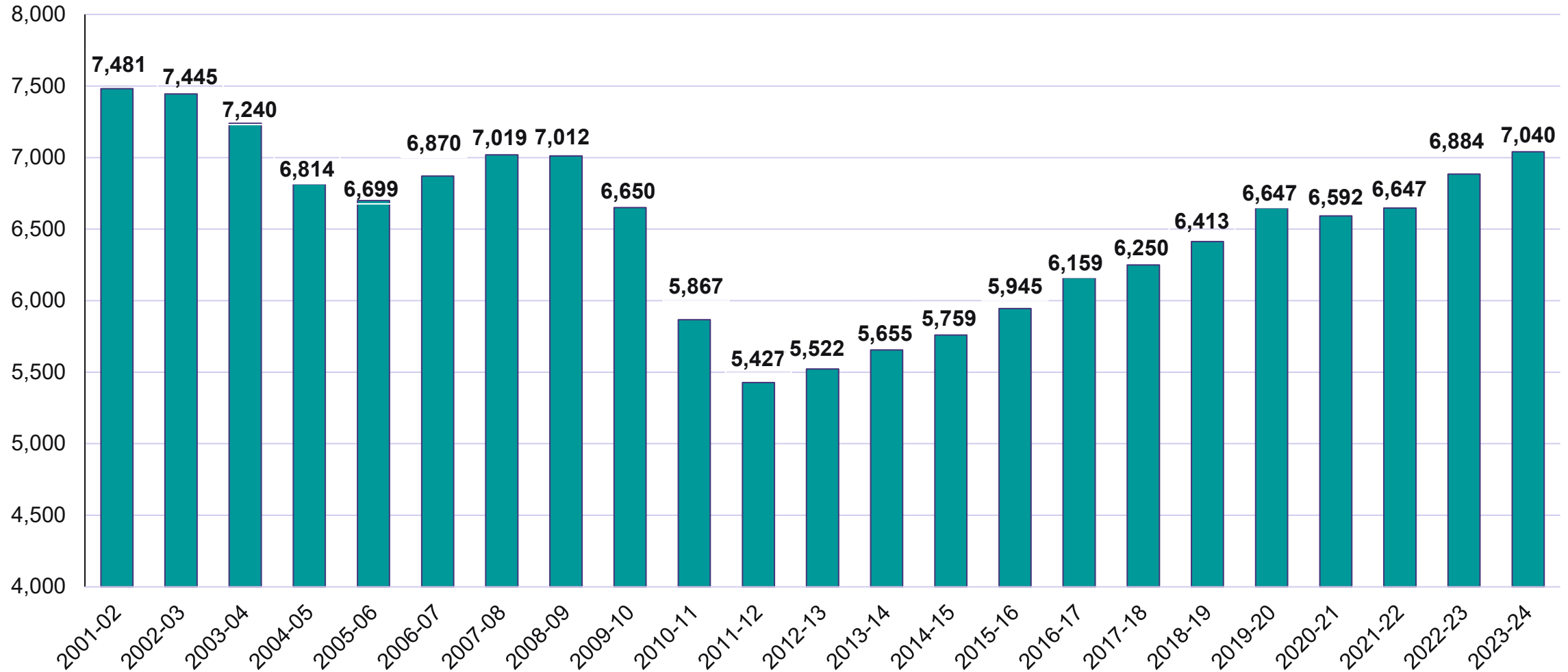
Resolved Ongoing General Fund Shortfalls Exceeding **\$750M**



Preliminary General Fund Forecast and Budget Process

Historical Perspective of the General Fund

Budgeted Positions Well Below Peak in 2001-2002 (All Funds)



