

**General Fund Recommended Budget Adjustments Summary
2018-2019 Mid-Year Budget Review**

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Non-Personal/Equipment (Litigation Costs)</p> <p>This action increases the Non-Personal/Equipment appropriation to the Office of the City Attorney by \$700,000 (from \$1,015,018 to \$1,715,018) to support litigation-related expenses. Outside litigation costs, including expenditures for specialized outside counsel, technical experts, and other consultants and expert witness services, are incurred most notably in civil rights, catastrophic injury, land use, and document-intensive cases. These costs are unpredictable and largely outside of the Office's control, yet are essential to assist the Office with defending the City's interests.</p>	City Attorney's Office	-	\$700,000	-
<p>Commercial Development Impact Study</p> <p>This action establishes the Commercial Development Impact Study City-Wide appropriation to the Office of Economic Development in the amount of \$150,000 for a study of a commercial impact fee for affordable housing. Staff was directed at the December 11, 2018 City Council meeting, to pursue the study of a commercial impact fee and return to City Council in February 2019 with a plan for conducting both a nexus study and a feasibility study. A nexus study would assess the impact commercial development has on the demand for affordable housing, and thereby estimate what level of fee on commercial development is legally supportable. A feasibility study would project the effect a commercial impact fee could have on the financial feasibility of various types of commercial development.</p>	City Manager - Office of Economic Development	-	\$150,000	-

**Required
Technical-
Rebalancing
Actions**

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Small Business Anti-Displacement Research</p> <p>This action establishes the Small Business Anti-Displacement Research City-Wide appropriation to the Office of Economic Development in the amount of \$100,000. As part of the actions related to the sale of City-owned properties in the Diridon Station Area to Google on the December 4, 2018 City Council Agenda (Item 4.1), staff was directed to explore strategies and financing tools to mitigate small business displacement. The action would provide the necessary funding to hire a consultant to conduct research that would provide baseline information, as assessment of primary and secondary drivers of small business displacement, and the identification of those populations and/or geographic areas that have experienced the highest degree of small business displacement. The funding would also support the development of an interactive map tool to identify business corridors and/or business districts that are at varying degrees of risk regarding small business displacement. The resulting risk profile would provide an ongoing framework to develop a tailored menu of policy, program and outreach strategies for these different business corridors and/or business districts.</p>	<p>City Manager - Office of Economic Development</p>	-	\$100,000	-
<p>Revenue - Local Agencies</p> <p>This action recommends several adjustments in the Revenue from Local Agencies category, which results in a net increase in the category by \$1.1 million (from \$14.9 million to \$16.1 million). Recommended adjustments include: 1) increasing the Paramedic Program allocation to reflect Category B funds that have been received, but are not included in the Budgeted estimate as the funding is service-related and is not guaranteed to be received each year (\$783,000); 2) recognizing revenue anticipated to be received from the City of Campbell for the Cambrian 36 annexation agreement (\$199,000), and; 3) increasing the Central Fire District payment based on the latest estimate from Central Fire (\$150,000). The increase in this revenue category is recommended to offset expenditure increases and/or establish the 2018-2019 Ending Fund Balance Reserve, as described elsewhere in this document.</p>	<p>City Manager's Office</p>	-	-	\$1,132,000

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Revenue - Other Revenue (Sale of SARA and City-Owned Properties)	City Manager's Office	-	-	\$18,700,000

This action increases the Other Revenue estimate by \$18.7 million to account for property sale proceeds. As approved by the City Council, a total of seven properties that were previously owned by the Successor Agency to the Redevelopment Agency (SARA) were sold in the first half of the fiscal year. Once sold, the net proceeds were distributed to the appropriate taxing entities, with the City of San José receiving \$16.7 million, or 14.14% of the total sales. Included in the SARA sales was the Diridon Station Area properties, the South Hall site, several properties along San Pedro Street, one property on South First Street, and one property on South Second Street. In addition, a City-owned property located on West San Carlos Street was sold, which resulted in proceeds of \$2.0 million. Altogether, between SARA and City-owned Properties, a total of \$18.7 million has been received. This action recommends recognizing the net proceeds from the sale of the properties. Offsetting adjustments are recommended elsewhere in this document to transfer \$4.3 million of the proceeds related to the sale of the South Hall site to the Convention Center Facilities District Revenue Fund to establish the South Hall Debt Service Reserve, and place the remaining amount (\$14.4 million) in a new 2019-2020 Proposed Budget Planning Reserve.

Revenue - Property Tax	City Manager's Office	-	-	\$4,000,000
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This action increases the Property Tax estimate by \$4.0 million, from \$320.5 million to \$324.5 million, to reflect higher estimated Secured Property Tax receipts. Based on the most recent information provided by the County of Santa Clara, Secured Property Tax receipts in 2018-2019 are estimated at \$300 million, which is approximately \$4 million over the budgeted level. The recommended adjustment factors in an increase to the general Secured Property Taxes by \$2.7 million (from \$275.1 million to \$278.3 million), an increase to the Educational Revenue Augmentation Fund (ERAF) receipts by \$5.4 million (from \$8.4 million to \$13.8 million), partially offset by a decrease to the SARA Property Tax estimate by \$4.1 million (from \$12.0 million to \$7.9 million). The increase in this revenue category is recommended to offset expenditure increases and/or establish the 2018-2019 Ending Fund Balance Reserve, as described elsewhere in this document.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Revenue - Sales Tax	City Manager's Office	-	-	\$12,000,000

