

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Urgent Fiscal-Program Needs

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Non-Personal/Equipment (Rapid Response Network)</p> <p>This action increases the Office of the City Manager's Non-Personal/Equipment appropriation by \$100,000 to replenish funds originally intended to support the Rapid Response Network (RRN). At its meeting on January 23, 2024, the City Council approved the allocation of \$150,000, matching an equal amount of funding provided by the County of Santa Clara, to Amigos de Guadalupe: Center for Justice and Empowerment for temporary emergency sheltering and support of new arrival migrant families seeking asylum who entered the United States after the end of Title 42. Of the \$150,000 allocated on January 23, \$100,000 consisted of \$50,000 of unspent funds from 2022-2023 and \$50,000 of funds of new funding in 2023-2024 that were originally intended to support the RRN – a collaborative of non-profits led by Amigos de Guadalupe to protect immigrant families from deportation threats and to provide accompaniment support during and after an arrest or detention. However, because a contract was not executed, these funds were available for immediate redeployment for the action on January 23. The Administration recommends restoring funding for the RRN in 2023-2024, and looks forward to working with Amigos de Guadalupe, in partnership with the County, to develop a contract that aligns with the intent of RRN while responding to urgent and emerging needs to best support our most vulnerable immigrants.</p>	Office of the City Manager	\$100,000	-
Urgent Fiscal-Program Needs		\$100,000	-

Required Technical-Rebalancing Actions

<p>Non-Personal/Equipment (Capital Facilities Master Plan for SAP Center)</p> <p>This action increases the Office of Economic Development and Cultural Affairs Non-Personal/Equipment appropriation by \$75,000 for consultant services that were used by the City of San José and San José Arena Management in developing a capital facilities master plan for the SAP Center at San José. The services were performed in 2014-2015, and the plan was completed. San José Arena Management paid for the consultant services but, at the time, did not invoice the City for reimbursement of its share of the costs. The City was subsequently invoiced in June 2023, and the invoice was not included as part of the development of the 2023-2024 Adopted Budget.</p>	City Manager - Office of Economic Development and Cultural Affairs	\$75,000	-
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General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Non-Personal/Equipment (Pension Obligation Bonds Consulting Services)	Finance Department	\$50,000	-

This action increases the Finance Department's Non-Personal/Equipment appropriation by \$50,000 to continue work related to appeal the judicial validation judgment in 2023-2024. On December 1, 2020, City Council directed staff to conduct a study session on pension obligation bonds to include research on the prevalence and performance of Pension Obligation Bonds (POBs), impact on credit ratings, sensitivity analyses on varying sizes of POBs, risk tolerance levels, cost-benefit analysis, and strategies for recognizing and applying savings. The study session was held on April 23, 2021 and a subsequent joint meeting with the two City retirement boards was held on September 30, 2021. On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement, authorizing judicial validation proceedings relating to the issuance of such bonds, and approving additional actions related thereto. The validation complaint was filed on November 18, 2021 challenging the City's authority to issue bonds without voter approval. The trial court held a bench trial on August 22, 2022, and issued a decision on December 9, 2022 validating the City's authority to issue pension obligation bonds. The validation judgment was entered on February 6, 2023; the complainant filed their Notice of Appeal on March 8, 2023. The recommended funding facilitates the continuation of work previously directed by the City Council through the California Court of Appeal. Requests for funding will be brought forward as part of a future budget process should court decisions in the course of subsequent appeals warrant. This action is partially offset by the liquidation of the Pension Obligation Bonds Consulting Services Reserve (\$25,000) recommended elsewhere in this report.

Pension Obligation Bonds Consulting Services Reserve	Finance Department	(\$25,000)	-
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This action liquidates the Pension Obligation Bonds Consulting Services Reserve to partially offset an increase to an agreement with outside counsel to continue work related to judicial validation proceedings. A separate action to increase funding for the agreement is recommended elsewhere in this report.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services (Emergency Medical Services Field Coordinator Staffing)	Fire Department	\$600,000	-

This action increases the Fire Department's Personal Services appropriation by \$600,000 to extend three Fire Captain positions from January 1, 2024 through June 30, 2024 to support the Emergency Medical Services Field Coordinator functions (Med30). On December 17, 2023, the Administration released an Information Memorandum describing the continued rise of Fire Department Rescue Medic Transports due to the County's ambulance shortage. As a result of this impact to daily operations, Med 30 positions have been utilized to monitor EMS system status, engage the County of coordination of resources, monitor the receiving hospital emergency room status to determine patient destinations, facilitate the return of personnel and equipment from hospital emergency rooms back to their home fire stations, and facilitate the supply restock and completion of patient care reports involving ambulance transport. Based on this workload, the Information Memorandum stated that the temporary Fire Captain positions would be extended to March 2, 2024. While the number of Fire Department Rescue Medic Transports is slightly down from earlier peaks in November and December, conditions have not substantially changed and the three temporary Fire Captain positions are recommended to be extended through June 30, 2024. The Fire Department will continue to monitor the impacts of ambulance shortages and continue engagement with County EMS to identify opportunities for improved system performance and sustainability.