2024–2025 Preliminary General Fund Forecast

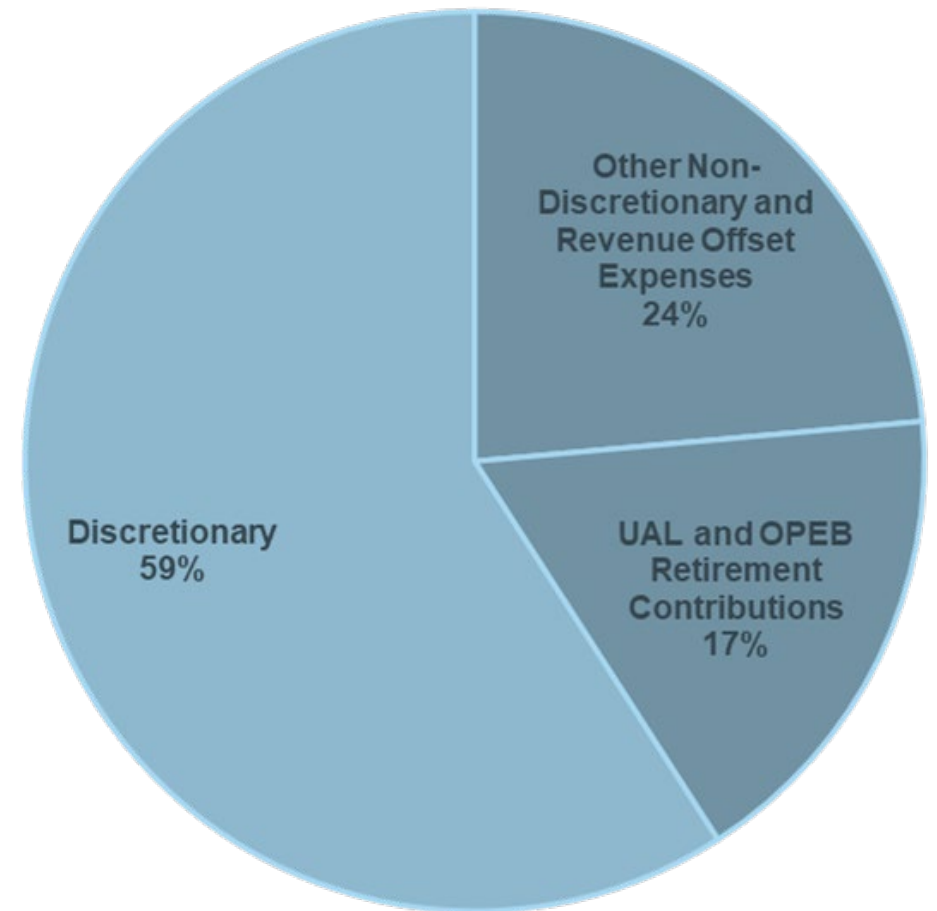
Discretionary vs. Non-Discretionary Expenses

Much of the City's expense budget is non-discretionary, which cannot feasibly be immediately reduced

To achieve a balanced budget when facing a shortfall, the City can only reduce discretionary expenditures

This makes budget reductions even more difficult to achieve than in years past

Breakdown of the 2023-2024 Base Budget



2024–2025 Preliminary General Fund Forecast

Preliminary Two Year Outlook

Over a two-year period in the General Fund, the preliminary forecast shows general alignment between ongoing revenues and authorized ongoing expenditures in 2024-2025, and a modest shortfall of **\$25-\$35 million** anticipated in 2025-2026

- The forecast does not include the approximately **\$25 million** of one-time services/programs currently funded in the General Fund (will undergo further analysis)
- Expenditure growth, including Committed Additions of interim housing and Measure T facilities, overtakes revenue growth in 2025-2026
- Need to again take a multi-year perspective to the budget development process, with an emphasis on continuing to prioritize resources for the City's most critical objectives

Still facing a service level/structural shortfall

Forecast does not include a number of significant items currently funded on a one-time basis, including various BeautifySJ pilot programs (~\$6 million) and Police Department Sworn Backfill Reserve (\$5 million)

2024–2025 Preliminary General Fund Forecast

Revenue Outlook

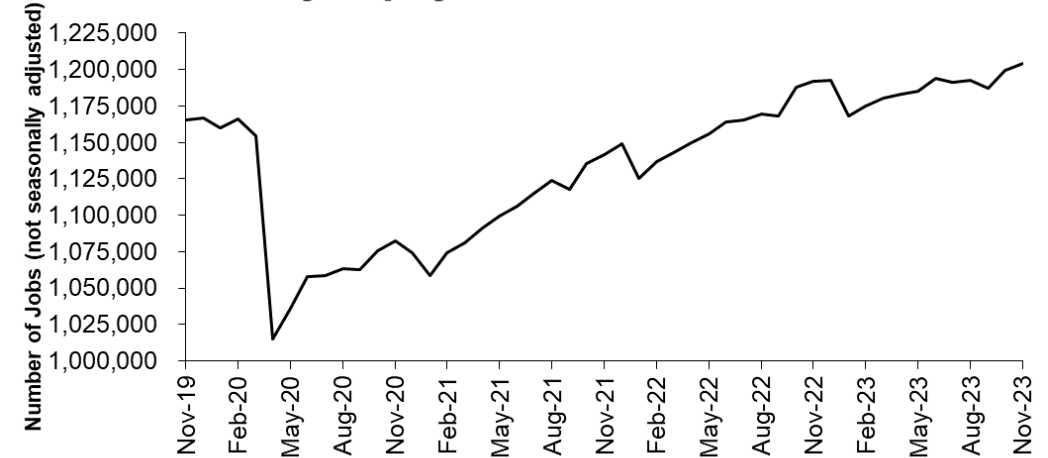
Many areas of the local economy, including employment, have remained slightly stronger than anticipated

Modestly higher-than-anticipated revenue growth in 2023-2024 continues into 2024-2025