This action increase the Sales Tax estimate by \$12.0 million (from \$238.5 million to \$250.5 million) to align the budget with the estimated level of receipts. As mentioned in the 2017-2018 Annual Report and previous Bi-Monthly Financial Reports, the California Department of Tax and Fee Administration, which is responsible for distributing Sales Tax revenue to jurisdictions in California, implemented a new automated system, which resulted in 3rd quarter and 4th quarter 2017-2018 receipts not being fully disbursed to jurisdictions during the quarter in which the tax revenue was received. It is estimated approximately \$10 million of payments were received in 2018-2019 that is attributed to 2017-2018 (General Sales Tax; \$9.0 million and Local Sales Tax; \$1.0 million). As part of the 2017-2018 Annual Report actions, \$5 million of this funding was recognized. When factoring in this additional revenue in 2018-2019, the higher first quarter 2018-2019 collections, plus estimating 2% growth for the remainder of the year from prior year levels, the 2018-2019 Sales Tax receipts are estimated at \$250.5 million, which is a \$12.0 million above the budgeted estimate. The recommended adjustment reflects an \$11.0 million increase for General Sales Tax (from \$189.3 million to \$200.3 million) and a \$1.0 million increase for Local Sales Tax (from \$43.0 million to \$44.0 million). The increase in this revenue category is recommended to offset expenditure increases and/or establish the 2018-2019 Ending Fund Balance Reserve, as described elsewhere in this document.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Climate Smart San José Plan Implementation	Environmental Services Department	-	\$150,000	-
<p>This action establishes the Climate Smart Program Implementation appropriation to the Environmental Services Department in the amount of \$150,000. The appropriation will provide initial staff support to leverage the resources provided by the \$2.5 million Bloomberg American Cities Climate Challenge (ACCC) grant award that will help implement key efforts included in the Climate Smart San José plan. As noted in the update of Climate Smart San José activities presented to the City Council at its meeting on October 30, 2018, the City was one of 25 recipients of the Bloomberg ACCC two-year acceleration grant program. Though the ACCC grant provides professional and technical services necessary to advance Climate Smart objectives, temporary staffing resources through the remainder of 2018-2019 are required to embark upon initial key initiatives, including reporting and data collection for an enhanced Climate Smart performance metric dashboard, updates to City parking management and policies, and a road map to eliminate natural gas in residential housing. It is anticipated that additional one-time funding will need to be identified as part of the 2019-2020 Proposed Budget development process to continue implementation work into the next fiscal year.</p>				
Non-Personal/Equipment (Energy and Water Building Performance)	Environmental Services Department	-	\$9,500	-
<p>This action increases the Non-Personal/Equipment appropriation to the Environmental Services Department by \$9,500 (from \$1,346,243 to \$1,355,743) to support the Energy and Water Building Performance Program. This new program will use utility data collection and benchmarking to enhance and ensure energy and water efficiency throughout the City, as directed by the City Council on December 11, 2018. This action is offset by a reduction to the Property Assessed Clean Energy (PACE) Program appropriation recommended elsewhere in this report.</p>				

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Personal Services (Energy and Water Building Performance)</p> <p>This action increases the Personal Services appropriation to the Environmental Services Department by \$47,336 (from \$1,634,551 to \$1,681,887) to support the Energy and Water Building Performance Program. This new program will use utility data collection and benchmarking to enhance and ensure energy and water efficiency throughout the City, as directed by the City Council on December 11, 2018. This action is offset by a reduction to the Property Assessed Clean Energy (PACE) Program appropriation is recommended elsewhere in this report.</p>	Environmental Services Department	-	\$47,336	-
<p>Personal Services (Illegal Dumping Backlog)</p> <p>This action increases the Personal Services appropriation to the Environmental Services Department by \$30,000 (from \$1,634,551 to \$1,664,551). This funding will be used to support the Removing and Preventing Illegal Dumping (RAPID) team. Vacancies and delays incurred due to unhealthy air quality days during the Camp Fire in Northern California increased the RAPID team's backlog and require additional overtime funding to resolve.</p>	Environmental Services Department	-	\$30,000	-
<p>Property Assessed Clean Energy (PACE) Program</p> <p>This action reduces the Property Assessed Clean Energy (PACE) Program appropriation by \$56,836 (from \$69,000 to \$12,164) and, in separate actions, reallocates the funding to support the Energy and Water Building Performance Program. This planned funding shift was described in the Energy and Water Building Performance Ordinance memorandum that was approved by the City Council on December 11, 2018. PACE Program funding was allocated in 2014-2015 for a multi-year marketing campaign that concluded in early 2018-2019. The remaining balance of \$56,836 is available to be reallocated toward the Energy and Water Building Performance Program.</p>	Environmental Services Department	-	(\$56,836)	-

