

City of San José
Neighborhoods Commission
Independent Citizens Oversight Standing Committee

District 1— Gary Cunningham (C)
District 6 – Jim Carter

District 5 – Mimi Hernandez
District 10 – Terry Martin

District 10 – Richard Giammona

Commission Staff: Sabrina Parra-Garcia

6 p.m. – 7 p.m.
Hall

Regular Meeting Minutes
November 7, 2018

San José City

Tower Conference Room 1734

I. Call to Order & Roll Call

The Independent Citizens Oversight Standing Committee of the Neighborhoods Commission convened at 6:00 p.m.

Present Commissioners: Cunningham, Carter, and Giammona.

Absent Commissioners: Hernandez and Martin.

Staff: Sabrina Parra-Garcia, City Manager's Office; Jim Shannon, Budget Office.

II. Orders of the Day – None.

III. Public Record – None.

IV. Public Comment – None.

V. Consent Calendar

A. Approve the minutes for the meeting of August 1, 2018.

Action: Commissioner Giammona, seconded by Commissioner Cunningham, motioned to adopt the minutes as soon as typo in Item VII. B. The Committee unanimously approved the minutes.

VI. Reports and Information Only

A. Chair; Gary Cunningham

- Greeted the committee members after the group took a break for several meetings, and talked about how important it was to figure out the FY2017-18 2016 Measure B Sales Tax spending because there was not a governing MBA nor had the Budget Office implemented any tracking of those funds yet. He also thanked Jim Shannon for attending the meeting.

B. Staff; Sabrina Parra-García, Office of the City Manager – None.

VII. New Business

A. Review/update of Governing Documents; Chair Cunningham

Chair Cunningham walked the rest of the Committee through the current versions of the charter, plan, and schedule.

Action: Discussion only. Item deferred for a vote to a later meeting.

VII. New Business cont.

B. Review of FY 2016-17 ICOC Recommendations; Chair Cunningham

Jim Shannon clarified that he would be the primary point of contact in the Budget Office, and the Committee will coordinate so that there is one point of contact with questions and/or suggestions for Jim. The group also discussed the committee's work is approved by the whole Neighborhoods Commission in order to go before the Neighborhood Services and Education Committee of the City Council, with the exception of any budget recommendations, which the Commission submits to the whole Council along with a staff Manager's Budget Addendum.

Action: Discussion only.

C. Draft FY 2017-18 ICOC Report Development; Chair Cunningham and Jim Shannon

Action: Discussion only.

Jim Shannon presented the preliminary plan the Budget Office has for at least starting the tracking of how the 2016 Measure B sales tax funds were spent. He agreed to bring a preliminary matrix to the next Committee meeting.

VII. Meeting Schedule and Agenda Items

The next regular meeting will be December 5, 2018 at 6:00 p.m., Tower Conference Room 1734.

VIII. Adjournment

The meeting ended at 7:41 p.m.

Please direct correspondence and questions to:

City of San José
Attn: Sabrina Parra-Garcia
200 East Santa Clara Street
San José, California 95113
Tel: (408) 535-8171
Email: NCStaff@sanjoseca.gov

ICOC FY 2017-2018 Charter

City of San José Council Resolution No. 78016, adopted December 13, 2016 designates the Neighborhoods Commission of the City of San José as the local sales tax independent citizens oversight committee, as outlined in the Measure B ¼-Cent Sales Tax Ballot measure.

The resolution further designates the Neighborhoods Commission as the Oversight Committee, to absorb the oversight function required by Measure B within the existing scope of the Neighborhoods Commission, and requires that the Neighborhoods Commission, in its role as the Oversight Committee, review local sales tax revenues annually and report to the City Council on the local ¼-cent sales tax measure during the annual budget process.

Each year, for the life of the Measure B ¼-Cent Sales Tax, the ICOC will review:

- Revenue resulting from Measure B
- Areas of the San José annual budget impacted by Measure B
- Measure B sales tax revenue and expenditure data provided by the San José City Manager's Office.

The ICOC will review and analyze data provided by the City and produce an annual report with a timeline defined by the City, containing an evaluation of the proposed budget allocations with the actual expenditures and submit that report to the City Council.

SCOPE OF WORK.

The San José City's Tax ballot measure and the ICOC charter define the scope of work.

San José City's 2016 Measure B Sales Tax ballot measure: *To fund essential City services such as: improving police response to reduce violent crimes and burglaries; improving 911/emergency medical/fire response times; repairing potholes and streets; expanding gang prevention; and maintaining the City's long-term financial stability, shall the City of San José enact a ¼ percent sales tax for 15 years, providing about \$40 million annually, requiring Independent Citizens Oversight with public review of spending, and all revenues controlled locally.*

On August 10, 2016, the City's Rules Committee directed the City Manager to: 1) create a process for appointing citizens to the ICOC, with explicit consideration that the City's NC serve as the Committee by absorbing Measure B's mandated functions within the existing purpose of the NC; 2) establish a schedule for periodic meetings of the ICOC, at least annually; and 3) determine a scope of duties consistent with voter authorization. The use of the NC as the ICOC will conserve City resources and staff time and aligns with past work the NC has done on budget engagement. The City desires to designate the NC as the ICOC, absorb the oversight function required by Measure B within the existing scope of the Neighborhoods Commission, and require that the Neighborhoods Commission, in its role as the ICOC, review local sales tax revenues annually and report to the City Council on the local sales tax measure during the annual budget process.

**Neighborhoods Commission (NC)
Independent Citizens Oversight Committee (ICOC)
FY 2017-2018 Plan
Draft**

1. Overview

The Neighborhoods Commission (NC) Independent Citizens Oversight Committee (ICOC) was authorized as a result of the San Jose City's Measure B Sales Tax ballot measure approved by the voters on June 7, 2016.