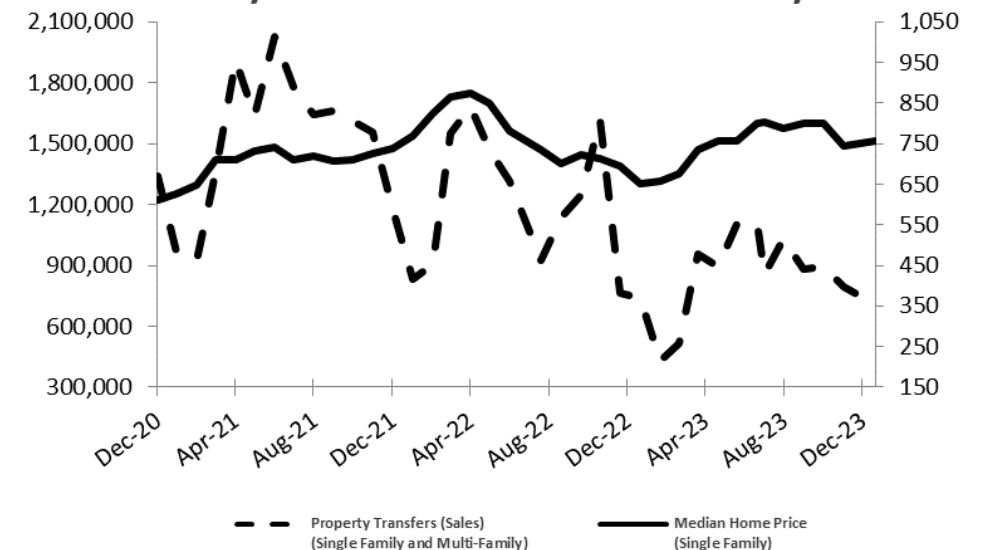
Although small, the compounded increase helps to significantly offset increased expenditures

Overall moderate revenue growth expected to continue; no recession is currently forecasted

Monthly Employment Level - San Jose MSA



City of San José Real Estate Activity

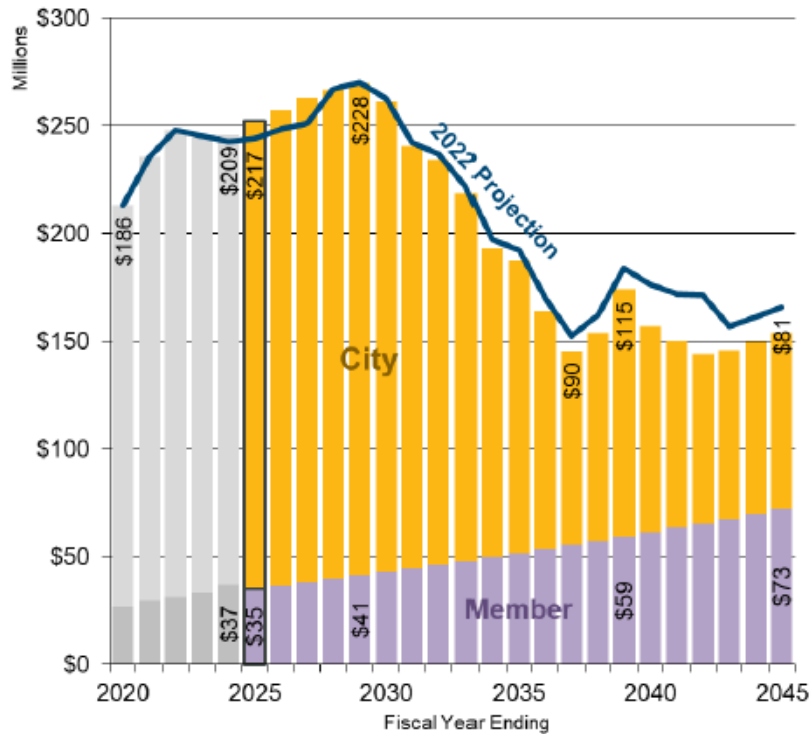


2024–2025 Preliminary General Fund Forecast

Retirement Contributions

Police And Fire

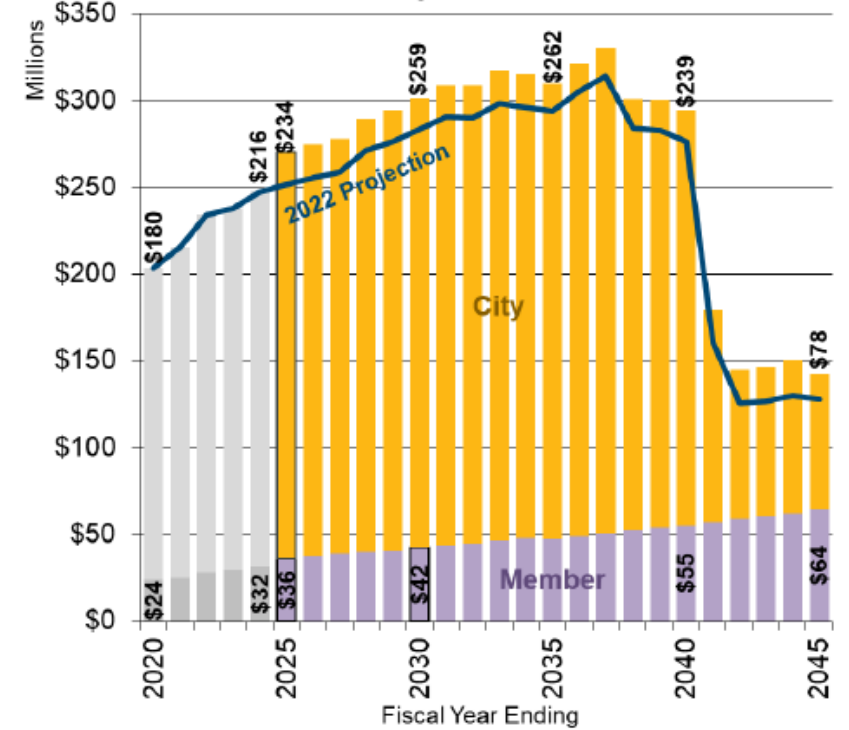
Historical and Projected Contribution Amounts