Workers' Compensation Claims - Fire	Fire Department	\$1,000,000	-
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This action increases the Worker's Compensation Claims – Fire appropriation by \$1.0 million, from \$9.5 million to \$10.5 million, to reflect higher than anticipated settlement and regular claim activity for 2023-2024. This action is part of a series of adjustments to realign citywide workers' compensation allocations – for an overall net-zero impact to the General Fund – with year-to-date and projected activity for the remainder of the fiscal year.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Fees, Rates and Charges (PRNS Fee Revenue)</p> <p>This action increases the Fees, Rates and Charges budgeted estimate by \$2.0 million, from \$22.4 million to \$24.4 million, to reflect higher than anticipated Parks, Recreation and Neighborhood Services (PRNS) Fee revenue. PRNS program delivery and revenue generation fee categories include: Happy Hollow Park and Zoo; Fee Activity (classes, camps, and after-school activities); Facility Rentals; Sports Facilities Reservations; Lake Cunningham Action Sports Park; Gym and Fitness; Parking; Park Permits; Arcadia Ball Park; Family Camp; and Aquatics Program. The 2023-2024 Adopted Budget estimate for PRNS Fees, Rates and Charges totaled \$16.6 million. However, based on receipts through December (\$7.6 million), it is anticipated 2023-2024 collections will exceed the Adopted Budget estimate by approximately \$2.0 million and end the year at \$18.6 million. While higher levels of activity are occurring across most categories, the categories experiencing the largest increases include Facility Rentals, Happy Hollow Park and Zoo, Fee Activity, and Sports Facilities Reservations. While the 2023-2024 receipts are trending to be higher than 2022-2023, activity levels remain below the pre-pandemic level of approximately \$22.0 million annual receipts.</p>	General Fund Revenue	-	\$2,000,000
<p>Property Tax</p> <p>This action increases the Property Tax estimate by \$13.5 million, from \$460.4 million to \$473.9 million, to reflect updated information provided by Santa Clara County. Recommendations included in this report include increasing various Property Tax categories, including Educational Revenue Augmentation Funds (\$5.0 million), general Secured Property Tax (\$4.0 million), Unsecured Property Tax (\$2.0 million), Aircraft Property Tax (\$1.5 million), and SB813 Property Tax (\$1.0 million).</p>	General Fund Revenue	-	\$13,500,000
<p>Revenue from Use of Money/Property (Interest Income)</p> <p>This action increases the estimate for Revenue from Use of Money/Property by \$3.5 million, from \$10.5 million to \$14.0 million, to reflect higher than anticipated interest earnings on the General Fund. The 2023-2024 Adopted Budget estimate totaled \$10.5 million for interest earnings in the General Fund. However, based on receipts through December (\$5.6 million), it is anticipated 2023-2024 collections will exceed the Adopted Budget estimate by approximately \$3.5 million and end the year at \$14.0 million. The significant 2023-2024 collection level is attributable to higher interest rates and a larger cash balance in the General Fund.</p>	General Fund Revenue	-	\$3,500,000

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<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Transfer and Reimbursements (C&C Transfer)	General Fund Revenue	-	(\$489,000)
<p>This action decreases the revenue estimate for Transfers and Reimbursements by \$489,000, to reflect lower transfers from the Parks Capital Construction and Conveyance (C&C) Tax Funds. In accordance with the Municipal Code, 15% of all the Parks C&C Tax revenue may be transferred to the General Fund for operating and maintenance costs associated with the Parks, Recreation and Neighborhood Services Department. As described later in this memorandum, the C&C revenue estimate is recommended to decrease by \$5.0 million, from \$40.0 million to \$35.0 million. As a result of the lower C&C Tax, Parks C&C Tax revenue will drop by \$3.3 million, and the transfer to the General Fund for operating and maintenance costs will decrease by \$489,000.</p>			
Transfers and Reimbursements (Interest Income)	General Fund Revenue	-	\$1,310,000
<p>This action increases the estimate for Transfers and Reimbursements by \$1.3 million to recognize higher transfers related to interest earnings. Interest earnings on various Capital and Special Funds are transferred to the General Fund. Based on activity through December, interest earnings are anticipated to exceed budgeted levels by \$1.3 million, totaling \$3.9 million by year-end.</p>			
Transfers and Reimbursements (Transfer from the American Rescue Plan Fund)	General Fund Revenue	-	(\$541,995)
<p>This action decreases the revenue estimate for Transfers and Reimbursements by \$541,995, to reflect the final reconciliation of the American Rescue Plan Fund for 2022-2023. The 2022-2023 Annual Report included a transfer of \$2.2 million from the American Rescue Plan Fund, reflecting the remaining balance in the fund due to accumulated interest earnings and liquidated encumbrances, to support workstreams previously funded by the American Rescue Plan Fund and shifted to the General Fund in 2022-2023. After a final reconciliation, the original transfer amount to the General Fund is reduced by \$541,995 to allow the close out of the American Rescue Plan Fund. The action to reduce the transfer out of the American Rescue Plan Fund to the General Fund is included elsewhere in this report.</p>			

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Emergency Housing - Emergency Housing Construction and Operation	Housing Department	(\$3,000,000)	-

This action decreases the Emergency Housing - Emergency Housing Construction and Operation City-Wide Expenses appropriation by \$3.0 million, from \$6.5 million to \$3.5 million, to establish the Interim Housing - Rue Ferrari Expansion capital improvements appropriation in the Municipal Improvements Capital Program. On December 12, 2023, City Council approved the expansion of the Rue Ferrari emergency interim housing site. The expansion is a capital project that will increase the capacity of the current site, adding approximately 134 beds, though the final bed count will be dependent on the completed design. The scope includes the construction of roughly 29 new single-story modular housing buildings, each containing up to four units. Project bid award is anticipated in February 2024, with a construction window through fall 2024, though the final delivery schedule will be negotiated with the contractor. This adjustment is part of a series of adjustments included in this report to reallocate funding from various operating appropriations to establish the Interim Housing - Rue Ferrari Expansion capital project.