On 13 December, 2016, the San Jose City Council adopted resolution No. 78016. The resolution designated the NC of the City of San Jose as the local Sales Tax Independent Citizens Oversight Committee, as outlined in the Measure B Sales Tax ballot measure approved by San Jose voters on June 7, 2016.

On August 9, the NC voted unanimously to request the creation of a Standing Committee for the Independent Citizens Oversight Committee.

2. Charter/Scope of Work

2.1. Charter. The San Jose City's 2016 Measure B Sales Tax ballot measure defines the ICOC charter and scope of work.

San Jose City's 2016 Measure B Sales Tax ballot measure: *To fund essential City services such as: improving police response to reduce violent crimes and burglaries; improving 911/emergency medical/fire response times; repairing potholes and streets; expanding gang prevention; and maintaining the City's long-term financial stability, shall the City of San Jose enact a ¼ percent sales tax for 15 years, providing about \$40 million annually, requiring Independent Citizens Oversight with public review of spending, and all revenues controlled locally.*

2.2. Scope of Work.

On August 10, 2016, the City's Rules Committee directed the City Manager to: 1) create a process for appointing citizens to the ICOC, with explicit consideration that the City's NC serve as the Committee by absorbing Measure B's mandated functions within the existing purpose of the NC; 2) establish a schedule for periodic meetings of the ICOC, at least annually; and 3) determine a scope of duties consistent with voter authorization; and the use of the NC as the ICOC will conserve City resources and staff time and aligns with past work the NC has done on budget engagement; and the City desires to designate the NC as the ICOC, absorb the oversight function required by Measure B within the existing scope of the Neighborhoods Commission, and require that the Neighborhoods Commission, in its role as the ICOC, review local sales tax revenues annually and report to the City Council on the local sales tax measure during the annual budget process.

2.2.1. Near Term Planning and Goals. Near term planning will concentrate on those items necessary to for initial ICOC startup and functionality. Near term planning will include but not be limited to the following:

- a. focusing on defining ICOC reporting structure (Figure 2-1 is a flowchart depicting the ICOC reporting structure)

- b. identifying points of contact for ICOC interfaces
- c. defining protocols and guidelines for Brown Act compliance
- d. defining the ICOC oversight report and developing the report format
- e. developing a timeline for ICOC milestones and key events
- f. developing ICOC guidelines and processes.

2.2.2. Long Term Planning and Goals. Long term planning will include but not be limited to the updating and refining ICOC guidelines and processes, and developing transition planning for new ICOC members.

3. ICOC Standing Committee Membership

The ICOC membership is limited to NC commissioners. Members of the public or former commissioners cannot be members.

4. ICOC Meetings

ICOC meetings will be conducted in accordance with SJ City and Brown Act requirements. SJ CMO staff will provide support for meeting agendas, notices, and minutes.

5. Committee Schedule

The ICOC's activity will be reflected in a schedule identifying events and key milestones that provides visibility of the overall effort and helps minimize impacts. The schedule presenting the key milestones will be developed in a graphic format showing the elements visually versus a listing of milestones with start and end dates. Figure 5-1 is a schedule of the ICOC events and key milestones. The ICOC schedule will include but not be limited to the following:

- a. ICOC meetings
- b. SJCMO submittal(s) of Measure B funding data to ICOC
- c. ICOC report review cycle(s)
- d. ICOC report submittal(s)

6. Points of Contact for ICOC Interfaces

The ICOC reports to the Neighborhoods Commission. As part of the oversight process, the ICOC will interface with the SJ Budget Department and City Manager Office. A single point of contact will conduct the communications with those operations. The single point of contact will reduce the need for CMO staff to perform liaison duties and provide a means for the ICOC to have a line of communications with operations providing information to the ICOC. ICOC requests for information are expected to be acknowledged within 10 working days. The point of contact will be the ICOC Chair or designated alternate.

7. Report Development/Review Cycles

Reports produced by the ICOC will document the committee's efforts, activities, and accomplishments.

The report development is an iterative process. The report review and comment cycles need to be controlled and managed using a process like the following: (1) produce a draft report identified as "draft 1," (2) send out draft for comments with a 3- or 4-day review/comment cycle, (3) collect and incorporate the comments for that cycle, (4) send it out again as "draft 2," and (5) repeat the cycle for subsequent drafts.

7.1 Status Reports. The ICOC will provide status reports to the NC chair as required detailing schedule status, accomplishments, concerns, etc.

7.2 IOC Measure B Report. The ICOC will provide the Measure B report to the NC chair in accordance with the ICOC schedule. The report format and content will be as defined during the ICOC planning cycle. The report content will use Measure B expenditure data provided by the SJCMO.

8. Review and Analysis of FY2017-2018 Measure B Revenue Data

Measure B requires oversight of the measure's revenue. However, the Measure B did not establish a method or system for tracking and reporting the measure's budgeted allocations, actual allocations, and the result of the expenditure.

The Measure B Local Sales Tax revenue is sourced to the General Fund. Separate expense accounting codes designated specifically for the measure were not used and it is not possible for the City, or a financial auditor, to specifically associate all the General Fund expenditures to the measure. Additionally, there is no comparable San Jose City Manager Budget Addendum (MBA) #14 for FY 2017-2018 Measure B revenue expenditures. MBA 14 was the Measure B FY2016-2017 Provisional Budget and Ongoing Spending Priorities Plan.

As a result, for the FY2017-2018 revenue oversight, the ICOC will rely on San Jose Budget Department-provided 2017-2018 Measure B Local Sales Tax data for budgeted allocations, actual allocations, and the result of the expenditure.