December 7, 2023

Federated

Historical and Projected Contribution Amounts



December 21, 2023

2024–2025 Preliminary General Fund Forecast

Committed Additions

- **Capital Projects** – public infrastructure scheduled to come online in the future
 - <\$1 million in 2024-2025 (previous forecast assumed earlier start dates)
 - Increases to nearly \$30 million by 2028-2029
- **Police Staffing Reserve** – addition of a total of 15 personnel
 - Mix of sworn and non-sworn added each year at ~ \$2.5 million
- **Interim Housing** – costs associated with the construction, operations and maintenance of bridge community/emergency interim housing sites (1,279 beds), converted hotels (305 beds), and supportive parking sites (127)
 - Assuming all sites previously approved are built out, preliminary General Fund contribution of ~ \$38 million in 2024-2025, increasing to ~ \$70 million in 2028-2029

2024–2025 Preliminary General Fund Forecast

Preliminary Budget Balancing Strategy


City Council’s approval of the Mayor’s March Budget Message for Fiscal Year 2024-2025 will provide formal budget direction and any significant policy or service delivery changes

In preparation for the 2024-2025 budget process, the City Manager gave preliminary direction to department directors focusing on the following:

- Prioritizing limited resources to support key outcomes related to City Council-approved Focus Areas, critical CSA services and programs, and Foundational Strategic Support Focus Areas, City Service Area Outcomes and Key Priorities including continuing a portion of one-time items and a very select few new investments
- Considering ongoing reductions to lower priority services and programs to bring GF into structural alignment and to fund a small number of targeted investments to support the City’s highest priority objectives
- Eliminating positions that have been vacant for an extended period of time to generate budgetary savings and to better align our position count with the work anticipated to be delivered
- Taking a two-year approach that partially addresses the additional General Fund shortfall anticipated for 2025-2026

Budget Development Process

Fiscal Year 2024-2025 Budget Process Timeline

Council Budget Priority Study Session	Mayor's March Budget Message and Council Hearing	City Manager's Proposed Budget Documents	Community Meetings and Public Hearings	Council Budget Study Sessions	Mayor's June Budget Message Hearing and Approval	Council Budget Adoption
Feb. 13, 2024	March 19, 2024	April 26, 2024 to May 3, 2024	May 2023 to June 2023	May 8, 2024 to May 16, 2024	June 10, 2024 June 11, 2024	June 18, 2024
<p>Feb 13 – Conduct Study Session on Preliminary Forecast, and Council Budget Priorities as an input to the Mayor's March Budget Message</p> 	<p>In accordance with the City Charter, the Mayor delivers a Budget Message that includes a statement of fiscal priorities for the following fiscal year, including any specific additions or reductions. The City Council holds a public hearing and approves the Message on Tuesday, March 19 with any revisions or changes it deems advisable.</p>	<p>The City Manager prepares and releases the Proposed Capital Budget and Five-Year Capital Improvement Program (Apr 26), the Proposed Operating Budget (May 1), and the Proposed Fees and Charges Report (May 3) that aligns with direction provided by Council's approval of the March Budget Message.</p>	<p>Community meetings are held throughout May and into early June (schedule TBD) to review and receive comment on the Proposed Budget Documents, with a formal public hearing scheduled on Tuesday, May 14.</p>	<p>Council reviews the Proposed Budget in depth with the Administration from May 8 through May 16. There will be a Study Session for each Operating Budget CSA, the Capital Budget and Capital Improvement Program, the Fees & Charges Report, and a review of the recommended perf. measures that align to priorities in the City Council-approved March Budget Message.</p>	<p>Final public hearing is held on June 12 on the Mayor's June Budget Message & the Proposed Budget Docs. City Council approves, with any revisions it deems advisable, the Mayor's June Budget Message on June 11 which includes the City Manager's Proposed Budget Docs along with any mods as recommended in the June Budget Message, including specific Manager's Budget Addenda and City Council Budget Documents.</p>	<p>The Administration provides the documentation necessary for the City Council to formally adopt and appropriate funding for FY 24-25 on Tuesday, June 18.</p>

