

# General Fund Recommended Budget Adjustments Summary

## Annual Report 2015-2016

| <u>Action</u>  | <u>Department</u>  | <u>Positions</u> | <u>Expenditure Change</u> | <u>Revenue Change</u> |
|--|--------------------|------------------|---------------------------|-----------------------|
| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>  |                    |                  |                           |                       |
| <i>Air Service Incentive Program Reserve/Transfers and Reimbursements</i>  | EARMARKED RESERVES |                  | (\$500,000)               | (\$425,494)           |
| <p>This action eliminates the Air Service Incentive Program Reserve in the amount of \$500,000 and reduces the overhead reimbursement from the Airport Maintenance and Operation Fund to the General Fund by \$425,494. The municipally-funded Air Service Incentive Program, a provision in the Airline-Airport Lease and Operating Agreements that was approved by the City Council in March 2007, requires that, should the percentage growth in annual enplanements at the Airport exceed the growth in annual enplanements nationwide, the City shall reduce the amount of its indirect overhead expenses in the following fiscal year by a corresponding percentage. In 2015-2016, the percentage growth in annual enplanements at the Airport was 6.8% which exceeded the FAA's projection of 4.2% for national enplanement growth. In order to comply with the provisions of the Agreements, the overhead reimbursement from the Airport Maintenance and Operation Fund will be reduced by 2.6% (from the Adopted Budget overhead rate of 17.57% to 15.00%), or \$425,494, in 2016-2017. In anticipation of this reduction, the 2016-2017 Adopted Budget included an Air Service Incentive Program Reserve of \$500,000 to offset the projected loss in revenue. Because the actual overhead reduction is slightly below the estimate incorporated into the 2016-2017 Adopted Budget, this action results in savings of \$74,506 to be returned to the General Fund.</p> |                    |                  |                           |                       |
| <i>Animal Care and Services Fire Alarm and Security Upgrade</i>  | CAPITAL PROJECTS   |                  | \$148,000                 |                       |
| <p>This action increases the Animal Care and Services Fire and Security Upgrade appropriation by \$148,000 (from \$100,000 to \$248,000) to address higher than anticipated project costs. The most recent quote for the construction phase of this project exceeded the engineering estimate, due primarily to material cost escalation and the current competitive nature of the construction industry. This project will upgrade the current fire alarm and security systems at the Animal Care and Services Shelter, which ensures that the fire alarm is heard throughout the facility. The project will also enhance the announcing devices so that the alarm is audible and visible throughout the entire facility, addressing health and safety needs. This additional funding allows for the award of a construction contract and the completion of this project in 2016-2017.</p>  |                    |                  |                           |                       |
| <i>Arena Authority</i>   | CITY-WIDE EXPENSES |                  | \$4,300                   |                       |
| <p>This action increases the Arena Authority appropriation by \$4,300 (from \$189,900 to \$194,200) to provide funding for a cost of living adjustment that was inadvertently omitted from the 2016-2017 Adopted Operating Budget.</p>   |                    |                  |                           |                       |

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>  |                   |                            |                           |                       |
| <b><i>Banking Services</i></b>   |                   | CITY-WIDE EXPENSES         | \$200,000                 |                       |
| <p>This action increases the Banking Services appropriation by \$200,000 (from \$1,774,000 to \$1,974,000) to cover the rising merchant services fees paid by the City, as more customers have been paying City fees with credit cards. The increase in merchant fees is primarily a result of services newly covered by this appropriation, including utility payments. This is a result of the new Customer Information System (CIS) Infinity Utility system that was implemented in 2015-2016, enabling customers to pay online via credit card. Once this system became integrated with the City's cashing system, the merchant fees from these payments began being charged directly to the Banking Services appropriation.</p>   |                   |                            |                           |                       |
| <b><i>Building Development Fee Program - Personal Services (Building Inspector Combination Compensation)</i></b>   |                   | PLANNING, BLDG, & CODE ENF | \$865,000                 |                       |
| <p>This action increases the Planning, Building and Code Enforcement Building Development Fee Program Personal Services appropriation by \$865,000 (from \$26.5 million to \$27.4 million) to account for higher than budgeted costs for the flexibly staffed Building Inspector Combination classification. Revisions to the Building Inspector Combination classification series became effective in July 2015, creating new classifications (e.g., Building Inspector Combination Certified I, II, III, Senior, and Supervisor) based on certifications and years of experience, and increasing salaries. The higher salary amounts associated with the new flexibly staffed classifications were not included in the development of the 2016-2017 Adopted Budget, and this action will align the budget with the higher actual costs. A corresponding decrease to the Building Development Fee Program Earmarked Reserve is recommended to offset this action for a net-zero impact on the General Fund.</p> |                   |                            |                           |                       |
| <b><i>Building Development Fee Program Reserve (Personal Services Adjustment/Overhead)</i></b>   |                   | EARMARKED RESERVES         | (\$1,035,000)             |                       |
| <p>This action decreases the Building Development Fee Program Earmarked Reserve by \$1,035,000 to cover higher than budgeted personal services costs (\$865,000) for the Building Inspector Combination classification and associated overhead costs (\$170,000). When the 2016-2017 Adopted Budget was developed, lower salary amounts were assumed for the flexibly staffed inspector positions, which understated costs for a number of these positions. This action correctly accounts for the actual salaries for Building Inspectors based on their classifications. Corresponding actions to increase the Planning, Building and Code Enforcement Building Development Fee Program's Personal Services appropriation by \$865,000 and to fund other recommendations in this report are recommended elsewhere in this document.</p>  |                   |                            |                           |                       |