8.1 Audited Data. Audited sales tax revenue data will be provided to the ICOC by the San Jose Budget Department.

8.2 Findings Development. Findings will be provided detailing how the revenues were allocated and expended as well as the methodology used by the City for tracking and reporting the measure's revenues. Findings will be provided for each of the following Measure B categories:

- Improving police response to reduce violent crimes and burglaries
- Improving 911/emergency medical/fire response times
- Repairing potholes and streets
- Expanding gang prevention
- Maintaining the City's long-term financial stability

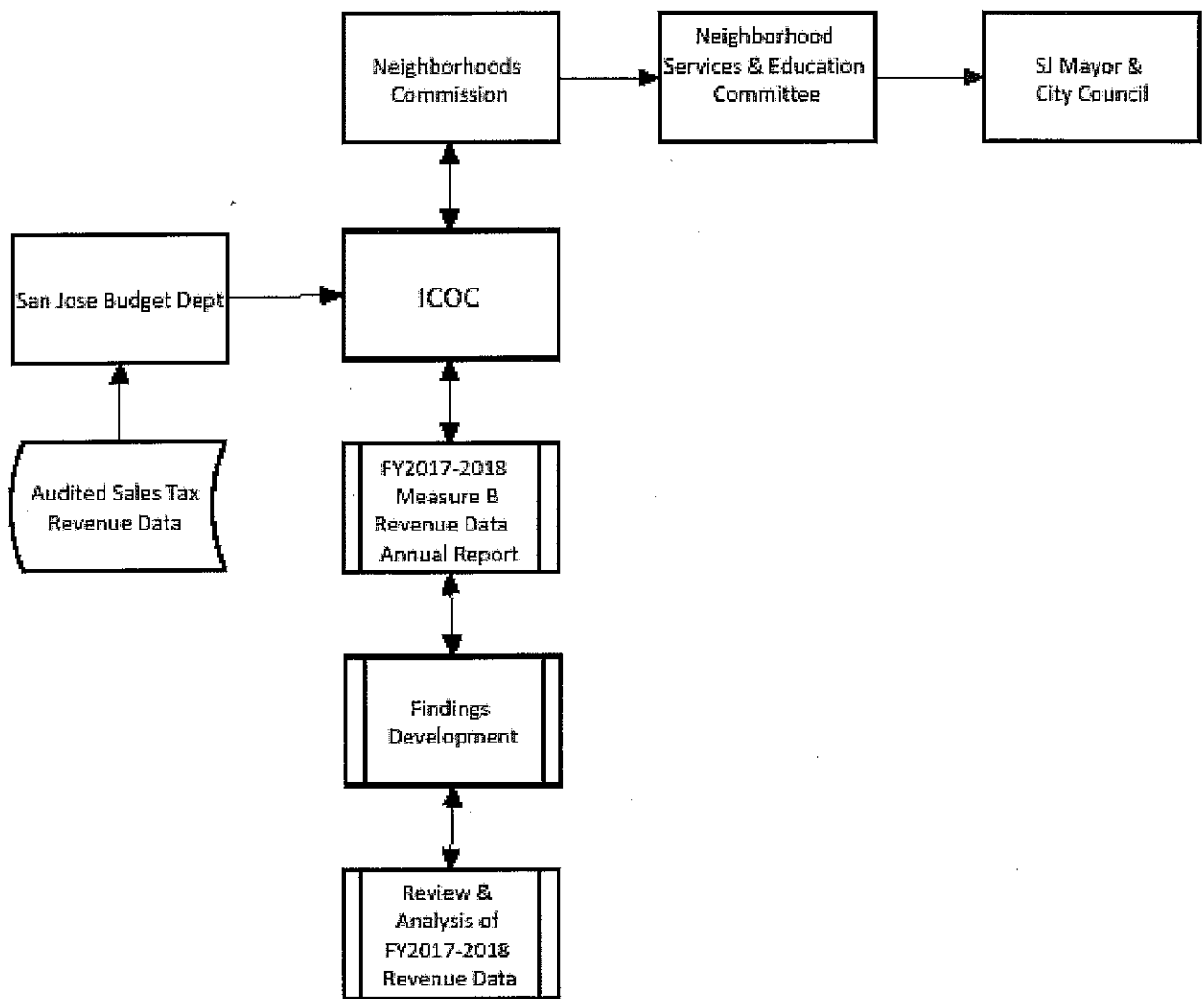


Figure 2-1. ICOC Reporting Structure Flowchart

Item	Event	Start	Finish
1.	Develop ICOC Project Plan	11/7/18	12/5/18
2.	NC Approval of ICOC Project Plan	1/9/19	1/9/19
3.	Develop basic draft ICOC report	11/7/18	12/5/18
4.	Receive Measure B data from CMO	12/5/18	12/5/18
5.	Compile ICOC preliminary report	1/2/19	3/6/18
6.	Finalize ICOC FY 2016-2017 report	3/6/18	4/3/19
7.	Submit final ICOC report to NC	4/10/19	4/10/19
8.	NC approval of ICOC report	5/8/19	5/8/19
9.	NC submittal of ICOC report to Mayor and City Council	5/8/19	5/8/19
	Scheduled ICOC Meetings	Monthly	Monthly
	Scheduled NC Meetings	Monthly	Monthly

Figure 5-1. ICOC Events and Key Milestones

ICOC Annual Measure B 1/4-cent Sales Tax Matrix

The table below displays information related to the allocation and expenditure of Measure B Sales Tax funding for Fiscal Year 2017-2018. The actual Measure B Local Sales Tax revenues in 2017-2018 totaled \$42,605,777. It is important to note that the City Council did not take action in 2017-2018 to allocate Measure B funding for specified expenditures. As a result, the table below includes the following:

- 1) Ongoing allocations originally established in 2016-2017 that were explicitly identified to receive funding as a result of Measure B passage as described in Manager's Budget Addendum #14: Sales Tax Ballot Measure -2016-2017 Provisional Budget and Ongoing Spending Priorities Plan;
- 2) Allocations in 2017-2018 that correspond to similar allocations in 2018-2019 that were explicitly identified by Manager's Budget Addendum #28: Local Sales Tax Adjustments; and
- 3) Allocations in 2017-2018 that align to the intent and spirit of the Measure B ballot language (highlighted in blue).