Budget Priority Study Session

Today's Agenda

1 Introduction/Opening Comments

2 Resident Priorities Survey

3 Preliminary General Fund Forecast and Budget Process

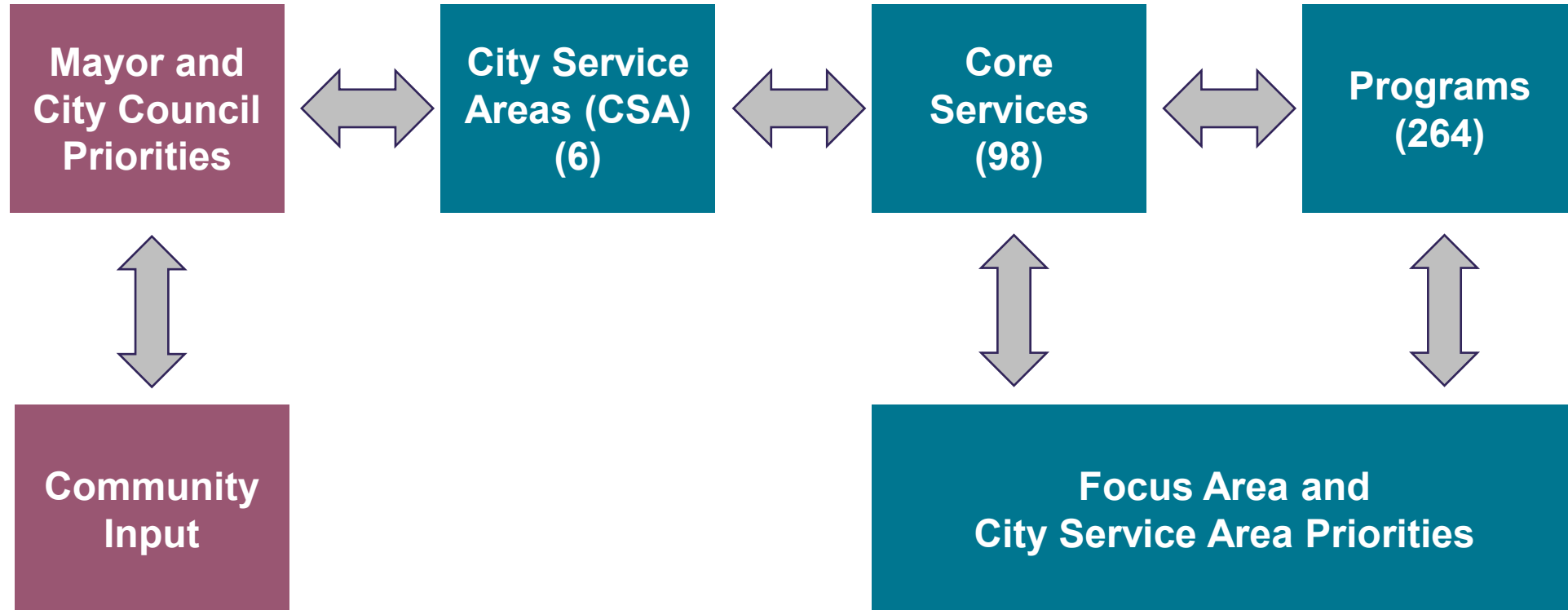
 **4** Administration Perspectives/Priorities

5 Mayor and Council Fiscal Year Priorities Discussion

6 Next Steps and Closing

Administration Perspectives/Priorities

City's Service Delivery Framework



Administration Perspectives/Priorities

2022-2023 City Initiatives Roadmap

Enterprise Priority	Initiative										
COVID-19 Pandemic Community and Economic Recovery	Housing Stabilization	Re-Employment + Workforce Development	Small Business Recovery + Resilience	COVID-19 Recovery Task Force							
Sustainable and Resilient City Infrastructure and Emergency Preparedness	Disaster Ready + Climate Smart	Reliable Infrastructure Resilience	Clean Energy Resilience	Water Supply Resilience							Natural Environment Restoration
Ending Homelessness	Emergency Housing System Expansion	Encampment Services, Outreach, Assistance, + Resources	Encampment Management + Safe Relocation	Emergency Housing Financial Sustainability							Safety Net Services County Coordination
Safer San José	Police Reforms	Vision Zero Traffic Safety	City Services Continuity of Operations								
Clean, Vibrant, and Inclusive Neighborhoods and Public Life	Children + Youth Services Master Plan	Education, Digital Equity, + Digital Literacy	BeautifySJ Encampment Trash Services	BeautifySJ Vehicle Blight							Child Care Siting Policy Update
Building the San José of Tomorrow with a Downtown for Everyone	Align Zoning with General Plan	Development Services Process Improvements	Google Downtown West Development	BART Silicon Valley Extension	Airport Connector + Diridon Station	North San José	High-Speed Rail	Wage Theft Prevention Policy + Responsible Contractor Ordinance	Affordable Housing on Assembly Use Sites Policy (YIGBY)		
Enterprise Priority Foundational	Initiative										
Strategic Fiscal Positioning and Resource Deployment	Emergency Fiscal Recovery + Planning	Outcomes, Equity Indicators, + Performance Management	Disparity Study	Advancing Equity through Culture + Practice	Procurement Improvement						
Powered by People	Workforce Diversity + Talent Pipeline	Citywide Hiring	Employee Wellbeing, Growth, + Retention	Digital Workforce	Customer Service Vision + Standards						