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Fair Labor Standards Act (FLSA) System Configuration</p> <p>This action increases the Fair Labor Standards Act (FLSA) System Configuration City-Wide Expenses appropriation to the Finance Department by \$75,000 (from \$185,000 to \$260,000) to fund technical consulting services. This funding will provide programming and testing services to address outstanding issues with the FLSA component of the recent payroll system upgrade project. With strict requirements for employers to follow the FLSA and the complexities of incorporating the FLSA into the new payroll system, additional technical resources funding is necessary to keep the City's payroll system in good standing and compliant with the FLSA.</p>	Finance Department	-	\$75,000	-
<p>Non-Personal/Equipment (Business Tax Amnesty)</p> <p>This action increases the Finance Department Non-Personal/Equipment appropriation by \$100,000 (from \$1.8 million to \$1.9 million) for a business web portal and phone system add-on services to support the Business Tax Amnesty Program, which is anticipated to begin in spring 2019. This augmentation provides funding for the implementation of a web portal to provide customers online access to engage in business registration and modification of business tax account information. This funding also enhances customer call management through the addition of call recording, post-call surveying, and interactive voice response that will integrate payment processing with the City's bank. These improvements will streamline work processes, improve customer experience, and enhance revenue collection.</p>	Finance Department	-	\$100,000	-
<p>Transfer to the Convention Center Facility District Revenue Fund (South Hall Sale/SARA Property)</p> <p>This action establishes a transfer to the Convention Center Facilities District (CCFD) Revenue Fund in the amount of \$4.3 million to allocate proceeds remitted from the Successor Agency to the Redevelopment Agency for the sale of the South Hall site to the City. As the CCFD Fund currently pays the debt service related to the South Hall purchase, these sale proceeds will be held in a debt service reserve pending finalization of a development and financing plan for the South Hall site. Corresponding actions to recognize and appropriate these funds within the CCFD Fund are recommended elsewhere in this report.</p>	Finance Department	-	\$4,300,000	-

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Workers' Compensation Claims - Fire This action decreases the Workers' Compensation Claims - Fire appropriation by \$750,000 (from \$8.0 million to \$7.3 million) based on actual expenditure trends. The lower workers' compensation claims are due to lower than anticipated settlement activities and medical treatment costs through December 2018. This action partially offsets an increase to the Workers' Compensation Claims - Police appropriation recommended elsewhere in this report.	Fire Department	-	(\$750,000)	-
City Health Plan Restructuring Reserve This action decreases the City Health Plan Restructuring Reserve by \$30,000 (from \$3.0 million to \$2.97 million). This Reserve was established in the 2018-2019 Adopted Budget in anticipation of a long-term strategy to create more diverse medical plan choices, attract more providers, and increase flexibility for plan offerings. In 2018-2019, the City approved a new medical strategy which included a bonus for new employees that signed up for a Sutter Medical Plan. New employees that elected to opt into this plan will receive a one time \$500 bonus. Approximately 60 employees have elected to opt into the Sutter Medical Plan and are eligible for the bonus. The use of a portion of the reserve (\$30,000) is recommended to offset this cost and a corresponding action to establish the Health Care Incentive appropriation as recommended elsewhere in this report.	Human Resources Department	-	(\$30,000)	-
Health Care Incentive This action establishes the Health Care Incentive City Wide Expenses appropriation in the amount of \$30,000. In 2018-2019, the City approved a new medical strategy which included a bonus for new employees that signed up for a Sutter Medical Plan. New employees that elected to opt into this plan are to receive a one time \$500 bonus. Approximately 60 employees have elected to opt into the Sutter Medical Plan and are eligible for the bonus. This effort is part of a long-term strategy to create more diverse medical plan choices, attract more providers, and increase flexibility for plan offerings. This action is offset by a reduction to the City Health Plan Restructuring Reserve that was established in the 2018-2019 Adopted Budget.	Human Resources Department	-	\$30,000	-

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Non-Personal/Equipment (Reallocation to Personal Services for Temporary Staffing)	Human Resources Department	-	(\$172,000)	-

This action decreases the Non-Personal/Equipment appropriation to the Human Resource Department by \$172,000 (from \$5,256,446 to \$5,084,446) to reallocate funds to the Personal Services appropriation to support staffing for the Talent Development Initiative. In the 2018-2019 budget, all the Talent Development Program funding was allocated to the Non-Personal/Equipment appropriation, as the implementation plan was not known at that time. A corresponding increase to Personal Services is recommended elsewhere in this report to offset this action.