Emergency Interim Housing Construction and Operation	Housing Department	(\$25,850,000)	-
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This action decreases the Emergency Interim Housing Construction and Operation City-Wide Expenses appropriation by \$25.85 million, from \$29.9 million to \$4.0 million, to reallocate \$6.5 million to establish the Interim Housing - Rue Ferrari Expansion capital improvements appropriation and \$19.35 million to establish the Berryessa Supportive Parking capital improvements appropriation. On December 12, 2023, City Council approved the expansion of the Rue Ferrari emergency interim housing site and development of the Berryessa Supportive Parking site. This adjustment is a part of a series of adjustments included in this report to reallocate funding to establish the Interim Housing - Rue Ferrari Expansion capital project and the Berryessa Supportive Parking capital project.

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<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Measure E - Interim Housing Constructions and Operations Reserve (15% HSP)	Housing Department	(\$3,000,000)	-

This action decreases the Measure E - Interim Housing Constructions and Operations Reserve (15% HSP) by \$3.0 million, from \$7.1 million to \$4.1 million, to establish the Interim Housing - Rue Ferrari Expansion capital improvements appropriation in the Municipal Improvements Capital Program. On December 12, 2023, City Council approved the expansion of the Rue Ferrari emergency interim housing site. The expansion is a capital project that will increase the capacity of the current site, adding approximately 134 beds, though the final bed count will be dependent on the completed design. The scope includes the construction of roughly 29 new single-story modular housing buildings, each containing up to four units. Project bid award is anticipated in February 2024, with a construction window through fall 2024, though the final delivery schedule will be negotiated with the contractor. This adjustment is part of a series of adjustments included in this report to reallocate funding from various operating appropriations to establish the Interim Housing - Rue Ferrari Expansion capital project. Additionally, City Council had approved use of \$6.0 million from the Emergency Housing - Emergency Housing Construction and Operation City-Wide Expenses appropriation in the December 12, 2023 City Council meeting, but staff has since determined that insufficient budget exist in that appropriation. Therefore, staff recommends the use of \$3.0 million from the Measure E - Interim Housing Constructions and Operations Reserve (15% HSP), with the remaining \$3.0 million from the Emergency Housing - Emergency Housing Construction and Operation City-Wide Expenses appropriation to fund the project.

Non-Personal/Equipment (Employee Health Services Third-Party Administration)	Human Resources Department	\$113,000	-
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This action increases the Human Resources Department's Non-Personal/Equipment appropriation by \$113,000 to align funding with higher utilization levels of employee health services in 2023-2024, and to cover pending Agreement modifications that are subject to City Council approval at its February 6, 2024 meeting. In addition to the increased utilization of current services and associated costs, an amendment to the current Agreement is recommended to provide additional occupational medical services to City Firefighters in compliance with Section 1582 of the National Fire Protection Association (NFPA) regulations. Section 1582 specifies pre-employment requirements, ongoing medical and physical examinations, and preventative medical screening to identify medical conditions that may affect a Firefighter's ability to safely perform essential job tasks.

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<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Workers' Compensation State License This action increases the Workers' Compensation State License Fee appropriation by \$262,000, from \$1.0 million to \$1.26 million, to align funding with the invoice received from the Department of Industrial Relations, as assessed fees were higher than anticipated.	Human Resources Department	\$262,000	-
Non-Personal/Equipment (Cost Sharing Agreement with SJSU) This action increases the Library Department's Non-Personal/Equipment appropriation by \$53,426 to fund an increase to the City/San José State University (SJSU) Dr. Martin Luther King, Jr. Library Ownership and Operating Agreement. On December 14, 2023, the Library Department received an updated Five-Year Budget Forecast from SJSU reflecting an increase to the City's share of the Dr. Martin Luther King, Jr. Library costs in 2023-2024 by \$53,426, from \$3,494,945 to \$3,548,371.	Library Department	\$53,426	-
2023-2024 Ending Fund Balance Reserve This action establishes the 2023-2024 Ending Fund Balance Reserve in the amount of \$13.45 million, reflecting additional Property Tax, Revenue from Use of Money/Property (Interest), Fees, Rates, and Charges (PRNS Fees), and Transfers and Reimbursements revenues, as well as the balance of the other General Fund adjustments recommended in this report. When developing the annual budget each year, it is assumed that a combination of excess revenues, expenditure savings, and the liquidation of carryover encumbrances will generate ending fund balance in the current year that will be available as a funding source for the upcoming fiscal year. The 2024-2028 Five-Year Forecast issued in February 2023 assumed that approximately \$30 million in fund balance would be available at the end of 2023-2024 for use in 2024-2025. The 2025-2029 Five-Year Forecast that will be issued at the end of February and the 2024-2025 Proposed Operating Budget that will be issued on May 1, 2024 will incorporate fund balance as a funding source. This action sets aside a portion of the ending fund balance that is expected to be generated in 2023-2024. Subsequent action will be brought forward as part of the year-end clean-up process in June 2024 to set-aside additional revenues, expenditure savings, and the liquidation of carryover encumbrances that are anticipated to be realized by year-end.	Office of the City Manager	\$13,450,000	-