Administration Perspectives/Priorities

Current 2023-2024 Focus Areas and City Service Area Outcomes

	Increasing Community Safety		Reducing Unsheltered Homelessness		Cleaning Up Our Neighborhoods		Attracting Investment in Jobs and Housing
---	-----------------------------	---	-----------------------------------	---	-------------------------------	---	---

City Service Areas and Outcomes (within the 2023-2024 Adopted Budget)

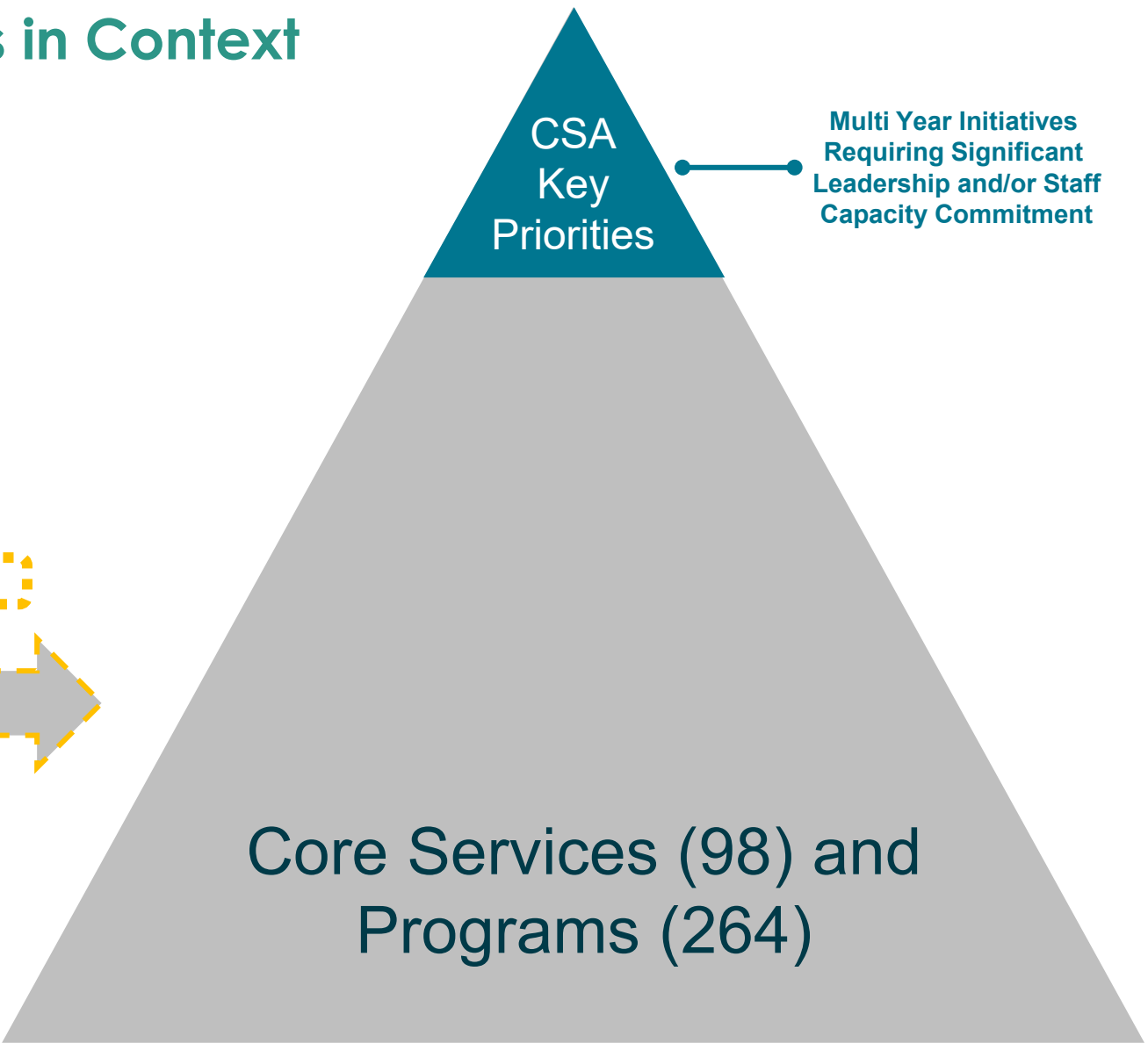
Community and Economic Development <ul style="list-style-type: none">•Thriving, inclusive, and attractive communities and vibrant public spaces•Strong, Responsive, and Equitable Economy and Development Services•Accessible and Diverse Range of Housing and Business Opportunities	Environmental and Utility Services* <ul style="list-style-type: none">•Reliable Utility Infrastructure•Healthy Streams, Rivers, Marsh, and Bay•Clean and Sustainable Air, Land, and Energy•Safe, Reliable, and Sufficient Water Supply	Neighborhood Services <ul style="list-style-type: none">•Safe and Clean Neighborhoods and Public Spaces•Welcoming and Vibrant Neighborhoods and Public Life•Equitable Access to Community Opportunities to Flourish	Public Safety <ul style="list-style-type: none">•Safer San Jose with Effective Emergency Response Services•Resilient Communities that are Prepared for Emergencies	Transportation and Aviation Services* <ul style="list-style-type: none">• Provide Safe and Secure Transportation Systems• Provide Viable Transportation Choices that Promote a Strong Economy• Travelers Have a Positive, Reliable, and Efficient Experience• Preserve and Improve Transportation Assets and Facilities• Provide a Transportation System that Enhances Community Livability
Strategic Support <ul style="list-style-type: none">• Sound Fiscal Management that Facilitates Meeting the Needs of the Community• A High Performing Workforce Committed to Exceeding Internal and External Customer Expectations• Technology and Data Tools that Enable a Collaborative, Responsive, and Productive City• Safe and Functional Public Infrastructure, Facilities, and Equipment			City Manager Foundational Strategic Support Focus Areas <ul style="list-style-type: none">• Delivering Excellent Customer Service• Closing Racial Inequities• Structurally Balancing the General Fund Budget• Driving Organizational Performance• Making San José a Great Place to Work	
Core Services (98) and Programs (264)				