Personal Services (Reallocation from Non-Personal/Equipment for Temporary Staffing)	Human Resources Department	-	\$172,000	-
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This action increases the Personal Services appropriation to the Human Resource Department by \$172,000 (from \$4,976,904 to \$5,148,904) to support staffing costs for the Talent Development Initiative, offset by a reduction to the Non-Personal/Equipment appropriation. In the 2018-2019 Adopted Budget, all of the Talent Development Initiative funding was allocated to the Non-Personal/Equipment appropriation because the implementation plan was not known at that time. Based on the actual program delivery in 2018-2019, a portion of the funding is recommended to be shifted to support temporary staffing, including a Management Fellow, temporary analytical support, and two paid interns. This temporary staffing will provide critical support for the development and implementation of several "powered-by-people" initiatives. They will assist with marketing to the next generation of employees, improving communication of internship availability (pipeline activities), making web site improvements for job applicants, helping to implement a strategy for using social media, and helping to re-establish a Citywide training and development program. A corresponding reallocation of funds from the Non-Personal/Equipment appropriation is recommended elsewhere in this report to offset this action.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Council District #10 (Personal Services)</p> <p>This action increases the Council District #10 appropriation by \$15,000 (from \$767,000 to \$782,000) to address projected personal services expenditures. The number of employees in Tier 1 retirement in this Office is above the average for the City Council Offices, which has resulted in higher retirement costs. This action, and the reason for it, is similar to the required adjustment at year-end in 2017-2018. Beginning in 2019-2020, the Administration intends to alter the allocation of retirement costs to lessen the cost difference between Tier 1 and Tier 2 employees.</p>	Mayor & City Council	-	\$15,000	-
<p>2018-2019 Ending Fund Balance Reserve</p> <p>This action establishes the 2018-2019 Ending Fund Balance Reserve of \$15 million from excess General Fund revenues projected this fiscal year. 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 year. In the 2019-2023 Five-Year Forecast issued in February 2018, it assumed that \$20 million in fund balance would be available at the end of 2018-2019 for use in 2019-2020. The 2020-2024 Five-Year Forecast that will be issued at the end of February and the 2019-2020 Proposed Budget that will be issued on May 1, 2019 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 2018-2019. It is anticipated that additional actions will be brought forward at year-end to increase this reserve.</p>	Office of the City Manager	-	\$15,000,000	-

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>2019-2020 Proposed Budget Planning Reserve</p> <p>This action establishes the 2019-2020 Proposed Budget Planning Reserve of \$14.4 million. The City received \$18.7 million in proceeds from the sale of properties previously owned by the Successor Agency to the Redevelopment Agency as well as a City-owned property that are recommended to be recognized as a separate action in this report. A portion of the proceeds (\$14.4 million) is recommended to be set aside in a 2019-2020 Proposed Budget Planning Reserve, with the remaining balance (\$4.3 million), as described elsewhere in this report, recommended to be transferred to the Convention Center Facility District Revenue Fund to account for the sale proceeds from the South Hall site. Recommendations for the use of this reserve will be evaluated and brought forward as part of the 2019-2020 budget process.</p>	Office of the City Manager	-	\$14,400,000	-
<p>Digital Inclusion Program (Reconciliation)</p> <p>This technical adjustment increases the Digital Inclusion Program appropriation by \$5,255 (from \$300,000 to \$305,255) to account for Small Cell Site Lease Agreement payments received in 2017-2018. On May 1, 2018, the City Council directed staff to establish the Digital Inclusion Fund to fund programs to close the digital divide. Collections from small cell leases totaled \$5,255 in 2017-2018; however, these funds were not allocated to the Digital Inclusion Program as part of the 2017-2018 Annual Report actions. The recommended action reconciles the 2017-2018 Small Cell revenue. Additional budget actions will be brought forward for City Council consideration as part of a separate Digital Inclusion Fund memorandum to recognize and allocate the 2018-2019 small cell revenue.</p>	Office of the City Manager	-	\$5,255	-
<p>Salaries and Benefits Reserve</p> <p>This action decreases the Salaries and Benefits Reserve by \$353,000 (from \$18.98 million to \$18.63 million) to account for savings in this reserve. As part of the 2018-2019 Adopted Budget, the Salaries and Benefits Reserve incorporated additional funding for life insurance costs as there was a potential discrepancy in the City's budget system. After further investigation, the correct life insurance amounts were budgeted and these funds are no longer necessary. These savings are recommended to offset the actions recommended in this report.</p>	Office of the City Manager	-	(\$353,000)	-

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Personal Services (School Safety Program)	Police Department	-	\$385,000	-

This action increases the Police Department's Personal Services appropriation by \$385,000, to fund School Crossing Guards in the School Safety Program. As described in the City Council Policy Priority #17: School Crossing Guard Innovative Hiring Strategies memorandum that was presented to the Public Safety, Finance, and Strategic Support Committee on October 18, 2018 (Item d(1)), a misalignment was identified in how the Police Department was staffing crossing guards in the School Safety Program. The Program staff assumed a staffing level of 280 crossing guards to staff 121 intersections as optimal levels and had been working to fill vacancies to meet that level. This staffing level, however, did not correspond to the budget, but rather the anticipated need for crossing guards. Because this budget misalignment had not been identified, budget adjustments had not previously been brought forward to increase the authorized number of crossing guards. To bring the budget into alignment with the current staffing at 121 intersections factoring in adjustments for attrition, an increase of \$385,000 is recommended to address the increased personal services costs attributed to a higher level of School Crossing Guard deployment. An analysis of this program will be completed as part of the 2019-2020 budget process to determine the appropriate level of staffing.