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<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Workers' Compensation Claims - PRNS</p> <p>This action decreases the Worker's Compensation Claims - PRNS appropriation by \$250,000, from \$1.5 million to \$1.25 million, to reflect lower than anticipated settlement and regular claim activity in 2023-2024. This action is part of a series of adjustments to realign City-wide workers' compensation allocations – for an overall net-zero impact to the General Fund – with year-to-date and projected activity for the remainder of the fiscal year.</p>	Parks, Recreation and Neighborhood Services Department	(\$250,000)	-
<p>Bulletproof Vest Partnership 2023/Revenue from Federal Government</p> <p>This action establishes the Bulletproof Vest Partnership 2023 City-Wide Expenses appropriation to the Police Department in the amount of \$53,922 and increases the estimate for Revenue from the Federal Government by \$26,961 to maximize available Bulletproof Vest Partnership Grant funding for equipment acquisition. Grant awards will be used to procure National Institute of Justice (NIJ) compliant armored vests for police officers. The grant term is from April 1, 2023 to August 31, 2025. A corresponding reallocation of funding from the Police Department's Non-Personal/Equipment appropriation is recommended elsewhere in this report as a local match to leverage this grant funding.</p>	Police Department	\$53,922	\$26,961
<p>Non-Personal/Equipment (Bulletproof Vest Partnership 2023)</p> <p>This action decreases the Police Department's Non-Personal/Equipment appropriation by \$26,961 to reallocate funds to the Bulletproof Vest Partnership 2023 City-Wide Expenses appropriation. This will serve as the City's match requirement to leverage grant funding for equipment acquisition, up to a combined value of \$53,922. Grant funds will be used to procure National Institute of Justice (NIJ) compliant armored vests for police officers prior to the term expiration on August 31, 2025. A corresponding increase to the Bulletproof Vest Partnership 2023 appropriation is recommended elsewhere in this report.</p>	Police Department	(\$26,961)	-

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services (Overtime Overage)	Police Department	\$5,000,000	-

This action increases the Police Department's Personal Services appropriation by \$5.0 million to address a projected overage for 2023-2024, due to increased levels of overtime spending, and is offset by the liquidation of the Police Department Sworn Backfill Reserve that was established in the 2023-2024 Adopted Operating Budget. Consistent with the updates provided to the Public Safety, Finance, and Strategic Support Committee as part of the Bi-Monthly Financial Reports, overall, personal services expenditures are on pace to exceed budgeted levels. After accounting for this action and for distributions from the Salaries and Benefits Reserve related to the Management Pay for Performance Program, health insurance increases, and other technical adjustments, personal services spending is on pace to exceed budgeted levels by approximately \$6 million, or 1% of the Police Department's Personal Services budget. Higher levels of overtime usage is attributed to the Bureau of Field Operations (BFO), as the Department prioritizes the backfilling of street-ready vacancies in Patrol, and due to the requirement of patrol officers performing initial investigative activities prior to handing cases off to the Bureau of Investigations, which has experienced lower staffing levels and overtime use while resources are prioritized for frontline services in BFO. Beginning with the 2024-2025 budget development process, the Police Department's Base Budget will need to undergo a multi-year shift to better align its overtime budget to minimum staffing requirements and policy and state law changes that impact Police operations. These changes, however, will not impact the expectations of the Police Department to continue to manage and reduce overtime expenditures while not impacting public safety.

Police Department Sworn Backfill Reserve	Police Department	(\$5,000,000)	-
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This action liquidates the Police Department Sworn Backfill Reserve in the amount of \$5,000,000 to offset the increase to the Police Department's Personal Services appropriation to provide overtime funding to ensure patrol services experience minimal disruption while sworn position vacancies are being filled. The Police Department Sworn Backfill Reserve was established as part of the 2023-2024 Adopted Operating Budget. Actions to increase the Police Department's Personal Services appropriation is recommended elsewhere in this report.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Workers' Compensation Claims - Police	Police Department	(\$750,000)	-

This action decreases the Worker's Compensation Claims - Police appropriation by \$750,000, from \$9.0 million to \$8.25 million, to reflect lower than anticipated settlement and regular claim activity in 2023-2024. This action is part of a series of adjustments to realign City-wide workers' compensation allocations – for an overall net-zero impact to the General Fund – with year-to-date and projected activity for the remainder of the fiscal year.

Berryessa Supportive Parking	Public Works Department	\$19,350,000	-
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This action establishes the Berryessa Supportive Parking capital improvements appropriation in the amount of \$19.35 million. On December 12, 2023, City Council approved the development of the Berryessa Supportive Parking site. This adjustment is part of a series of adjustments included in this report to reallocate funding from various operating appropriations to establish the Berryessa Supportive Parking capital improvements appropriation. The project will develop a parking lot for up to 85 occupied RVs and 46 standard vehicles, plus additional space for storage or parking. The project also includes installation of four prefabricated support buildings (kitchen, laundry, restrooms and office space), storage units, designated outdoor spaces including a dog run and community garden, site security lighting, landscaping, new sanitary sewer piping and connections, drainage enhancements, utilities, and other site improvements. Staff estimates the project to be completed as early as fall 2024.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Interim Housing - Rue Ferrari Expansion	Public Works Department	\$12,500,000	-

This action establishes the Interim Housing - Rue Ferrari Expansion capital improvements appropriation in the amount of \$12.5 million. On December 12, 2023, City Council approved the expansion of the Rue Ferrari emergency interim housing site for \$30.9 million supported by a mix of funding sources from the General Fund (\$12.5 million), Homeless Housing, Assistance, and Prevention Fund (\$15.9 million), and Multi-Source Housing Fund (\$2.5 million). This adjustment is a series of adjustments included in this report to reallocate funding from various operating appropriations to establish the Interim Housing – Rue Ferrari Expansion capital improvements appropriation. This action is offset by a decrease of \$3.0 million from the Measure E – Interim Housing Constructions and Operations Reserve (15% HSP), \$3.0 million from Emergency Housing - Emergency Housing Construction and Operation City-Wide Expenses appropriation, and \$6.5 million from Emergency Interim Housing Construction and Operation City-Wide Expenses appropriation. The project aims to increase the capacity of the current site, adding approximately 134 beds, though the final bed count will be dependent on the completed design. The scope includes the construction of roughly 29 new single-story modular housing buildings, each containing up to four units. Project bid award is anticipated in February 2024, with a construction window through fall 2024, though the final delivery schedule will be negotiated with the contractor.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Non-Personal/Equipment (Animal Care and Services - Food Supplies)	Public Works Department	\$200,000	-

