

**For Immediate Release**

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## **City Manager Releases Proposed Operating Budget**

*\$115 million deficit closed with significant reductions; more cuts necessary  
without additional concessions*

SAN JOSE, Calif. – City Manager Debra Figone today released the 2011-2012 Proposed Operating Budget for the City of San José that closes a \$115 million shortfall through significant reductions in City staffing and significant City services including public safety, libraries, and community centers. The 2010-2011 Proposed Operating and Capital Budgets total \$2.5 billion and represent the City Manager's proposed financial plan for the fiscal year beginning July 1.

"Unfortunately, the deficit that the City faces is more than the total General Fund budgets of our libraries, parks and transportation departments combined," said City Manager Debra Figone. "The changes needed to balance the budget will have a significant impact on the services we are able to provide to the community. I'm still hopeful that we will achieve a 10 percent ongoing reduction in total compensation from all of our employees. Those discussions are continuing with the six remaining bargaining groups, and if we are successful, we could avoid even greater reductions in City services."

The Proposed Budget, which includes numerous reduction proposals that affect all City departments, may be found online by visiting the City's website at [www.sanjoseca.gov/budgetinfo.asp](http://www.sanjoseca.gov/budgetinfo.asp). Some of the more significant proposals include:

- In the Police Department, the elimination of 195 sworn police positions city-wide including positions in Patrol and Investigations; the elimination of the School Liaison Program; the suspension of the Police Helicopter Program; and the potential outsourcing of Police Services at Norman Y. Mineta San José International Airport.
- In the Fire Department, the elimination of 64 sworn positions; temporarily taking individual fire companies out of service (no fire station closures) through a Flexible Fire Company Brown-Outs Plan; a reduction in the number of personnel on Truck companies; and the potential outsourcing of Fire Services at Norman Y. Mineta San José International Airport.
- In the Library Department, the elimination of approximately 72 positions; a significant reduction would cut branch library hours to three days per week; and reduce services at the Martin Luther King, Jr. Library.

(more)

## PROPOSED BUDGET

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- In the Parks, Recreation and Neighborhood Services Department, the elimination of 182 positions; reduction in hours at all 10 community center hubs; reductions in the Park Ranger program; the outsourcing of park restroom custodial services and landscape maintenance at small parks and civic grounds; and the outsourcing of graffiti abatement services.
- Reduced funding for community-based organizations and City-owned facility maintenance and operating contracts.

Approximately 70% of the City's General Fund is tied directly to personnel costs. Roughly half of the deficit (\$58 million) is the result of additional pension contribution costs. The Proposed Budget has 588 fewer positions than last year's Adopted Budget, bringing total City staffing to 5,252 positions, a level not seen since 1986-87 when San José's population was about 740,000. The City anticipates that approximately 370 employees would be subject to layoff. An additional 446 workers will be moved to different positions through the seniority/bumping process including a number of who will move into lower-paying positions.

The Proposed Budget is based on anticipated savings from 10% ongoing total compensation reductions plus rollbacks of any salary increases granted in 2010-2011 from all of the City's 11 bargaining units. To date, five employee groups, International Association of Firefighters, Local 230 (IAFF); Association of Engineers and Architects, IFPTE, Local 21 (AEA); Association of Maintenance Supervisory Personnel (AMSP); the City Association of Management Personnel, IFPTE, Local 21 (CAMP), and Unit 99 have all accepted the 10% concessions. Last Friday, ABMEI (the Association of Building, Mechanical and Electrical Inspectors) reached tentative agreement with the City on a 10% ongoing reduction in total compensation. Six additional bargaining groups have yet to agree to concessions. If the City can achieve 10% concessions from all employees in the next few weeks, which is the timeframe necessary to be included in the final budget, additional layoffs and service reductions would be averted.

If the City does not get concessions from the remaining seven bargaining units, additional Tier 2 reductions would be proposed before the City Council's June approval. These additional reductions would result in the elimination of approximately 156 additional Police sworn positions and nearly 290 additional non-sworn positions.

The City Council will begin considering the proposed budget through a series of budget study sessions beginning on Wednesday, May 11. Public hearings on the budget are scheduled for Tuesday, May 17 and Monday, June 13, and adoption of the new budget on Tuesday, June 21.

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Attachments: Fact Sheet

## 2011-2012 PROPOSED OPERATING BUDGET

### FACT SHEET

- The Proposed Budget closes a \$115 million shortfall in the General Fund with 70% ongoing dollars.