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>   |                          |                  |                           |                       |
| <b><i>Business Tax Outreach Reserve</i></b>   | EARMARKED RESERVES       |                  | \$150,000                 |                       |
| <p>This action establishes a Business Tax Outreach Reserve in the amount of \$150,000 to fund a potential education outreach program regarding new Business Tax rates, if the voters approve a Business Tax Modernization Ballot Measure in November. On August 2, 2016, the City Council directed the City Manager upon voter approval of the Business Tax Modernization Measure on the November 8 ballot, to develop an educational campaign for those affected by the Business Tax Modernization measure and to report to the Community and Economic Development (CED) Committee in December 2016 with an education outreach implementation plan beginning in January 2017 for the July 1, 2017 effective date of the new tax rates. If the voters approve the Business Tax Modernization Measure, staff will present a report at the November 28 CED Committee that will include a recommended outreach plan with a report to the full Council on December 13. In order to commence a potential education outreach program in January 2017, it is necessary to set aside funds in a reserve for appropriation in December. The recommended funding of \$150,000 would be used for a comprehensive, multi-lingual outreach campaign.</p> |                          |                  |                           |                       |
| <b><i>Development Fee Program Technology Reserve</i></b>  | EARMARKED RESERVES       |                  | \$798,000                 |                       |
| <p>This action increases the Development Fee Program Technology Reserve by \$798,000 (from \$295,000 to \$1.1 million) to include the Multiple Housing Occupancy Program's share of costs for the implementation of the Integrated Permit System (AMANDA) upgrade. The Development Fee Program Technology Reserve was established by contributions from the Development Services Partners (Building, Fire, Planning, and Public Works) and this action will payback those partners for the Multiple Housing Occupancy Program fair share portion of the system's costs that was funded by this reserve. This action is funded by 2015-2016 excess revenue and expenditure savings in the Multiple Housing Occupancy Program.</p>  |                          |                  |                           |                       |
| <b><i>Digital Arts Program</i></b>  | PARKS, REC, & NEIGH SVCS | .25              |                           |                       |
| <p>This action adds 0.75 Senior Recreation Leader PT position and deletes 0.50 Recreation Leader PT position to provide appropriate staffing support for the expansion of the Digital Arts teen and youth program. The Digital Arts program was created to help at-risk youth discover non-violent forms of expression using music, film, photography, and art. This program is offered at Seven Trees, Mayfair, and Roosevelt Community Centers. There is sufficient funding in the San José Best and Safe Summer Initiative Programs appropriation to support this position change in 2016-2017.</p>  |                          |                  |                           |                       |
| <b><i>Elections and Ballot Measures</i></b>   | CITY-WIDE EXPENSES       |                  | \$200,000                 |                       |
| <p>This action increases the Elections and Ballot Measures appropriation by \$200,000 as a result of higher actual costs for the June 2016 General Election and increased cost estimates associated with the November 2016 General Election, including three ballot measures and run-off elections for Council Districts 2, 6, and 8.</p>   |                          |                  |                           |                       |