*The Environment and Utility Services and Transportation and Aviation Services CSAs collectively share a City Infrastructure Strategy with the following outcomes: disaster ready and climate smart, transportation and aviation, clean energy resilience, water resilience, and natural environment restoration.

Administration Perspectives/Priorities

2024-2025 Administration Priorities in Context

Community and Economic Development #		Environmental and Utility Services		Neighborhood Services #		Public Safety #		Transportation and Aviation Services	
CSA Outcomes	<ul style="list-style-type: none">• Thriving, inclusive, and attractive communities and vibrant public spaces• Strong, Responsive, and Equitable Economy and Development Services• Accessible and Diverse Range of Housing and Business Opportunities	<ul style="list-style-type: none">• Reliable Utility Infrastructure• Healthy Streams, Rivers, Marsh, and Bay• Clean and Sustainable Air, Land, and Energy• Safe, Reliable, and Sufficient Water Supply	<ul style="list-style-type: none">• Safe and Clean Neighborhoods and Public Spaces• Welcoming and Vibrant Neighborhoods and Public Life• Equitable Access to Community Opportunities to Flourish• Housing Security through Supportive Solutions	<ul style="list-style-type: none">• Safer San Jose with Effective Emergency Response Services• Resilient Communities that are Prepared for Emergencies	<ul style="list-style-type: none">• Provide Safe and Secure Transportation Systems• Provide Viable Transportation Choices that Promote a Strong Economy• Travelers Have a Positive, Reliable, Efficient Experience• Preserve + Improve Transportation Assets + Facilities• Provide a Transportation System that Enhances Community Livability				
Key Priorities	<ul style="list-style-type: none">• Development Fee Framework• Downtown Vibrancy, Lighting, and Marketing• Economic Growth Positioning• Incentives for AI, MFG, Downtown Leasing, and Residential High Rise• Housing NOFAs• Online Fee Estimator• World Cup + Super Bowl 2026	<ul style="list-style-type: none">• Storm Water Permit• City Infrastructure Strategy• Clean Energy Scaling and Programs	<ul style="list-style-type: none">• Blight Removal Enforcement• Emergency Temporary Housing and Safe Sleeping• Encampment Mgt + Blowback• Homelessness Prevention, Outreach & Service Connection• Code Enforcement Reengineering• Animal Care and Services Reengineering• Children and Youth Master Plan	<ul style="list-style-type: none">• 911 Call Modernization• Real Time Crime Center Implementation• SJPD Recruiting• Emergency Medical Services Management and Coordination	<ul style="list-style-type: none">• Automated Speed Enforcement Implementation• Vehicle Concerns, Oversized Vehicles, School Setbacks• Vision Zero• Air Traffic and Route Expansion• BART Silicon Valley Extension				
Strategic Support									
Outcomes					City Manager Foundational Priorities				
<ul style="list-style-type: none">• Sound Fiscal Management that Facilitates Meeting the Needs of the Community• A High Performing Workforce Committed to Exceeding Internal and External Customer Expectations• Technology and Data Tools that Enable a Collaborative, Responsive, and Productive City• Safe and Functional Public Infrastructure, Facilities, and Equipment					<ul style="list-style-type: none">• Customer Service Process Re-Engineering and Automation (CRM)• Advancing Racial Equity Efforts• Employee Recruiting and Retention• Performance Management Modernization• Technology Systems Modernization, Data Integration, and Cybersecurity				
Core Services (98) and Programs (264)									