Workers' Compensation Claims - Police	Police Department	-	\$1,000,000	-
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This action increases the Workers' Compensation Claims – Police appropriation by \$1,000,000 (from \$8,000,000 to \$9,000,000) based on actual expenditure trends. The higher Workers' Compensation Claims are due to higher than anticipated settlement activities and medical treatment costs through December. The total costs are expected to exceed the budget by \$1,000,000 by year-end. This action is offset by reductions to the Workers' Compensation Claims - Fire (\$750,000) and Workers' Compensation Claims - Transportation (\$250,000) appropriations.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Closed Landfill Compliance</p> <p>This action increases the Closed Landfill Compliance appropriation in the amount of \$100,000 to fund the repair of the Singleton landfill flare, which has developed several holes along the sides. The repair will also include improvements to securing and weatherizing the insulation to reduce the potential for future repair needs. The City is under regulatory requirements to operate a flare by the State regulatory agencies to ensure the safety of the site and surrounding neighborhood from landfill gas migration.</p>	Public Works Department	-	\$100,000	-
<p>Measure T Implementation</p> <p>This action establishes a Measure T Implementation appropriation in the amount of \$250,000 to the Public Works Department to allow for preliminary capital program development prior to issuance of the general obligation bonds. Passed in 2018, Measure T allows for the issuance of general obligations in the amount of \$650 million for the construction and rehabilitation projects related to disaster preparedness, public safety, roads, and other critical infrastructure. This appropriation will fund staffing costs in the Public Works Department, the Finance Department, and the Office of Economic Development – Real Estate Division prior to the first bond issuance anticipated in summer 2019.</p>	Public Works Department	-	\$250,000	-

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Non-Personal/Equipment (Animal Care Services Custodial Services)	Public Works Department	-	\$110,000	-

This action increases the Non-Personal/Equipment appropriation to the Public Works Department by \$110,000 (from \$13,661,064 to \$13,771,064) to address higher actual contractual custodial services costs incurred by the Animal Care and Services Program. This increased cost is attributable to a higher target save rate, increasing from 85% in 2015 to 91%, and a corresponding increase in the overall length of time that an animal remains in the shelter. The ongoing effort to maintain the save rate at 91% has required sheltering for longer periods. Animals are sheltered for 10 days on average, but stays may increase to up to 30 days to prep a "savable" adult cat for adoption. Additionally, the number of overall animal intakes has increased 6% over the same period, from approximately 16,000 to 17,000 per year. The Animal Shelter has experienced difficulty in meeting its health, safety, and cleaning needs with this increased volume and focus on saving animals. This additional cost will also be factored into the 2019-2020 Base Budget.

Personal Services (Animal Care Services Part-Time Staffing)	Public Works Department	-	\$425,000	-
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This action increases the Personal Services appropriation to the Public Works Department by \$425,000 (from \$21,371,978 to \$21,796,978) to support part-time staffing costs (Veterinarian (0.4 FTE), Animal Health Technicians (1.5 FTE), and Animal Care Technicians (3.5 FTE)) incurred by the Animal Care and Services Program to address higher actual labor costs. This increased cost is attributable to a higher target save rate, increasing from 85% in 2015 to 91%, and a corresponding increase in the overall length of time that an animal remains in the shelter to an average of 10 days. The ongoing effort to maintain the save rate at 91% has required sheltering for longer periods. Animals are sheltered for 10 days on average, but stays may increase to up to 30 days to prep a "savable" adult cat for adoption. Additionally, the number of overall animal intakes has increased roughly 6% over the same period, from approximately 16,000 to 17,000 intakes per year. The Animal Shelter has experienced difficulty in meeting its health, safety, and cleaning needs with this increased volume and focus on saving animals. This additional cost will also be factored into the 2019-2020 Base Budget.

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<p>Non-Personal/Equipment (Landscaping Services)</p> <p>This action increases the Department of Transportation's Non-Personal/Equipment appropriation by \$26,330 for an increase in the cost of landscape services. The City's contract with Bayscape Landscape Management was renewed in December 2018. The new contract included a 3% annual increase and additional services to address a new requirement by the Valley Transportation Authority that the City's landscape contractors must now have two watchpersons instead of one when working alongside light rail lines. A corresponding decrease to the Department of Transportation's Personal Services appropriation is recommended in this report to offset this action.</p>	Transportation Department	-	\$26,330	-
<p>Non-Personal/Equipment (Palm Tree Maintenance)</p> <p>This action increases the Department of Transportation's Non-Personal/Equipment appropriation by \$20,000 to remove fronds from palm trees that are at risk of causing damage during a winter storm. The palm trees are located on the Palm Haven Avenue and Chynoweth Avenue median islands. These palm trees have accumulations of dead fronds which present significant risk to pedestrians and motor vehicles if the fronds become dislodged from high winds during a winter storm. The City has an inventory of 661 palm trees in median islands and backups. The ongoing annual funding of \$20,000 plus one-time funding of \$15,000 for 2018-2019 has been expended to perform critical maintenance of palms in median islands located along Almaden Boulevard, San Carlos Street, and Story Road. This additional funding will allow the Department to complete frond removal from the remaining inventory of the City's palm trees. A corresponding decrease to the Department of Transportation's Personal Services appropriation is recommended in this report to offset this action.</p>	Transportation Department	-	\$20,000	-

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<p>Personal Services (Vacancy Savings)</p> <p>This action decreases the Department of Transportation's Personal Services appropriation by \$46,330 due to vacancy savings. The Personal Services savings will be reallocated to the Department's Non-Personal/Equipment appropriation to cover additional costs to the City's contract with Bayscape Landscape Management, which was renewed in December 2018 and to remove dead fronds from palm trees in the Palm Haven and Chynoweth median islands that could fall during high winds from winter storms. A corresponding increase to the Department of Transportation's Non-Personal/Equipment appropriation is recommended in this report to offset this action.</p>	Transportation Department	-	(\$46,330)	-
<p>Workers' Compensation Claims - Transportation</p> <p>This action decreases the Workers' Compensation Claims - Transportation appropriation by \$250,000 (from \$1.0 million to \$750,000) based on actual expenditure trends. The lower workers' compensation claims are due to lower than anticipated settlement activities and medical treatment costs through December 2018. This action partially offsets an increase to the Workers' Compensation Claims - Police appropriation recommended elsewhere in this report.</p>	Transportation Department	-	(\$250,000)	-
Required Technical-Rebalancing Actions		-	\$35,942,255	\$35,832,000