This action increases the Public Works Department's Non-Personal/Equipment appropriation by \$200,000 to provide additional funding for animal food supplies. The Animal Care Center has reached 95% of maximum capacity and is averaging 450-500 animals in the shelter daily (down from peak levels of 708 earlier in the fiscal year) compared to December 2022 when operations were at 90% of capacity and averaging between 400-450 animals. The length of stay for dogs and other animals has increased from 20 days (2022-2023) to 26 days (2023-2024) for dogs, 9 days (2022-2023) to 22 days (2023-2024) for all other animals, and no change for cats at 20 days. In addition, the Animal Care Center implemented new feeding procedures in 2022-2023 to align with The Guidelines for Standards of Care in Animal Shelter recommended by the Association of Shelter Veterinarians. These changes have resulted in an increased need of wet and dry food for all the animals at the shelter. This funding will ensure food supplies will continue through the current fiscal year; the ongoing costs will be incorporated into the development of the 2024-2025 Base Budget.

Non-Personal/Equipment (Animal Care and Services - Medical Services)	Public Works Department	\$250,000	-
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This action increases the Public Works Department's Non-Personal/Equipment appropriation by \$250,000 to provide additional funding for contracted veterinarian services. The City of San José uses contracted veterinarian services to support the in-house medical service team for surgeries, emergencies, and the care of animals outside of normal business hours. The Animal Care Center has reached 95% of maximum capacity and is averaging between 450-500 animals in the shelter daily (down from peak levels of 708 earlier in the fiscal year) compared to December 2022 when operations were at 90% of capacity and averaging between 400-450 animals. The increase of animals at the Animal Care Center has resulted in an increased reliance on the contracted veterinarian services. This funding will ensure critical medical services will continue through the current fiscal year; the ongoing costs will be incorporated into the development of the 2024-2025 Base Budget.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Non-Personal/Equipment (Emergency Operation Center -Utilities and Phones)	Public Works Department	\$50,000	-
<p>This action increases the Public Works Department's Non-Personal/Equipment appropriation by \$50,000 to fund utilities and phone expenses associated with the new Emergency Operations Center. The Emergency Operations Center is set to gain Certificate of Occupancy and open its doors in January 2024. The utilities (\$44,000) and phone (\$6,000) expenses were inadvertently excluded from the 2023-2024 Adopted Budget. This funding will ensure critical expenses are funded and continue through the current fiscal year, and the ongoing costs will be incorporated into the development of the 2024-2025 Base Budget.</p>			
Non-Personal/Equipment (Janitorial Contract Services)	Public Works Department	\$2,700,000	-
<p>This action increases the Public Works Department's Non-Personal/Equipment appropriation by \$2.7 million for additional costs related to janitorial services. This amount includes \$1.4 million due to the payment in 2023-2024 of invoices for work performed in April and May 2023 and \$1.3 million due to contract increases effective October 2023. The April and May invoices required follow-up inquiries and clarification requests by the Department, which resulted in the payment of invoices in 2023-2024 instead of in 2022-2023. The remaining \$1.3 million is attributed contract increases, including wage and administrative cost increases. The Department has since worked with the vendor to improve the invoice submittal process and is evaluating facility utilization among all City buildings in order to implement service reductions in low occupancy areas that achieve cost reductions without impacting the health and safety of our workforce and customers. Costs and services will continue to be actively monitored to determine if further adjustments will be needed later in the fiscal year, and to determine the extent to which costs increases will be incorporated into the 2024-2025 Base Budget.</p>			
Non-Personal/Equipment (Security Contract Services)	Public Works Department	\$350,000	-
<p>This action increases the Public Works Department's Non-Personal/Equipment appropriation by \$350,000 to address the 17% contract cost increase, primarily associated with higher wages, effective April 1, 2024, and to account for services provided at the Central Service Yard and new Fire Training Center and Emergency Operations Center that were inadvertently omitted from the 2023-2024 Adopted Operating Budget. This funding will ensure critical security measures are enforced and continued through the current fiscal year, and the ongoing costs will be incorporated into the 2024-2025 Base Budget.</p>			

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services (Animal Care and Services - Veterinarian Staffing)	Public Works Department	\$160,000	-

This action increases the Public Works Department's Personal Services appropriation by \$160,000 to continue funding for a temporary Animal Services Veterinarian position. In August 2022, changes to the veterinarian compensation structure were implemented and the Department has since engaged in an ongoing recruitment effort that has received interest from a small number of part-time candidates, and several full-time candidates. In September 2023, the Animal Care and Services division filled its second regular full-time veterinarian position. However, the Animal Care Center continues to experience limited ability for the Veterinary Clinic to examine, treat, and prepare cats and dogs for adoption, leading to an increased shelter population and extended stays for animals at the shelter. This temporary position will assist in the in-house medical services team to support the Trap, Neuter, and Release Program and to make more spay and neuter surgeries available to the public. Continuation of this temporary position will be evaluated as part of the 2024-2025 Proposed Budget Development process.

Non-Personal/Equipment (Electricity)	Transportation Department	\$887,932	-
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This action increases the Transportation Department's Non-Personal/Equipment appropriation by \$887,932 due to increased electricity costs for streetlights and traffic signals. The department has experienced consistent year-over-year increases in electricity costs. Overall, PG&E utility bills increased by approximately 15% in 2022-2023 and are tracking to be at least 12% higher in 2023-2024.