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>  |                    |                  |                           |                       |
| <i>Human Resources/Payroll/Budget Systems Upgrade/Transfers and Reimbursements</i>   | CITY-WIDE EXPENSES |                  | \$566,000                 | \$136,000             |
| <p>This action increases the Human Resources/Payroll/Budget Systems Upgrades appropriation by \$566,000 consistent with recommendations included in the September 27, 2016 City Council memorandum on this project (Item 3.4). Of this amount, \$466,000 will be added to the project contingency, bringing the total contingency amount to \$1,883,740. The remaining \$100,000 of additional funding will cover an Agreement with CherryRoad Technology Inc. for Managed Services. This Agreement will provide the City with additional technical support once the systems have all been implemented. Transfers from various special and capital funds of \$136,000 will provide partial funding for the additional project costs, resulting in a net General Fund impact of \$430,000. In a separate action elsewhere in this report, the Development Fee Programs are contributing \$29,000 for their share of the cost, bringing the final net General Fund impact from this project addition to \$401,000.</p>   |                    |                  |                           |                       |
| <i>Non-Personal/Equipment (Electronic Patient Care Reporting Project)</i>  | FIRE               |                  | \$186,000                 |                       |
| <p>This action increases the Fire Department Non-Personal/Equipment appropriation by \$186,000 to purchase equipment and/or services to support the full implementation of the electronic patient care reporting (ePCR) project. The ePCR project will allow the Emergency Medical Services (EMS) providers in the County of Santa Clara to meet State-mandated EMS data reporting requirements, ensure quality assurance, and aggregate patient care reports. Each fire station will be equipped with various pieces of equipment and services (such as desktop computers, laptops, tablets, other remote data collection devices, required software, and connectivity). These pieces of equipment and services will be used by Firefighter/Paramedics and Fire Captains at the stations. Funding for this project was received at the end of 2015-2016 from the County of Santa Clara's allocation of the Emergency Medical Services (EMS) Trust Fund but was not appropriated due to the late timing. The deadline for the City to complete the project is June 30, 2017.</p> |                    |                  |                           |                       |
| <i>Non-Personal/Equipment (State Board of Equalization Sales Tax Set-Up)</i>   | FINANCE            |                  | \$175,000                 |                       |
| <p>This action increases the Finance Department Non-Personal/Equipment appropriation in the amount of \$175,000 to cover the costs of implementing the voter-approved increase to the City's sales tax rate. The State Board of Equalization (BOE) charges the City for its services in administering the local tax ordinance. With a newly approved sales tax rate, the BOE will charge the City a maximum amount of \$175,000 for the administrative costs associated with collecting the new sales tax, including the updating of returns and publications as well as the notification of taxpayers.</p>  |                    |                  |                           |                       |

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>   |                    |                  |                           |                       |
| <b><i>Pavement Maintenance Program</i></b>  | CAPITAL PROJECTS   |                  | \$3,300,000               |                       |
| <p>This action increases the Pavement Maintenance Program appropriation by \$3.3 million, from \$25.7 million to \$29.0 million, for street pavement and repairs. Per the Operating Budget and Capital Improvement Program Policy (Council Policy 1-18), any General Fund Ending Fund Balance identified in the City Manager's Annual Report, after accounting for all appropriation adjustment actions to rebudget funds, correct errors, or reflect updated cost information, shall be allocated 50% towards unmet/deferred infrastructure and maintenance needs and 50% to offset any projected deficit. Because the projected deficit for 2017-2018 has already been addressed as part of the 2016-2017 Adopted Budget, this action will allocate the entire remaining General Fund Ending Fund Balance after rebudget and clean-up adjustments towards helping to address the unmet/deferred pavement maintenance needs.</p> |                    |                  |                           |                       |
| <b><i>Police Department Overtime (Salaries and Benefits Reallocation)</i></b>   | POLICE             |                  |                           |                       |
| <p>This action increases the Police Department's overtime funding in 2016-2017 by \$17.0 million (from \$18.6 million to \$35.6 million), which is approximately equivalent to the overtime expenditures in 2015-2016. This funding will primarily be used to continue to backfill for vacant sworn and civilian positions and continue the expanded targeted enforcement efforts for high crime activity. To better align anticipated actual costs with expenditure line items, this action reallocates \$17.0 million in estimated 2016-2017 vacancy savings from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation. This action will have a net-zero impact on the General Fund.</p>   |                    |                  |                           |                       |
| <b><i>SAP Center Renegotiation</i></b>  | CITY-WIDE EXPENSES |                  | \$20,000                  |                       |
| <p>This action establishes the SAP Center Renegotiation appropriation in the amount of \$20,000 to continue the renegotiation of the SAP Center operating agreement as directed in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council. The current operating agreement with the San Jose Sharks for the management of the San José Arena is set to expire in June 2018. Due to the complexities of operating the SAP Center as an entertainment venue for the City of San José and surrounding region and hosting an ice hockey franchise, the funding will continue to provide the City with the necessary resources to secure outside expertise to support the negotiation process.</p>  |                    |                  |                           |                       |