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Census 2020/Revenue from State of California	City Manager - Office of Economic Development	-	\$100,000	\$100,000
<p>This action establishes the Census 2020 City-Wide appropriation to the Office of Economic Development and increases the estimate for Revenue from the State of California in the amount of \$100,000 for the Local Update of Census Addresses (LUCA) Incentive Fund. The LUCA represents a key component of the City's work to prepare for the 2020 Census. The LUCA efforts included updating the City's Master Address Database administered by the Public Works Department. Staff from the Office of Economic Development, Office of Immigrant Affairs and Public Works worked closely with community based organizations, the County of Santa Clara and other key stakeholders to identify "low visibility housing" located in San Jose. The data collected was included with the City's updated address submission to the Federal Census Bureau. The funds will be used to cover the work performed by various City staff related to the Census 2020 project.</p>				
Grants- Reimbursements -Fees				
Other Revenue (Autumn Parkway)	City Manager - Office of Economic Development	-	-	\$235,125
<p>This action increases the estimate for Other Revenue by \$235,125 to recognize proceeds from the sale of five small fragments of Autumn Parkway. A corresponding action establishes the Autumn Parkway Parcels Sale Proceeds Reserve appropriation (\$243,125) to the Department of Public Works, which must be expended on a capital project within two years.</p>				
Fire Development Fee Program - Non- Personal/Equipment (Technical Publication/Vehicle Replacements)	Fire Department	-	\$97,000	-
<p>This action increases the Fire Development Fee Program Non-Personal/Equipment appropriation by \$97,000 (from \$132,724 to \$229,724) to fund the replacement of two inspector vehicles (\$60,000) and the purchase of technical publications. The two trucks used by inspectors have exceeded the age and milage criteria for replacement and are more costly to maintain as they age. Updated code publications are required for all Fire Department inspection staff to cite the most current Building Standards Codes for development in San José. A corresponding decrease to the Fire Development Fee Program Reserve is recommended in this report to offset this action.</p>				

**General Fund Recommended Budget Adjustments Summary
2018-2019 Mid-Year Budget Review**

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Fire Development Fee Program Reserve	Fire Department	-	(\$97,000)	-
<p>This action decreases the Fire Development Fee Program Reserve by \$97,000 (from \$7.3 million to \$7.2 million) to offset the increase to the Fire Development Fee Program Non-Personal/Equipment appropriation for the purchase of two replacement vehicles and technical publications as recommended in this report.</p>				
Non-Personal/Equipment/Revenue from Federal Government (SHSGP - Mass Decontamination Foam System)	Fire Department	-	\$1,800	\$1,800
<p>This action increases the Non-Personal/Equipment appropriation to the Fire Department and corresponding estimate for Revenue from Federal Government by \$1,800 to recognize additional funding for the Mass Decontamination Foam System MERLIN Project. The Fire Department was previously awarded \$20,000 from the State Homeland Security Grant Program (SHSGP) for the purchase of the MERLIN Project and funds were recognized as part of the 2018-2019 Adopted Operating Budget. The system will sanitize, cleanse, and decontaminate equipment which are suspected to have been exposed to hazardous agents.</p>				
Non-Personal/Equipment/Revenue from State of California (Strike Team Reimbursement)	Fire Department	-	\$142,422	\$142,422
<p>This action increases the Non-Personal/Equipment appropriation to the Fire Department and the corresponding estimate for Revenue from State of California by \$142,422 for Fire Department Strike Team deployments. Strike Teams were deployed for events such as the Carr and Camp Fires. The Department incurs costs while the Strike Teams are deployed to back fill the staff on deployment along with associated apparatus costs. These costs are reimbursable by the California Office of Emergency Services under the California Fire Assistance Agreement.</p>				

**General Fund Recommended Budget Adjustments Summary
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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Personal Services/Revenue from State of California (Strike Team Reimbursements)	Fire Department	-	\$507,088	\$507,088

This action increases the Personal Services appropriation to the Fire Department and the corresponding estimate for Revenue from State of California by \$507,088 for Fire Department Strike Team deployments. Strike Teams were deployed for events such as the Carr and Camp Fires. The Department incurs costs while the Strike Teams are deployed to back fill the staff on deployment along with associated apparatus costs. These costs are reimbursable by the California Office of Emergency Services under the California Fire Assistance Agreement.

Non-Personal/Equipment/Revenue from Local Agencies Housing (SCVWD - Pollution Prevention and Creeks Cleanup Project)	Housing Department	-	\$195,000	\$195,000
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This action increases the Non-Personal/Equipment appropriation to the Housing Department and the corresponding estimate for Revenue from Local Agencies by \$195,000 to recognize a grant from the Silicon Valley Water District. Grant funding will further abatement and clean-up efforts at Los Gatos Creek, Coyote Creek, Guadalupe River, and local waterways in the City by increasing contractual services provided by the Downtown Streets Team (DST), in compliance with grant terms. DST has a unique approach which employs the homeless community to assist with cleanups, providing opportunities for participating individuals to move toward self-sufficiency, while reducing the environmental impact of litter and debris throughout the City.