For the purposes of ICOC reporting, the table below makes the following assumptions regarding the column titled "Estimated Measure B Funding Allocation":

- 1) Where possible, the actual amount spent or encumbered is displayed; and
- 2) If the specified allocation was added to an existing expense appropriation, the budgeted allocation is assumed to be fully spent.

		FY 2017-2018		FY 2017-2018		FY 2017-2018	
Fiscal Year Initiated	Category	Description	Budgeted Allocation	Estimated Measure B Allocation	Notes	Commission Findings	
1. IMPROVING POLICE RESPONSE TO REDUCE VIOLENT CRIMES & BURGLARIES							
2016-2017	1.1 Improve Response to Burglary and Neighborhood Crime*	Continues 14.0 Community Service Officer I/II, 4.0 Senior Community Service Officer, and 1.0 Supervising Community Service Officer positions as well as non-personal/equipment funding added in 2016-2017 from the Local Sales Tax. The CSO Program increased from 54 to 73 positions to handle low-priority calls for service, freeing time for sworn officers to respond to higher priority calls for service and conduct proactive police work. The CSOs perform non-hazardous and non-emergency police functions, including field report writing, interviewing witnesses, conducting follow-up investigations, and collecting evidence.	\$ 1,911,190	\$ 1,911,190	These costs were included in the Police Department's Personal Services and Non-Personal/Equipment budget.		
2017-2018	1.2 Expand Police Recruitment*	Adds one-time funding for recruiting candidates for the upcoming Police Officer Recruit Academies as well as for civilian vacancies, such as Public Safety Communication Specialists and Public Safety Dispatchers in the 9-1-1 Emergency Communications Center as well as Community Service Officers.	\$ 325,000	\$ 325,000	This one-time funding of \$325,000 was added to the Police Department's Non-Personal/Equipment budget.		

ICOC Annual Measure B 1/4-cent Sales Tax Matrix

FY 2017-2018			FY 2017-2018		FY 2017-2018
Fiscal Year Initiated	Category	Description	Budgeted Allocation	Estimated Measure B Allocation	Notes
2016-2017	1.3 Improve Crime Solving*	Continues 5.0 Crime and Intelligence Analyst positions added in 2016-2017 from the Local Sales Tax. These positions support Field Patrol (1.0 position in each of the four Patrol Divisions) and Special Operations (1.0 position) in analyzing and reporting on real time divisional crime trends, allowing for consistency and continuity in this work.	417,925	417,925	The costs for these positions were included in the Police Department's Personal Services budget.
2017-2018	1.4 Maintain Police Deployment Levels*	Adds one-time funding to address higher than anticipated overtime costs. The Police Department has worked diligently to fill vacancies in both sworn and civilian positions. In 2017-2018, 176 positions were filled and placed in three Recruit Academies. Vacancy savings were used to backfill positions in Patrol in recent years. However, as the Department has filled vacancies these savings decreased. While the goal is to fill the vacancies and eliminate the need to backfill positions, new recruits are in academy training and field training for 10-12 months and are not available to respond to calls for service. Because overtime was used to staff Patrol while the new officers are in training, without the associated vacancy savings, Personal Services would have otherwise exceeded its original budget.	\$ 4,050,000	\$ 4,050,000	The additional overtime funding was added to the Police Department's Personal Services budget.
2017-2018	1.5 Police Officer Retention and Attraction*	To improve sworn Police recruiting and retention and increase the number of sworn officers hired, salary increases were approved in 2017-2018 that exceeded the 3% increase assumed in the General Fund Forecast. Increasing compensation to make San José more competitive with neighboring law enforcement agencies helped reverse the previous downward trend in staffing levels. In September 2017, the Police Department had 966 filled sworn staffing positions out of an authorized level of 1,109. By September 2018, that level had risen to 1,072. By the end of 2018-2019, the Police Department is not anticipating any significant sworn staffing vacancies.	\$ 16,276,974	\$ 16,278,332	This funding is included in the Police Department's Personal Services budget. The amount shown in the "Budgeted Allocation" column represents the portion of the \$21.7 million increased compensation above the forecasted amount that is allocated to Measure B. The amount in the "Estimated Measure B Allocation" column is slightly higher to account for minor expenditure savings in the Pavement Maintenance line item displayed elsewhere in this matrix.

ICOC Annual Measure B 1/4-cent Sales Tax Matrix

FY 2017-2018		FY 2017-2018		FY 2017-2018		
Fiscal Year Initiated	Category	Description	Budgeted Allocation	Estimated Measure B Allocation	Notes	Commission Findings
2. IMPROVING 911/EMERGENCY MEDICAL/FIRE RESPONSE TIMES						
2016-2017	2.1 Improve Fire, Medical Response*	Continues ongoing overtime added in 2016-2017 from the Local Sales Tax to maintain Fire Department sworn minimum staffing levels, which prevents the "browning out" (placing out of service) of any fire companies where there are staff absences.	\$ 2,902,666	\$ 2,902,666	This ongoing overtime funding is included in the Fire Department's Personal Services budget.	
2016-2017	2.2 Improving Emergency Medical Response*	Continues two Fire Squad Units added in 2016-2017 from the Local Sales Tax. The Squads are two-person response units that respond to low level emergency medical services (EMS) requests and provide utility support at larger incidents.	\$ 2,278,306	\$ 2,278,306	This ongoing funding is included in the Fire Department's Personal Services budget.	
3. REPAIRING POTHoles & STREETS						
2017-2018	3.1 Pavement Maintenance Program	Adds one-time funding to pave and repair streets throughout the City.	\$ 1,000,000	\$ 998,642	This funding was allocated as a separate capital expenditure appropriation. An amount of \$1,358 was unspent and not carried forward into 2018-2019.	
4. EXPANDING GANG PREVENTION						
2017-2018	4.1 San José Works: Youth Jobs Initiative	Adds one-time funding to support a partnership between work2future and the Mayor's Gang Prevention Task Force (MGPTF) operated by the Parks, Recreation and Neighborhood Services Department. This program provides youth with employment services and critical life skills instruction, including leadership development, financial literacy, job counseling, job readiness training and other supportive services, such as transportation and clothing.	\$ 1,000,000	\$ 1,000,000	This funding was allocated as a separate city-wide expenditure appropriation. Approximately \$89,000 was unspent in 2017-2018, but was carried forward to be spent in 2018-2019.	
5. MAINTAINING THE CITY'S LONG-TERM FINANCIAL STABILITY						
2017-2018	5.1 2018-2019 Future Deficit Reserve	Funds \$9.15 million of the \$34.8 million 2018-2019 General Fund shortfall projected in the 2018-2022 General Fund Forecast that was issued in February 2017.	\$ 9,150,000	\$ 9,150,000	This funding was allocated to a separate reserve appropriation to help the City address the anticipated General Fund shortfall for 2018-2019.	