Non-Personal/Equipment (Supplies and Materials Savings)	Transportation Department	(\$250,000)	-
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This action decreases the Transportation Department's Non-Personal/Equipment appropriation by \$250,000 to reflect savings from supplies and materials. The savings are recommended to be reallocated to the Department's Personal Services appropriation for overtime needed to respond to emergency repairs to traffic signals and streetlights. A corresponding increase to the Transportation Department's Personal Services appropriation is recommended in this report.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services (Overtime Overage)	Transportation Department	\$250,000	-

This action increases the Transportation Department's Personal Services appropriation by \$250,000 due to overtime needed to respond to emergency repairs for traffic signals and streetlights. Difficulty in hiring swing shift electricians has resulted in existing day shift electricians working additional overtime hours to perform emergency repairs to traffic signals and streetlights in the event of signal or light failure or accident. This action is offset by a corresponding decrease to the Transportation Department's Non-Personal/Equipment appropriation as recommended in this report.

Required Technical-Rebalancing Actions

Grants-Reimbursements-Fees

Creative Licenses Ambassador Program/Revenue from Federal Government

City Manager - Office of Economic Development and Cultural Affairs

\$19,203,319

\$19,305,966

\$30,000

\$30,000

This action establishes the Creative Licenses Ambassador Program City-Wide Expenses appropriation to the Office of Economic Development and Cultural Affairs in the amount of \$30,000 and a corresponding increase to the estimate for Revenue from Federal Government. A two-year grant was received from the National Endowment for the Arts (NEA) that will be used to continue to support the Creative License Ambassadors Program by partially funding the 2024 Creative Ambassadors. The role of the Creative Ambassadors is to champion the power of creative expression and engage residents in finding their own creative voice. Ambassadors serve a one-year term (January 1 - December 31) during which they produce a creative project that invites active participation from residents and celebrates the diversity of San Jose's cultural communities.

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Neighborhood Business Districts/Other Revenue</p> <p>This action increases the Neighborhood Business Districts City-Wide Expenses appropriation to the Office of Economic Development and Cultural Affairs by \$25,000, from \$250,000 to \$275,000, and a corresponding increase to the estimate for Other Revenue. In 2022-2023, the \$25,000 was provided to the Alum Rock-Santa Clara Street Business Association which was in transition at the time and did not spend the funds prior to the end of the fiscal year. Per an agreement with the City, when the funds are not spent, the association must return the funds to the City. The association is currently working with a consultant in terms of board development, training, and strategic planning effort; once a new agreement with the City is approved, the association will be provided the \$25,000 and will be able to spend the funds accordingly.</p>	City Manager - Office of Economic Development and Cultural Affairs	\$25,000	\$25,000
<p>San José Creates and Connects/Other Revenue</p> <p>This action increases the San José Creates and Connects City-Wide Expenses appropriation to the Office of Economic Development and Cultural Affairs by \$140,000, from \$11,000 to \$151,000, and increases the corresponding estimate for Other Revenue by the same amount. A two-year grant was received from the David and Lucille Packard Foundation that will continue to support the San José Creates and Connects initiative. The San José Creates and Connects initiative provides funding for the Make Music San José, WeCreate408, and some of San Jose Creative Ambassadors programs.</p>	City Manager - Office of Economic Development and Cultural Affairs	\$140,000	\$140,000
<p>County of Santa Clara EMS Trust Fund - 2023/Revenue from Local Agencies</p> <p>This action establishes the County of Santa Clara EMS Trust Fund - 2023 City-Wide Expenses appropriation to the Fire Department and increases the corresponding estimate for Revenue from Local Agencies by \$50,791 to recognize the grant funding from the County of Santa Clara. These funds are to be used for the procurement and implementation of a data review software service (CODE-STAT) to help improve performance and the procurement of specialized terrorism response supplies.</p>	Fire Department	\$50,761	\$50,761
<p>Non-Personal/Equipment/Revenue from State of California (Strike Team Reimbursement)</p> <p>This action increases the Fire Department's Non-Personal/Equipment appropriation and corresponding estimate for Revenue from the State of California by \$13,604 to recognize reimbursements for costs incurred for Strike Team deployments to assist with wildland fire mitigation in 2023-2024, in accordance with the California Fire Assistance Agreement.</p>	Fire Department	\$13,604	\$13,604

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Action	Department	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services/Revenue from State of California (Strike Team Reimbursement)	Fire Department	\$213,186	\$213,186
<p>This action increases the Fire Department's Personal Services appropriation and corresponding estimate for Revenue from the State of California by \$213,186 to recognize reimbursements for costs incurred for Strike Team deployments to assist with wildland fire mitigation in 2023-2024, in accordance with the California Fire Assistance Agreement.</p>			
CPUC Local Agency Technical Assistance Grant/Revenue from State of California	Library Department	\$500,000	\$500,000
<p>This action establishes the California Public Utilities Commission (CPUC) Local Agency Technical Assistance (LATA) Grant City-Wide Expenses appropriation to the Library Department in the amount of \$500,000 and increases the corresponding estimate for Revenue from the State of California. The CPUC LATA grant will be used to assess the technical and financial feasibility of upgrading the City's existing East Side Union High School District Wi-Fi network to provide reliable indoor broadband service at 100 megabit-per-second download and upload speeds.</p>			
Library Grants/Other Revenue (Bananas Family, Friend, and Neighbor Learning Community Mini Grant)	Library Department	\$5,000	\$5,000
<p>This action increases the Library Grants City-Wide Expenses appropriation to the Library Department and the corresponding estimate for Other Revenue in the amount of \$5,000 to recognize the Bananas Family, Friend, and Neighbor (FFN) Learning grant. The Bananas Grant supports FFN caregivers in the area by creating a network for home-based childcare providers with development classes and other resources.</p>			
SJPL Foundation Grants/Other Revenue (San José Evening News Digital Archive)	Library Department	\$337,456	\$337,456
<p>This action increases the SJPL Foundation Grants City-Wide Expenses appropriation to the Library Department and the corresponding estimate for Other Revenue by \$337,456 to recognize a grant from the San José Public Library (SJPL) Foundation. This funding will be used to purchase the digital rights to the San José Evening News digital archive for years 1950-1985 and the digital rights to the San José Mercury News for years 1900-1922, which will be maintained as part of the California Room collection. The California Room is located at the Dr. Martin Luther King, Jr. Library and contains materials on California history with an emphasis on San José and the greater Santa Clara Valley.</p>			

