

Citizens for Fiscal Responsibility

6490 Camelia Drive
San Jose, CA 95120
www.cfr-sj.org



Comments on the Mayor's Budget Message

March 22, 2015

Citizens for Fiscal Responsibility (CFR) is a nonpartisan organization focused on promoting the fiscally responsible delivery of essential services for the benefit of San Jose's residents. Each year we review and comment on the priorities outlined in the San Jose Mayor's Budget Message to the City Council. CFR's main input is that the City should focus on:

- 1) Identifying those key services considered essential by the majority of San Jose residents and businesses
- 2) Dedicating specified funds to improving those designated services in the annual budget
- 3) Decreasing or eliminating funding for non-essential services until such time as all essential services are fully funded based on national performance measures
- 4) Driving cost savings through organizational consolidation and reorganization, as well as outsourcing
- 5) Ensuring that the City can fulfill its substantial long term financial obligations

This focus is especially necessary given the lack of viability of multiple tax increase proposals for the 2016 ballot. Previous polling indicated inadequate support of any significant increase, and we doubt that such public sentiment has changed in spite of recent economic growth. We discourage the City from considering any sales tax increase for either specific or general purposes. Sales tax increases disproportionately affect lower income residents, have a negative impact on existing businesses and discourage those that may otherwise consider locating their businesses in San Jose.

CFR supports many of Mayor Liccardo's priorities as outlined in his budget message. His proposal to focus on business process redesign is laudable. We applaud the request to resurrect the City's Employee Suggestion Program, which we believe should reward employees generously if the suggestions mean significant, verifiable savings. We believe that a Program-based Budgeting Initiative is a good way to increase the transparency of the City's financials, and hope that it is a first step toward a full implementation of zero-based budgeting throughout the organization.

Some of Mayor Liccardo's proposals, while on the surface reasonable and/or compassionate, deviate from the focus on providing the essential services that San Jose residents deserve. Our major points of concern follow in the same sequence as discussed in the budget message.

Education is clearly important to creating economic opportunity for our children. Responsibility for education lies with Santa Clara County and the various school districts throughout San Jose. As such, services considered important for improved educational outcomes should be funded by those government entities, not by the City. We believe that the \$2 million the Mayor recommends setting aside for implementing recommendations from the San Jose Learns Working Group would be better allocated to essential services or the Essential Services Reserve, or used to pay down some of San Jose's long term financial obligations.

Immigration reform is a national issue that will only be resolved through compromise in Washington, D.C. Today, Santa Clara County provides all immigration services mandated by the federal government. There is very little that San Jose can do on its own to significantly augment the services currently offered by the County. CFR believes San Jose can best help its immigrant population by focusing its efforts and spending on the essential services that benefit all residents of San Jose.

Citizens for Fiscal Responsibility is dedicated to advocating a common sense approach to government that will achieve fiscal, economic, and environmental sustainability and an improved quality of life for current and future generations.

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Internet access has become an essential part of the educational process as well as our daily lives. San Jose currently provides free internet access through our public library system, which will soon be open to all residents six days a week. We agree with the Mayor's proposal of supporting the East Side Union High School District's initiative to provide free wi-fi access to neighborhoods around its schools by providing ESUHS access to San Jose assets to enable the placement of enabling wi-fi infrastructure. Such ubiquitous wi-fi access may help improve educational outcomes. CFR believes that should be the extent of the City's participation in the program and do not advocate providing additional funding in support of the initiative. In the interest of fairness, if a decision to provide free wi-fi access is to become policy it should be provided throughout the City. We would prefer seeing such funding devoted to essential services.

We applaud the Mayor's funding of an Essential Services Reserve. We believe that adequate reserves are the key to weathering the inevitable ups and downs of the business cycle. We are concerned with the potential use of the \$2.5 million Essential Services Reserve for funding the proposed Participatory Budget Pilot Program. The City has a variety of communications paths for our community to provide input on funding priorities: the Neighborhoods Commission, the annual Neighborhood Associations and Youth Commission Budget Meeting, district budget meetings, and mayoral and city council elections, to name some major avenues. Lacking evidence that these are ineffective options, CFR recommends that the \$2.5 million remain in the Essential Services Reserve.

It is unfortunate that the San Jose Repertory Theater closed, and that Ballet San Jose is struggling to make ends meet. Ballet San Jose's recent fund raising success proves that our residents can be quite generous in supporting the arts. CFR feels that continued support of the arts is up to the public in general and not for the City to support on behalf residents. Any support for available matching grant funding should come from the private sector, not the Transient Occupancy Tax, which should be focused on supporting essential services for San Jose's residents, businesses and visitors.

It is critical that the City and County deal with the homeless situation. The Mayor correctly notes that it is a joint problem, and that "San Jose should not be the depository of homeless persons." CFR recommends that any proposed solution to the homeless issue be an integrated approach of housing, jobs and social support. Simply providing housing is a short-term bandage that will ultimately fail; history has proven that. It is essential that housing recipients have some means to support themselves, otherwise San Jose will end up with additional housing blight. Nothing should be provided without a quid pro quo from housing recipients (except in obvious cases of persons with disabilities) – either by providing services to San Jose in return for their housing and food, or through partnerships with private industry that will allow recipients to pay for any taxpayer provided services.

Finally, San Jose has in excess of \$12 billion of long term obligations, including outstanding debt, unfunded pension and health care liabilities, and deferred maintenance of our roads and waste treatment facility. CFR would like to see explicit action to solidify the City's ability to fulfill these obligations. Creating a sustainable financial model is a significant first step. Eventually, we would like to see specific set asides used to help guarantee fulfillment of these obligations. This is one use of San Jose funds we would definitely support.

Pat Waite
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