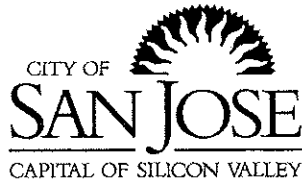
ICOC Annual Measure B 1/4-cent Sales Tax Matrix

FY 2017-2018		FY 2017-2018		FY 2017-2018		
Fiscal Year Initiated	Category	Description	Budgeted Allocation	Estimated Measure B Allocation	Notes	Commission Findings
6. OTHER ACTIONS TO ENHANCE PUBLIC SAFETY						
2017-2018	6.1 Dispatch Consoles for Use on Silicon Valley Regional Communication System	Transfers funds from the General Fund to the Communications Construction and Conveyance (C&C) Tax Fund to purchase Silicon Valley Regional Communications Services dispatch consoles for use in the Police and Fire Communications Center that serves as the primary Public Safety Answering Point (PSAP) and the South San José Police Substation that serves as the secondary PSAP.	\$ 1,900,000	\$ 1,900,000	All funding was transferred to the Communications C&C Tax Fund for purchase of dispatch consoles.	
2017-2018	6.2 Dispatch Consoles/ Mobile Device Installation Staffing*	Adds funding for the installation, repair, and maintenance of mobile device units and dispatch consoles for Police and Fire operations in preparation of the upcoming transition to the Silicon Valley Regional Communications System.	\$ 68,049	\$ 68,049	This funding was allocated to the Police Department's Non-Personal/Equipment (\$47,634) and the Fire Department's Non-Personal/Equipment budgets (\$20,415).	
2017-2018	6.3 Office of Emergency Services - Disaster Preparedness*	Adds one-time funding to support the Office of Emergency Services and the Emergency Operations Center. These funds allow for the development of the following plans: Recovery Plan, Debris Management Plan, Crisis Communications Plan, Donations and Volunteer Plans, and Damage Assessment Plan.	\$ 265,000	\$ 265,000	This one-time funding was initially allocated to the Fire Department's Non-Personal/Equipment Budget. During 2017-2018, the Office of Emergency Management was transferred to the City Manager's Office, along with this associated funding.	
2017-2018	6.4 Office of Emergency Services - Disaster Preparedness Analytical Staffing*	Adds 1.0 Analyst to provide financial and grants management support to the Office of Emergency Services, including budget development and monitoring, management of grant proposals, grant award processes, program deliverables, reimbursement requests, and grant management audits for various federal and State grants.	\$ 82,523	\$ 82,523	This position was initially funded from the Fire Department's Personal Services budget. During 2017-2018, the Office of Emergency Management was transferred to the City Manager's Office, along with this position and associated funding.	
2017-2018	6.5 Automated External Defibrillators for Police Vehicles*	Adds one-time funding for the acquisition installation of Automated External Defibrillator (AED) machines in 50 Police Field Patrol supervisor vehicles.	\$ 40,000	\$ 40,000	This one-time funding was allocated to the Police Department's Non-Personal/Equipment budget.	

ICOC Annual Measure B 1/4-cent Sales Tax Matrix

		FY 2017-2018		FY 2017-2018		FY 2017-2018
Fiscal Year Initiated	Category	Description	Budgeted Allocation	Estimated Measure B Allocation	Notes	Commission Findings
7. OTHER						
2017-2018	7.1 Neighborhood Park Maintenance*	Adds 2.0 Park Maintenance Repair Worker 1 and 7.0 Groundsworker positions, and non-personal/equipment funding to supplement the existing park maintenance budget in order to improve the overall appearance of the City's neighborhood park system.	\$ 609,881	\$ 609,881	The cost for these positions was added to the Parks, Recreation and Neighborhood Services budget.	
2017-2018	7.2 Project Hope Program*	Adds one-time funding to support the Project Hope Program. Project Hope leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, poverty, and blight. This funding will ensure Project Hope will remain funded through June 30, 2018.	\$ 108,263	\$ 108,263	This funding was allocated to the Parks, Recreation and Neighborhood Services Personal Services budget.	
2017-2018	7.3 MANDATORY Transfer of Local Sales Tax Proceeds to the Airport Revenue Fund (Jet Fuel)	Transfers funds from the General Fund to the Airport Revenue Fund for estimated Local Sales Tax revenue generated from jet fuel sales from December 2017 through June 2018. Per Federal Aviation Administration (FAA) policy, beginning December 8, 2017, Sales Tax revenue related to jet fuel sales that are located on Airport properties must be returned to the Airport Department.	\$ 220,000	\$ 220,000	All funding was transferred to the Airport Revenue Fund.	
			\$ 42,605,777	\$ 42,605,777		

*Because these allocations are incorporated within a department's annual budget, this spending plan assumes that the entire budget amount was allocated/expended.