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
SJPL Foundation Grants/Other Revenue (Youth Programming)	Library Department	\$68,064	\$68,064
<p>This action increases the SJPL Foundation Grants City-Wide Expenses appropriation to the Library Department and the corresponding estimate for Other Revenue by \$68,064 to recognize grant funds supporting programs, services, and initiatives at library branches. This funding backs the Teen Artrepreneurs, Coding 5K, and Wee Grow Development Screening programs.</p>			
Council District #01/Other Revenue (Sponsorship)	Mayor & City Council	\$2,000	\$2,000
<p>This action increases the Council District #01 appropriation and the corresponding estimate for Other Revenue by \$2,000 to allocate revenue received from District Sponsorship from Disability Awareness Day. The funding will support Council District efforts in providing review of public policy and programs that best meet the needs of residents.</p>			
Council District #03/Other Revenue (Sponsorship)	Mayor & City Council	\$6,000	\$6,000
<p>This action increases the Council District #03 appropriation and the corresponding estimate for Other Revenue by \$6,000 to allocate revenue received from District Sponsorship from Christmas Tree event donations. The funding will support Council District efforts in providing review of public policy and programs which best meet the needs of residents.</p>			
Council District #08/Other Revenue (Sponsorship)	Mayor & City Council	\$5,000	\$5,000
<p>This action increases the Council District #08 appropriation and the corresponding estimate for Other Revenue by \$5,000 to allocate revenue received from District Sponsorship from Fall Festival. The funding will support Council District efforts in providing review of public policy and programs which best fit the needs of the residents.</p>			

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Action	Department	Expenditure Change	Revenue Change
Connecting Neighbors to Neighbors Grant/Revenue from State of California	Office of the City Clerk	\$1,000,000	\$1,000,000
<p>This action establishes the Connecting Neighbors to Neighbors City-Wide Expenses appropriation to the Office of the City Clerk and increases the estimate for Revenue from the State of California by \$1,000,000. California Volunteers awarded the City a Connecting Neighbors to Neighbors grant that, when combined with the current Beautify Your Block initiative, expands beautification efforts by inspiring residents, local businesses, and community organizations to play a more active role in their community to find solutions for neighborhood beautification, blight reduction, climate resilience, and disaster preparedness. Implemented by the Mayor's Office in coordination with the Beautify San José Team, the grant term is June 30, 2023 through June 30, 2024 and will fund staff costs, community meetings, vendors, and other supporting expenses necessary to complete the tasks for this program.</p>			
Non-Personal/Equipment/Other Revenue (Community Engagement Framework)	Office of the City Manager	\$40,000	\$40,000
<p>This action increases the Office of the City Manager's Non-Personal/Equipment appropriation and corresponding estimate for Other Revenue by \$40,000 to recognize a grant from the Silicon Valley Community Foundation to advance efforts led by the Office of the Administration, Policy, and Intergovernmental Relations, with the participation of a Community Engagement Working Group made up of City staff from various departments, to develop and execute a community engagement strategy and improve communication between the City and its citizens.</p>			
Blue Zones Project San José Readiness Assessment/Other Revenue	Parks, Recreation and Neighborhood Services Department	\$350,000	\$350,000
<p>This action increases the Blue Zones Project San José Readiness Assessment City-Wide Expense appropriation to the Parks, Recreation, and Neighborhood Services Department (PRNS) and the corresponding estimate for Other Revenue by \$350,000. PRNS has grant agreements in place with the County of Santa Clara, the Adobe Foundation, Santa Clara Family Health Plan, and The Health Trust, for the total collective grant award of \$350,000. Along with the previously budgeted \$150,000 in seed funding from the City, as directed in the Mayor's June Budget Message for 2023-2024, as approved by City Council, this funding will study and assess the possibility and potential impact of introducing the Blue Zones Project to San José, a program aimed at transforming quality of life in a community through policies that optimize the use of city streets, public spaces, and community involvement.</p>			

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Action	Department	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Non-Personal/Equipment/Other Revenue (River Glen Park Little League Repair)</p> <p>This action increases the Parks, Recreation, and Neighborhood Services Department's (PRNS) Non-Personal/Equipment appropriation and the corresponding estimate for Other Revenue by \$37,000. Lincoln Glen Little League conducted modifications of the River Glen Park Little League baseball field without permission from PRNS, resulting in damages and unsafe field conditions. The repairs totaled \$37,000, with PRNS receiving reimbursement of that amount from the league.</p>	<p>Parks, Recreation and Neighborhood Services Department</p>	\$37,000	\$37,000
<p>Local Early Action Planning - Housing and Community Development Grant/Revenue from State of California</p> <p>This action increases the Local Early Action Planning - Housing and Community Development Grant City-Wide Expenses appropriation to the Planning, Building and Code Enforcement Department and corresponding estimate for Revenue from State of California by \$110,000 for staff and consultant costs to advance Senate Bill 9 (SB 9) Opportunity Housing and Five Wounds Urban Village Plans Updates, which addresses SB 9 standards and consolidation of urban villages. The funds will facilitate future housing production in the Five Wounds Urban Village, aligning with Bay Area Rapid Transit (BART) Station plans, and progressing development standards and policy changes for "missing middle" infill housing per City Council directives. Missing middle refers to small-scale multifamily housing such as duplexes, townhomes, and apartments which seek to increase housing density and promoting walkable neighborhoods. This grant is specifically targeted to prepare and adopt planning documents and process improvements that accelerate housing production and implement the sixth cycle of the regional housing needs assessment. The total grant award is \$1,499,000 and the award period is through December 31, 2024. The remainder of grant funds will be recognized and appropriated as needed as part of future budget processes.</p>	<p>Planning, Building and Code Enforcement Department</p>	\$110,000	\$110,000