<b>2011-2012 Proposed General Fund Budget Balancing Strategy</b> (\$ in Millions)		
	<b>2011-2012</b>	<b>Ongoing</b>
2011-2012 Shortfall*	\$ 115.1	\$ 115.1
Development Fee Program Shortfall	0.1	0.1
<b>Total Shortfall</b>	<b>\$ 115.2</b>	<b>\$ 115.2</b>
<b>Budget Balancing Actions Proposed</b>		
Additional Funding Sources	\$ 18.4	(\$ 13.7)
Net Expenditure Reductions	96.8	93.7
<b>Total Solutions</b>	<b>\$ 115.2</b>	<b>\$ 80.0</b>
<b>Remaining Surplus/(Shortfall)</b>	<b>\$ 0.0</b>	<b>(\$ 35.2)</b>

\* The 2012-2013 shortfall is projected at \$78 million, which includes \$35 million carried over from 2011-2012 due to the use of one-time dollars. Total shortfalls of \$193.4 million projected over the next five years (including 2011-2012).

- The Proposed Budget uses a combination of strategies:
  - Limited additional funding (use of Reserves and Fund Balance, fund transfers, fee increases, and other revenue changes)
  - Employee concessions — assumes a 10% total compensation reduction and a rollback of salaries to 2010-2011 levels for all employees. **Additional reductions will be required to the extent concessions and salary rollback are not achieved.**
  - New service delivery models/efficiencies
    - New service delivery models (reduced staffing on Fire truck companies, Police pre-processing staffing, Fire Hazardous Incident Team reorganization, warehouse services)
    - Outsourcing services (parks maintenance and custodial services, graffiti removal, Police and Fire services at the Airport)
    - Department Consolidation (Public Works and General Services)
    - Management consolidation (in HR and OER, as well as in ITD)
    - Police civilianization (15 sworn Police positions)
  - Service reductions and eliminations
- Contains numerous challenging recommendations:
  - Implements flexible brown-outs of fire companies (**keeps all fire stations open**, but the seven fire stations with two fire companies will no longer always have both companies staffed and in-service; up to two of these companies could be out of service daily due to staff vacancies/absences)
  - Reduces Police Patrol Services (eliminates 23 supervisory positions; 62 officer positions funded on a one-time basis last year are also eliminated)
  - Reduces Police Investigations staffing by 24 sworn and 1 non-sworn positions
  - Suspends the Police Helicopter Program
  - Eliminates the Police School Liaison Program
  - Reduces Police Crossing Guard Program by approximately 25%
  - Reduces branch library hours (from 39 to 25 hours per week; 4½ to 3 days per week)
  - Reduces hours of operation for “hub” community centers (from avg. of 63 to 59 hours per week)
  - Reduces the Park Ranger Program

## **2011-2012 PROPOSED OPERATING BUDGET**

### **FACT SHEET (Cont'd.)**

- Delays opening of new facilities (Police Substation, Seven Trees Branch Library, Bascom Branch Library, Calabazas Branch Library, and Educational Park Branch Library); Bascom Community Center also scheduled for delay - exploring other options for opening Center
- Reduces park maintenance/watering
- Reduces general code enforcement activities
- Reduces youth intervention services
- Reduces funding for community based organizations, including those organizations providing youth and senior community programs supported by Healthy Neighborhoods Venture funding, gang prevention programs supported by the San José BEST Program, and cultural arts programs
- Reduces operations and maintenance subsidies for City-supported facilities
- Many important services totaling \$23 million (223 positions) that were restored on a one-time basis last year were eliminated in the 2011-2012 Base Budget (Police patrol staffing; the Fire Engine Company at Fire Station 29; satellite/neighborhood centers; branch library hours; park rangers; senior nutrition; Development Fee Program staff). Some of these programs are recommended for extension based on available funding.
- Proposed Budget assumes concessions. If no additional concessions are achieved, it is estimated that an additional \$42 million in Tier 2 reductions will be necessary, including \$20 million for sworn Police (156 positions) and \$22 million for non-public safety employees (nearly 290 positions).
- Fiscal Reform Plan released under separate cover as a Manager's Budget Addendum.

### **Position Impacts**

<b>Changes in Position Count from 2010-2011 Adopted to 2011-2012 Proposed Budget</b>	
<b>2010-2011 Adopted Budget</b>	<b>5,840 positions</b>
2011-2012 Base Budget Changes	(160) positions*
2011-2012 Proposed Budget Changes	(428) positions
Total Position Changes	(588) positions
<b>2011-2012 Proposed Budget*</b>	<b>5,252 positions</b>

\* Change from Adopted to Base does not include the elimination of 62 Police Officer positions in Field Patrol that were approved for restoration on a one-time basis in 2010-2011 on August 3, 2010, after the adoption of the 2010-2011 Operating Budget.

#### **Impact**

- 541 full-time filled position cuts (includes positions previously scheduled for elimination)
- 244 employees impacted through seniority rules
- 67 part-time benefitted filled position cuts (no indirect impact)
- **852 total employees impacted**  
(This does not include impact to part-time unbenefitted positions)

#### **Outcomes**

- **370 full-time employees subject to layoff/redeployment**
- 352 employees stay in current class
- 94 employees demote to lower class
- 36 employees impacted in February 2012