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Margaret McCahan

SUBJECT: LOCAL SALES TAX BUDGET
ADJUSTMENTS

DATE: June 1, 2018

Approved

Date

6-1-18

RECOMMENDATION

Approve the following General Fund revisions to the 2018-2019 Proposed Budget to specify the expenditures that will be funded by the Local Sales Tax in the General Fund:

1. Establish the Local Sales Tax – Personal Services budget to the City Manager's Office in the amount of \$473,000;
2. Decrease the Personal Services budget to the City Manager's Office by \$473,000;
3. Establish the Local Sales Tax – Non-Personal/Equipment budget to the City Manager's Office in the amount of \$300,000;
4. Decrease the Non-Personal/Equipment budget to the City Manager's Office by \$300,000;
5. Establish the Local Sales Tax – Non-Personal/Equipment budget to the Environmental Services Department in the amount of \$180,000;
6. Decrease the Non-Personal/Equipment budget to the Environmental Services Department by \$180,000;
7. Establish the Local Sales Tax – Personal Services budget to the Fire Department in the amount of \$5,492,000;
8. Decrease the Personal Services budget to the Fire Department by \$5,492,000;
9. Establish the Local Sales Tax – Non-Personal/Equipment budget to the Fire Department in the amount of \$150,000;
10. Decrease the Non-Personal/Equipment budget to the Fire Department by \$150,000;
11. Establish the Local Sales Tax – Non-Personal/Equipment budget to the Housing Department in the amount of \$135,000;
12. Decrease the Non-Personal/Equipment budget to the Housing Department by \$135,000;
13. Establish the Local Sales Tax – Personal Services budget to the Parks, Recreation and Neighborhood Services Department in the amount of \$1,113,000;
14. Decrease the Personal Services budget to the Parks, Recreation and Neighborhood Services Department by \$1,113,000;

HONORABLE MAYOR AND CITY COUNCIL

June 1, 2018

Subject: Local Sales Tax Budget Adjustments

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15. Establish the Local Sales Tax – Non-Personal/Equipment budget to the Parks, Recreation and Neighborhood Services Department in the amount of \$85,000;
16. Decrease the Non-Personal/Equipment budget to the Parks, Recreation and Neighborhood Services Department by \$85,000;
17. Establish the Local Sales Tax – Personal Services budget to the Police Department in the amount of \$18,725,000;
18. Decrease the Personal Services budget to the Police Department by \$18,725,000;
19. Establish the Local Sales Tax – Non-Personal/Equipment budget to the Police Department in the amount of \$1,015,000;
20. Decrease the Non-Personal/Equipment budget to the Police Department by \$1,015,000;
21. Establish a City-Wide Expenses budget for Local Sales Tax – Beautify SJ Grants in the amount of \$200,000;
22. Decrease the City-Wide Expenses budget for BeautifySJ Grants by \$200,000;
23. Establish a City-Wide Expenses budget for Local Sales Tax – Diridon Station Area Development Planning in the amount of \$250,000;
24. Decrease the City-Wide Expenses budget for Diridon Station Area Development Planning by \$250,000;
25. Establish a City-Wide Expenses budget for Local Sales Tax – Domestic Violence Survivor Assistance in the amount of \$150,000;
26. Decrease the City-Wide Expenses budget for Domestic Violence by \$150,000;
27. Establish a City-Wide Expenses budget for Local Sales Tax – My San José 2.0 in the amount of \$1,500,000;
28. Decrease the City-Wide Expenses budget for My San José 2.0 by \$1,500,000;
29. Establish a City-Wide Expenses budget for Local Sales Tax – San José Works – Youth Jobs Initiative in the amount of \$1,500,000;
30. Decrease the City-Wide Expenses budget for San José Works: Youth Jobs Initiative (SJ Works) by \$1,500,000;
31. Establish a Capital budget for the Local Sales Tax – Police Communications Center Elevator Retrofit project to the Police Department in the amount of \$600,000;
32. Decrease the Police Communications Center Elevator Retrofit budget by \$600,000;
33. Establish an Earmarked Reserve for the Local Sales Tax – 2019-2020 Future Deficit Reserve in the amount of \$8,632,000; and
34. Decrease the 2019-2020 Future Deficit Reserve by \$8,632,000.

BACKGROUND

On June 7, 2016, San Jose voters approved a one-quarter percent local sales tax to fund City services, with over 61% support. This measure requires Independent Citizens Oversight with public review of spending. The City began collecting this sales tax on October 1, 2016, and the allocation of the 2016-2017 funds (\$30 million) was incorporated into the 2016-2017 budget process as described in Manager's Budget Addendum #14 (*Sales Tax Ballot Measure: 2016-*

June 1, 2018

Subject: Local Sales Tax Budget Adjustments

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2017 provisional budget and Ongoing Spending Priorities Plan). That document can be found at: <http://www.sanjoseca.gov/DocumentCenter/View/57131>.

On December 13, 2016, the City Council adopted a resolution designating the Neighborhoods Commission as the Independent Citizens Oversight Committee for the voter-approved sales tax measure. The scope of duties of the Committee as well as the annual meeting requirement and process to report back to the City Council were also identified at that time. The Neighborhood Commission was to agendize the review of local sales tax revenues annually, along with other major General Fund revenues and General Fund expenditures during the development of the annual budget.

City staff have been meeting with the Citizens Oversight Committee over the past several months to provide information on 2016-2017 Local Sales Tax performance and develop a process for the Committee to complete its oversight role. Through this process, it has become clear that the Oversight Committee would like a different accounting of the Sales Tax expenditures than originally planned by City staff. The actions recommended in this memorandum are designed to provide the requested accounting.

ANALYSIS

The Local Sales Tax is projected to generate \$43 million in 2018-2019 and represents 3.5% of the General Fund funding sources in the 2018-2019 Proposed Budget. Because the Local Sales Tax is a general tax rather than a special tax, the use of those funds is unrestricted. When the Sales Tax measure was passed, it was envisioned that the Administration would provide information on the budgeted and actual local sales tax received as well as information on overall General Fund expenditures to the Citizens Oversight Committee to provide a holistic view of the funding budgeted in the General Fund. This was intended to provide a comprehensive review of General Fund expenditures.