Library Grants/Other Revenue (PLP Grant - Retro Tech Redux)	Library Department	-	\$14,483	\$14,483
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This action increases the Library Grants appropriation in the Library Department and the estimate for Other Revenue by \$14,483 to recognize receipt of the Pacific Library Partnership grant. The funding will help to secure equipment for the Library California Room's "Retro Tech Redux: Bringing 20th Century Media into the 21st Century at San Jose Public Library" program. This program will provide the community access to equipment to transfer their preserved memories captured on obsolete media to the advanced digitized version at no cost.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Library Grants/Revenue from State of California (CLLS - Literacy for Adults)	Library Department	-	\$147,000	\$147,000
<p>This action increases the Library Grants appropriation in the Library Department and the estimate for Revenue from State of California by \$147,000 to recognize receipt of the California Library Literacy Services grant. This funding will allow for the purchase of books, materials, and computer software, as well as, support the Adult Literacy and Families for Literacy program. This program helps adults increase their basic literacy skills and address the literacy needs of their young children.</p>				
Council District #01/Other Revenue	Mayor & City Council	-	\$4,071	\$4,071
<p>This action increases the Council District #01 appropriation and the corresponding estimate for Other Revenue by \$4,071 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 1, including the 11th Annual Disability Awareness Fair event.</p>				
Council District #02/Other Revenue	Mayor & City Council	-	\$3,318	\$3,318
<p>This action increases the Council District #02 appropriation and the corresponding estimate for Other Revenue by \$3,318 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 2, including the 2018 Village Fest event and the 2018 Cannabis Roundtable Event.</p>				
Council District #04/Other Revenue	Mayor & City Council	-	\$3,000	\$3,000
<p>This action increases the Council District #04 appropriation and the corresponding estimate for Other Revenue by \$3,000 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 4, including the 2018 End of the Summer Event.</p>				
Council District #05/Other Revenue	Mayor & City Council	-	\$6,000	\$6,000
<p>This action increases the Council District #05 appropriation and the corresponding estimate for Other Revenue by \$6,000 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 5, including the 2018 National Night Out Event and 2018 Fiesta Nivadena Event (Christmas Tree Giveaway eve).</p>				

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Council District #07/Other Revenue This action increases the Council District #07 appropriation and the corresponding estimate for Other Revenue by \$630 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 7, including the Black April Event.	Mayor & City Council	-	\$630	\$630
Council District #08/Other Revenue This action increases the Council District #08 appropriation and the corresponding estimate for Other Revenue by \$38,800 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 8, including the 2018 Day in the Park Event.	Mayor & City Council	-	\$38,800	\$38,800
Council District #09/Other Revenue This action increases the Council District #09 appropriation and the corresponding estimate for Other Revenue by \$1,000 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 9, including the 2018 Celebrate Cambrian Event.	Mayor & City Council	-	\$1,000	\$1,000
Council District #10/Other Revenue This action increases the Council District #10 appropriation and the corresponding estimate for Other Revenue by \$500 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 10, including the Senior Winter Walk Event.	Mayor & City Council	-	\$500	\$500
Office of the Mayor/Other Revenue This action increases the Office of the Mayor appropriation and the corresponding estimate for Other Revenue by \$25,000 to allocate revenue received from Fund for Cities of Service Inc. This funding will support hiring a communication consultant, and related supplies in support of Prepared Together/Beautify SJ Program.	Mayor & City Council	-	\$25,000	\$25,000

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Digital Inclusion Program/Other Revenue (Verizon Contributions)	Office of the City Manager	-	(\$50,000)	(\$50,000)
<p>This action decreases the Digital Inclusion Program appropriation by \$50,000 (from \$300,000 to \$250,000) to reflect actual payments anticipated from Verizon contributions. On June 26, 2018, a total of \$300,000 was added to the 2018-2019 Operating Budget for anticipated Verizon contributions to the Digital Inclusion Program. The agreement was later finalized in September 2018, confirming a revised amount of \$250,000 annually over four years, starting in 2018-2019. This action reduces budgeted funds to align with the final agreement.</p>				
Fee Activities/Fees, Rates, and Charges (Gardner Family Health Grant)	Parks, Recreation and Neighborhood Services Department	-	\$44,183	\$44,183
<p>This action increases the Parks, Recreation and Neighborhood Services Fee Activities appropriation and the corresponding estimate for Fees, Rates, and Charges by \$44,183. Grant funding from Gardner Family Health will provide fitness passes and access to fitness classes at community centers for Gardner Family Health clients. Grant funds will also provide scholarships to eligible participants.</p>				
Fee Activities/Fees, Rates, and Charges (Santa Clara County Summer Youth Programming Grant)	Parks, Recreation and Neighborhood Services Department	-	\$250,000	\$250,000
<p>This action increases the Parks, Recreation and Neighborhood Services Fee Activities appropriation and the corresponding estimate for Fees, Rates, and Charges by \$250,000. Grant funding from Santa Clara County will provide scholarships for summer camps and classes for youth (\$150,000) and scholarships for therapeutics participants (\$100,000).</p>				