Administration Perspectives/Priorities

2024-2025 CSA Outcomes and Recommended Key Priorities

Community and Economic Development #		Environmental and Utility Services	Neighborhood Services #	Public Safety #	Transportation and Aviation Services
CSA Outcomes	<ul style="list-style-type: none">• Thriving, inclusive, and attractive communities and vibrant public spaces• Strong, Responsive, and Equitable Economy and Development Services• Accessible and Diverse Range of Housing and Business Opportunities	<ul style="list-style-type: none">• Reliable Utility Infrastructure• Healthy Streams, Rivers, Marsh, and Bay• Clean and Sustainable Air, Land, and Energy• Safe, Reliable, and Sufficient Water Supply	<ul style="list-style-type: none">• Safe and Clean Neighborhoods and Public Spaces• Welcoming and Vibrant Neighborhoods and Public Life• Equitable Access to Community Opportunities to Flourish• Housing Security through Supportive Solutions	<ul style="list-style-type: none">• Safer San Jose with Effective Emergency Response Services• Resilient Communities that are Prepared for Emergencies	<ul style="list-style-type: none">• Provide Safe and Secure Transportation Systems• Provide Viable Transportation Choices that Promote a Strong Economy• Travelers Have a Positive, Reliable, Efficient Experience• Preserve +Improve Transportation Assets + Facilities• Provide a Transportation System that Enhances Community Livability
Key Priorities	<ul style="list-style-type: none">• <u>Economic Growth Positioning</u><ul style="list-style-type: none">• <u>Incentives for AI, MFG, Downtown Leasing, and Residential High Rise</u>• <u>World Cup + Super Bowl 2026</u>• <u>Downtown Vibrancy, Lighting, and Marketing</u>• <u>Online Fee Estimator</u>• <u>Development Fee Framework</u>• <u>Housing NOFAs</u>	<ul style="list-style-type: none">• <u>Storm Water Permit</u>• <i>City Infrastructure Strategy</i>• <i>Clean Energy Scaling and Programs</i>	<ul style="list-style-type: none">• <u>Blight Removal Enforcement</u>• <u>Emergency/Temporary Housing and Safe Sleeping</u>• <u>Encampment Mgt + Biowaste</u>• <u>Homelessness Prevention, Outreach & Service Connection</u>• <u>Code Enforcement Reengineering</u>• <i>Animal Care and Services Reengineering</i>• <i>Children and Youth Master Plan</i>	<ul style="list-style-type: none">• <u>911 Call Modernization</u>• <u>Real Time Crime Center Implementation</u>• <u>SJPD Recruiting</u>• <i>Emergency Medical Services Management and Coordination</i>	<ul style="list-style-type: none">• <u>Automated Speed Enforcement Implementation</u>• <u>Vehicle Concerns, Oversized Vehicles, School Setbacks</u>• <u>Vision Zero</u>• <i>Air Traffic and Route Expansion</i>• <i>BART Silicon Valley Extension</i>• <i>Diridon Station Expansion</i>
Strategic Support					
Outcomes			City Manager Foundational Priorities		
<ul style="list-style-type: none">• Sound Fiscal Management that Facilitates Meeting the Needs of the Community• A High Performing Workforce Committed to Exceeding Internal and External Customer Expectations• Technology and Data Tools that Enable a Collaborative, Responsive, and Productive City• Safe and Functional Public Infrastructure, Facilities, and Equipment			<ul style="list-style-type: none">• <i>Customer Service Process Re-Engineering and Automation (CRM)</i>• <i>Advancing Racial Equity Efforts</i>• <i>Employee Recruiting and Retention</i>• <i>Performance Management Modernization</i>• <i>Technology Systems Modernization, Data Integration, and Cybersecurity</i>		
Core Services (98) and Programs (264)					

Legend

Indicates CSA Modernization including Mission, Vision, Outcomes, Community Indicators, Performance Measures, and Activity and Workload Highlights is complete and will be included in proposed 2024-2025 budget documents

CSA Priorities shown in **bold underlined text** directly support 2023-2024 City Council Focus Areas and Top Resident Priorities and may have highly overlap with the Focus Areas Key Budget Programs/Initiatives

CSA Priorities shown in italics may not directly support focus areas but a critical priority in driving a CSA performance measure

Budget Priority Study Session

Today's Agenda

1 Introduction/Opening Comments

2 Resident Priorities Survey

3 Preliminary General Fund Forecast and Budget Process

4 Administration Perspectives/Priorities

 **5** Mayor and Council Fiscal Year Priorities Discussion

6 Next Steps and Closing

Council Discussion on 2024-2025 Budget Priorities

Budget Priority Study Session

Today's Agenda

- 1 Introduction/Opening Comments
- 2 Resident Priorities Survey
- 3 Preliminary General Fund Forecast and Budget Process
- 4 Administration Perspectives/Priorities
- 5 Mayor and Council Fiscal Year Priorities Discussion
-  6 Next Steps and Closing

City Council 2024-2025 Budget Priority Study Session

February 13, 2024