However, the Citizens Oversight Committee would like a breakdown of specific expenditures funded by the Local Sales Tax along with the accounting of the Local Sales Tax revenues received to perform its oversight role. To provide that level of detail, modifications to the 2018-2019 General Fund budget are recommended to establish budgets tied to the Local Sales Tax, which total \$43 million and match the projected revenues from this tax. This will enable the City to track the actual expenditures attributed to the Local Sales Tax.

The 2018-2019 Proposed Budget was not developed with this breakdown in mind. To identify expenditures to be funded by the Local Sales Tax in 2018-2019, City staff used Manager's Budget Addendum #14 (*Sales Tax Ballot Measure: 2016-2017 Provisional Budget and Ongoing Spending Priorities Plan*) as the starting point. Other items that enhance and improve public safety, neighborhood services, City infrastructure, or other City services are also included in the Local Sales Tax spending plan for 2018-2019. This includes ongoing funding for items that had previously been funded on a one-time basis in 2017-2018. The remaining item to be funded by the Local Sales Tax is a portion of the incremental increase in sworn Police salaries approved in 2017-2018 and 2018-2019 above the salary increases assumed in the General Fund Forecast.

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These salary increases are a major component of the sworn Police hiring and retention efforts. Since these increases went into effect, the Police Department has successfully hired 132 sworn officers and an additional 60 recruits are anticipated in June 2018.

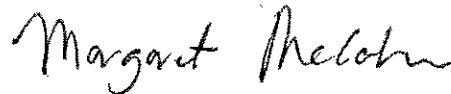
The 2018-2019 Local Sales Tax Spending Plan totaling \$43.0 million is included as Attachment A to this document.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Finance Department.

PUBLIC OUTREACH

This memorandum will be provided to the Citizens Oversight Committee.



MARGARET MCCAHAN
Budget Director

For more information, please contact Margaret McCahan, Budget Director, at (408) 535-8142.