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Action	Department	Expenditure Change	Revenue Change
<p>Non-Personal/Equipment/Revenue from State of California (Caltrans - Eastside Alum Rock Urban Village)</p> <p>This action increases the Planning, Building, and Code Enforcement Department's Non-Personal/Equipment appropriation and corresponding estimate for Revenue from the State of California by \$83,000 to recognize additional funds related to the Caltrans Eastside Alum Rock planning grant that will fund consultant costs to complete the last part of Task 2 - Data Collection & Analysis, Task 3 - Public Engagement Strategy, and Task 4 - Develop and Prepare Character Areas and Conceptual Plans, Maps, and Diagrams, and Anti-Displacement Strategies for the Eastside Alum Rock Urban Village planning process. The work to prepare the Eastside Alum Rock Urban Village consists of project startup, data collection and analysis, public engagement, preparation of draft documents, coordination and meetings with City staff, revisions based on staff feedback and input from focus groups, finalizing, and publishing the documents. The total grant award is \$400,000 and the award period is through December 31, 2025. The remainder of grant funds will be recognized and appropriated as needed as part of future budget processes.</p>	Planning, Building and Code Enforcement Department	\$83,000	\$83,000
<p>Department of Alcohol Beverage Control (ABC) Grant 2024/Revenue from State of California</p> <p>This action establishes the Department of Alcohol Beverage Control (ABC) Grant 2024 City-Wide Expenses appropriation to the Police Department and increases the estimate for Revenue from State of California by \$40,000. This award will be used to fund staff overtime to conduct approximately 16 operations aimed at the enforcement and disruption of illicit alcohol sales. The grant term is from October 1, 2023 to August 31, 2024.</p>	Police Department	\$40,000	\$40,000
<p>Northern California Regional Intelligence Center – Police 2022/Revenue from Federal Government</p> <p>This action increases the Northern California Regional Intelligence Center – Police 2022 City-Wide Expenses appropriation to the Police Department and increases the estimate for Revenue from the Federal Government by \$11,013. The Northern California Regional Intelligence Center (NCRIC) works to improve the region's ability to detect, prevent, investigate, and respond to criminal and terrorist activity. The NCRIC program allows for the reimbursement of overtime costs for the City's assigned Lieutenant position. After reconciliation of costs, for the period from July 2023 to December 2023, it was determined that additional expenditures for overtime will be reimbursed.</p>	Police Department	\$11,013	\$11,013

General Fund Recommended Budget Adjustments Summary 2023-2024 Mid-Year Budget Review

Action	Department	Expenditure Change	Revenue Change
Northern California Regional Intelligence Center – Police 2023/Revenue from Federal Government	Police Department	\$152,065	\$152,065

This action establishes the Northern California Regional Intelligence Center – Police 2023 City-Wide Expenses appropriation to the Police Department and increases the estimate for Revenue from the Federal Government by \$152,065. The Northern California Regional Intelligence Center (NCRIC) works to improve the region's ability to detect, prevent, investigate, and respond to criminal and terrorist activity. This allocation of the grant funding, which spans two fiscal years, will partially fund the salary, benefits, and overtime for one San José Police Department Lieutenant position for the period from January 2024 to June 2024. After 2022-2023 Annual Report actions, the 2023-2024 Modified Budget includes \$158,195 from the Northern California Regional Intelligence Center Staffing City-Wide Expenses appropriation and \$131,073 from the Northern California Regional Intelligence Center – Police 2022 City-Wide Expenses appropriation to partially fund the cost of the Lieutenant position. With this action, the position will be fully funded in 2023-2024. The grant term is from November 1, 2023 to December 31, 2024.

State Homeland Security Grant Program - Police 2023/Revenue from Federal Government	Police Department	\$19,648	\$19,648
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This action increases the State Homeland Security Grant Program - Police 2023 City-Wide Expenses appropriation to the Police Department and increases the estimate for Revenue from Federal Government by \$19,648 to recognize grant funding from the Department of Homeland Security. These funds are to be used for the implementation of State Homeland Security strategies to address the identified planning, organization, equipment, training, and exercise needs to prepare for acts of terrorism and other catastrophic events. The funds will be used for training requests submitted to and approved by the County of Santa Clara's Anti-Terrorism Approval Board. The grant term is from September 1, 2023 to May 31, 2025.

Urban Areas Security Initiative Grant - Police 2022/Revenue from Federal Government	Police Department	\$60,980	\$60,980
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This action increases the Urban Areas Security Initiative Grant - Police 2022 City-Wide Expenses appropriation to the Police Department and increases the estimate for Revenue from the Federal Government by \$60,980. The department will utilize the additional funds to cover tactical medic training for the Police Department's Mobile Emergency Response Group and Equipment (MERGE) unit. The grant term is from November 1, 2022 to December 31, 2024.

Grants-Reimbursements-Fees

\$3,299,777	\$3,299,777
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