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<p>Personal Services/Other Revenue (Circle of Life Senior Endowment Grant)</p> <p>This action increases the Parks, Recreation and Neighborhood Services Personal Services appropriation and the corresponding estimate for Other Revenue by \$25,000. The Circle of Life Senior Endowment grant funding from The Community Foundation will provide for a part-time Encore Fellow to support the Age-Friendly San José program. In 2006, the World Health Organization (WHO) launched a major study in 33 different cities around the globe to determine what amenities optimize and enhance the quality of life for residents as they age. The results of the study launched WHO's Global Age-Friendly Cities Network. In the past nine years, hundreds of cities from around the world have embraced Age-Friendly ideals and are creating programs to incorporate the goals developed by the WHO. Currently in the United States, 38 cities, including the City of San José, have been accepted into the WHO Age-Friendly City Network. The Fellow will provide direct support in the planning, facilitation, and coordination of the Age-Friendly San José Initiative.</p>	Parks, Recreation and Neighborhood Services Department	-	\$25,000	\$25,000
<p>Personal Services/Other Revenue (Gen2Gen Grant)</p> <p>This action increases the Parks, Recreation and Neighborhood Services Personal Services appropriation and the corresponding estimate for Other Revenue by \$17,000. The Generation to Generation (Gen2Gen) grant funding from The Health Trust will fund a temporary position supporting the Gen2Gen campaign. This program serves as a conduit for adults 50 years and older to unleash their spirit of service, empower their creativity and leverage their professional expertise in support of local youth. The position will be responsible for direct support of three Gen2Gen pilots: Parks, Recreation and Neighborhood Services Department, Evergreen Villages, and Franklin McKinley Children's Initiative, as well as serve as a liaison to the City of San Jose's Age Friendly Advisory Council and the Parks, Recreation and Neighborhood Services Department.</p>	Parks, Recreation and Neighborhood Services Department	-	\$17,000	\$17,000

General Fund Recommended Budget Adjustments Summary 2018-2019 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Northern California Regional Intelligence Center – Police 2018/Revenue from Federal Government	Police Department	-	\$131,511	\$131,511

This action establishes the Northern California Regional Intelligence Center – Police 2018 City-Wide appropriation to the Police Department and increases the revenue estimate for Revenue from Federal Government in the amount of \$131,511 for 2018-2019; the remaining grant amount of \$110,797 will be brought forward as part of the 2019-2020 budget process. 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 grant will partially fund the salary, benefits, and overtime for one San José Police Department Lieutenant for the period from January 2019 to June 2019. The 2018-2019 Adopted Budget already includes \$269,000 (\$130,000 from the General Fund and \$139,000 from NCRIC - Police 2017 grant) to fund the remaining cost of the Lieutenant position this year.

Personal Services/Transfers and Reimbursements (Airport Paycars)	Police Department	-	\$312,000	\$312,000
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This action increases the Police Department's Personal Services appropriation by \$312,000 to fund increased overtime costs at the Mineta San José International Airport. This action better aligns expenditures with expected airport activity levels. A corresponding transfer from the Airport Maintenance and Operations Fund will offset this increase.

State Homeland Security Grant Program/Revenue from Federal Government	Police Department	-	\$100,000	\$100,000
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This action increases the State Homeland Security Grant Program City-Wide appropriation to the Police Department and the estimate for Revenue from Federal Government in the amount of \$100,000 to recognize additional grant funding from the Department of Homeland Security. This program addresses 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 Training/Exercise Advisory Group.

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<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
Autumn Parkway Parcels Sale Proceeds Reserve This action establishes an Autumn Parkway Parcels Sale Proceeds Reserve appropriation to the Department of Public Works in the amount of \$235,125 to allocate receipts from the sale of five small fragments of along Autumn Parkway. A corresponding action to recognize sale proceeds in the same amount is recommended elsewhere in this report. As this parcel was originally acquired with tax-exempt bonds issued by the San Jose Redevelopment Agency, all sale proceeds are required to be spent on a capital improvement project within two years from receipt of proceeds (November 2018). A suitable project will be identified and appropriated in the 2019-2020 Proposed Capital Budget process.	Public Works Department	-	\$235,125	-
Emergency Street Tree Services (Property Owner Requested)/Other Revenue This action increases the City-Wide appropriation for Emergency Street Tree Services (Property Owner Requested) and the corresponding estimate for Other Revenue by \$100,000 for property-owner requested tree services. Property owners can request that the City perform emergency or non-compliance tree work. The City pays contractors to perform the work and is reimbursed by the property owners. The additional funding enables the department to have contractors perform more work that is available to complete.	Transportation Department	-	\$100,000	\$100,000
Non-Personal/Equipment/Other Revenue (City Tree Planting) This action increases the Department of Transportation's Non-Personal/Equipment appropriation and corresponding estimate for Other Revenue by \$146,060 for mitigation associated with the removal of existing City-owned trees by PG&E. The trees were removed because they were interfering with utility infrastructure. Contractual services will be used to plant 218 new trees as mitigation for removal of the trees.	Transportation Department	-	\$146,060	\$146,060
Grants-Reimbursements-Fees		-	\$2,500,991	\$2,500,991