Attachment A: 2018-2019 Local Sales Tax Spending Plan

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
Office of Emergency Management: adds 1.0 Deputy Director and 1.0 Senior Executive Analyst ongoing, 1.0 Senior Analyst one-time, and \$300,000 in Non-Personal/Equipment funding (\$100,000 ongoing) to support emergency operations planning, training, and the Community Emergency Response Team program.	2018-2019	CMO	3.00	773,000
Two Fire Squad Units: continues two Fire Squad Units added in 2016-2017 from the Local Sales Tax. The Squads are two-person response units that respond to low level emergency medical services (EMS) requests and provide utility support at larger incidents.	2016-2017	Fire	12.00	2,371,000
Fire Station Brown Outs Elimination: continues ongoing overtime added in 2016-2017 from the Local Sales Tax to maintain Fire Department sworn minimum staffing levels, which prevents the "browning out" (placing out of service) of any fire companies when there are staff absences.	2016-2017	Fire		2,990,000
Emergency Medical Services (EMS) Service Delivery Model Analytical Support: rebudgets \$150,000 added in 2017-2018 to assist the Fire Department in identifying and advocating for the most promising EMS service delivery model in the 9-1-1 EMS Provider Agreement contract negotiations between the City of San Jose and the County of Santa Clara.	2018-2019	Fire		150,000
Emergency Medical Services (EMS) Response Time Improvement Technology Staffing: continues 1.0 Network Engineer position added permanently in 2017-2018 to provide additional support to implement EMS technology projects, including fire station alert systems and electronic patient care reporting systems.	2017-2018	Fire	1.00	131,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
<p><i>Improve Police Response - Add 41.0 Sworn Officers:</i> Adds 1.0 Police Lieutenant, 7.0 Police Sergeant, and 33.0 Police Officer positions, increasing the sworn staffing level from 1,109 to 1,150. These additional positions will augment the patrol and investigations functions, which will improve response times to calls for service, enhance proactive policing efforts, and improve clearance rates by investigating additional cases and increasing follow-up investigative efforts. These positions were identified in the Sales Tax Measure: 2016-2017 Provisional Budget for addition in the future once vacancies were filled. The 2018-2019 Proposed Budget assumes the positions will be filled in June 2019. On an annualized basis, the cost of the 41.0 positions totals \$8.2 million.</p>	2018-2019	Police	41.00	1,593,000 Note: Annualized Cost of \$8.2 Million
<p><i>Improve Response to Burglary and Neighborhood Crimes - Community Service Officer (CSO) Program:</i> continues 14.0 Community Service Officer I/II, 4.0 Senior Community Service Officer, and 1.0 Supervising Community Service Officer positions as well as non-personal/equipment funding added in 2016-2017 from the Local Sales Tax. The CSO Program increased from 54 to 73 positions to handle low-priority calls for service, freeing time for sworn officers to respond to higher priority calls for service and conduct proactive police work. The CSOs perform non-hazardous and non-emergency police functions, including field report writing, interviewing witnesses, conducting follow-up investigations, and collecting evidence.</p>	2016-2017	Police	19.00	1,919,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
<p><i>Working Smarter to Reduce Crimes - Crime and Intelligence Analysts:</i> continues 5.0 Crime and Intelligence Analyst positions and non-personal/equipment funding added in 2016-2017 from the Local Sales Tax. These positions support Field Patrol (1.0 position in each of the four Patrol Divisions) and Special Operations (1 position) in analyzing and reporting on real time divisional crime trends, allowing for consistency and continuity in this work.</p>	2016-2017	Police	5.00	454,000
<p><i>Police Officer Retention and Attraction (Salary Increases over 3% Assumed in General Fund Five-Year Forecast):</i> to improve sworn Police recruiting and retention and increase the number of sworn officers hired, salary increases were approved in 2017-2018 and 2018-2019 that exceeded the 3% increase assumed in the General Fund Forecast. Since these increases went into effect, the Police Department has successfully hired 132 sworn officers and an additional 60 recruits are anticipated in June 2018. The sworn pay increase over the forecasted amount in 2017-2018 and 2018-2019 totals approximately \$25 million; however, \$14.9 million is supported by the Local Sales Tax.</p>	2017-2018	Police		14,869,000
<p><i>Police Backgrounding and Recruiting Program:</i> adds one-time funding of \$825,000 for recruiting and backgrounding candidates for the upcoming Police Officer Recruit Academies as well as civilian candidates for non-sworn vacancies, such as Public Safety Communications Specialists and Public Safety Dispatchers in the 9-1-1 Emergency Communications Center.</p>	2018-2019	Police		825,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
<i>School Crossing Guard Program:</i> Adds 1.0 School Safety Supervisor position ongoing to support the School Crossing Guard Program. This position will assist with additional outreach, recruiting, and retention efforts as well as help with the supervisor span of control.	2018-2019	Police	1.00	80,000
<i>Beautify SJ Days:</i> continues ongoing funding added in 2017-2018 to provide for approximately six neighborhood-led BeautifySJ Days for each of the City's ten Council districts. Each beautification event averages six to eight 40-cubic yards bins.	2017-2018	ESD		180,000
<i>San Jose Streets Team Litter and Trash Removal:</i> adds non-personal/equipment funding of \$135,000 to fund litter and trash removal services as part of the larger effort to tackle blight and litter in public spaces.	2018-2019	Housing		135,000
<i>Neighborhood Parks Maintenance:</i> continues 2.0 Park Maintenance Repair Worker and 7.0 Groundswoker positions and \$25,000 in non-personal/equipment funding added in 2017-2018 to improve the overall appearance of the City's neighborhood park system.	2017-2018	PRNS	9.00	727,000
<i>Project Hope Program (Gang Prevention and Neighborhood Safety):</i> adds 2.0 Community Coordinator and 1.0 Community Activity Workers positions and \$35,000 in non-personal/equipment funding to establish the Project Hope Program in a new neighborhood and continue to support the community in the program's existing area. Project Hope targets high crime areas and leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, poverty, and blight.	2018-2019	PRNS	3.00	311,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
Anti-Litter Staffing: adds 2.0 Community Activity Worker positions and \$25,000 in non-personal/equipment funding to support community clean-up efforts.	2018-2019	PRNS	2.00	160,000
Domestic Violence Survivor Assistance: Adds \$150,000 to implement a pilot program that will offer flexible options for the Housing Department and advocates to offer emergency housing and/or assistance for up to 100 additional families in need.	2018-2019	City-Wide		150,000
Economic Development and Jobs Growth - Diridon Station Area Development Planning: adds a net \$250,000 to support project planning, development review, and civic engagement and outreach in the Diridon Station Area. The City has the opportunity to build an internationally prominent transportation center and develop a superb destination within the area around the Diridon Station.	2018-2019	City-Wide		250,000
My San Jose 2.0: adds \$1.5 million to support a more effective and efficient response to complaints about graffiti, abandoned vehicles, broken streetlights, potholes, and general requests through the My San José application and web portal.	2018-2019	City-Wide		1,500,000
San José Works - Youth Jobs Initiative/Gang Prevention: adds ongoing funding of \$1.5 million for the San José Works: Youth Jobs Initiative, a partnership between work2future and the Mayor's Gang Prevention Task Force. This program provides 1,000 youth with employment services and critical life skills instruction, including leadership development, financial literacy, job counseling, job readiness training, and other supportive services such as transportation and clothing. San José Works allows youth to gain work experience, succeed and deter involvement in gangs and crime throughout San Jose.	2018-2019	City-Wide		1,500,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
<i>Beautify SJ Grants:</i> adds one-time funding of \$200,000 to support additional beautification and community-building efforts in neighborhoods.	2018-2019	City-Wide		200,000
<i>Police Communications Center Elevator Retrofit:</i> adds one-time funding of \$600,000 to replace two elevator controllers at the Police Communications Center, which are approximately 25 years old. Funding of \$595,000 was provided in 2016-2017 for this project. This additional funding is necessary to address enhanced fire code requirements that were not assumed in the original project.	2018-2019	Capital		600,000
<i>2019-2020 Future Deficit Reserve:</i> funds \$8.6 million of the \$15.5 million allocated to the 2019-2020 Future Deficit Reserve. This amount is equivalent to the full value of two items from the original 2016-2017 Sales Tax spending plan that are not fully reflected in 2018-2019 but will be added in 2019-2020. This includes the \$6.6 million that will be factored into the 2019-2020 Base Budget to annualize the cost of the 41.0 sworn Police positions added in 2018-2019 (this amount is in addition to the \$1.6 million added in 2018-2019 for these positions) as well as the \$2.0 million that will be added in the 2019-2020 Base Budget for the Rapid Rehousing Program (this program was temporarily funded by the Housing Authority Litigation Award in 2017-2018 and 2018-2019).	2018-2019	Reserves		8,632,000

2018-2019 Local Sales Tax Spending Plan

Budget Item	Year Initiated	Dept.	Positions	2018-2019 Budget
<p><i>Essential Services Reserve (Streets, Public Safety, etc.):</i> this funding will be allocated as part of the 2018-2019 budget process to address essential services identified by the Mayor and City Council and brought forward in the Mayor's June Budget Message in areas such as public safety, crime prevention, traffic safety, pavement, parks maintenance and other neighborhood services priorities. This figure includes \$2.5 million set aside in the 2018-2019 Proposed Budget.</p>	2018- 2019	Reserves		2,500,000
Total 2018-2019 Local Sales Tax Spending Plan			96.00	43,000,000