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>  |                     |                  |                           |                       |
| <b><i>Silicon Valley Regional Communications System - Infrastructure Payment</i></b>   | CAPITAL PROJECTS    |                  | \$1,961,440               |                       |
| <p>This action establishes the Silicon Valley Regional Communications System (SVRCS) – Infrastructure Payment appropriation to fund the second payment to the Silicon Valley Regional Interoperability Agency (SVRIA) for the City’s share of the infrastructure costs related to the build out of the SVRCS. The City’s share of the infrastructure costs are \$7,488,046 and the City and SVRIA agreed to a three-year payment schedule. The first payment of \$3,130,000 was made in June 2015, which funded the first year’s payment and prepaid a portion of the second year’s payment. This action will fund the remaining portion of the second year’s payment. A corresponding decrease to the SVRCS Reserve is recommended to offset this action for a net-zero impact on the General Fund.</p>   |                     |                  |                           |                       |
| <b><i>Silicon Valley Regional Communications System Reserve</i></b>  | EARMARKED RESERVES  |                  | (\$1,961,440)             |                       |
| <p>This action decreases the Silicon Valley Regional Communications System (SVRCS) Reserve by \$1,961,440 (from \$4,375,745 to \$2,414,305) to fully fund the second payment to the Silicon Valley Regional Interoperability Agency (SVRIA) for the City’s share of the infrastructure costs related to the build out of the SVRCS. The City’s share of the infrastructure costs are \$7,488,046, and the City and SVRIA agreed to a three-year payment schedule. The first payment of \$3,130,000 was made in June 2015, which funded the first year’s payment and prepaid a portion of the second year’s payment. After this action, the remaining funds in the Reserve will fund the third payment and will fulfill the City’s obligation. A corresponding action to establish the Silicon Valley Regional Communications System - Infrastructure Payment appropriation is recommended to offset this action for a net-zero impact on the General Fund.</p> |                     |                  |                           |                       |
| <b><i>Sports Authority</i></b>   | CITY-WIDE EXPENSES  |                  | \$10,400                  |                       |
| <p>This action increases the Sports Authority appropriation by \$10,400 (from \$698,200 to \$708,600) to provide funding for a cost-of-living adjustment that was inadvertently omitted from the 2016-2017 Adopted Operating Budget.</p>   |                     |                  |                           |                       |
| <b><i>Transfers and Reimbursements (Overhead from the Water Utility Fund)</i></b>  | REVENUE ADJUSTMENTS |                  |                           | \$66,000              |
| <p>This action increases the estimate for Transfers and Reimbursements by \$66,000 for overhead from the Water Utility Operating Fund as a result of amendments to various Water Utility System classifications for 2016-2017. As approved by the City Council on June 14, 2016, the Amendments to the City Pay Plan for Various Classifications item included adjustments to various classifications that resulted in increased personal services costs to the utility for 2016-2017, thereby necessitating an increase in overhead to the General Fund. A separate action recognizing the revenue impact of an additional 1.0% increase to potable water rates and charges is included to partially offset this action elsewhere in this report.</p>   |                     |                  |                           |                       |

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### REQUIRED TECHNICAL/REBALANCING ACTIONS

***Transfers and Reimbursements - Transfer from Convention and Cultural Affairs Fund (Broadway San José Ticket Revenue)***

REVENUE ADJUSTMENTS \$7,209

This action increases the Transfers and Reimbursements revenue estimate by \$7,209. Team San Jose collects \$1 for every ticket sold for a Broadway San José show and then remits these payments to the City for repayment of a past loan made to the American Musical Theater (AMT) in the amount of \$1 million. Receipts are collected in the Convention and Cultural Affairs Fund and then transferred to the General Fund, the originating funding source of the AMT loan. Ticket sale receipts in 2015-2016 exceeded the Modified Budget estimate of \$260,413 by \$7,209, for a total amount of receipts collected of \$267,622. This action recognizes the transfer of these excess receipts into the General Fund. A corresponding action in the Convention and Cultural Affairs Fund is recommended elsewhere in this report. In total, \$541,302 of the \$1.0 million loan has been repaid, leaving a remaining balance of \$458,696.

***Urban Forestry Services Reserve***

EARMARKED RESERVES \$200,000

As previously directed by the City Council on June 21, 2016, this action establishes an Urban Forestry Services Reserve in the amount of \$200,000. This funding will potentially be used for additional work related to the cultivation of plants and young trees, planting and care for trees in neighborhoods, schools, and parks, and educating the community on urban forestry and environmental issues. A recommendation regarding the use of this reserve will be brought forward for City Council consideration in winter 2016 pending the outcome of an audit regarding the expenditure of existing City funding and the compliance with terms of existing urban forestry grant agreements with the City.

***Vietnamese-American Community Center***

CITY MANAGER ( 1.00)

This action eliminates 1.0 Executive Analyst (limit-dated through June 30, 2017) in the City Manager's Office focused on fundraising and community partnerships for the Vietnamese-American Community Center. The Executive Analyst position was added as part of the City Council's approval of the June 2016 Mayor's Budget Message for 2016-2017. The Administration has re-evaluated the program needs and determined that utilization of a City staff member to lead private fundraising efforts would not provide the most efficient and effective solution to achieve the program's fundraising goals. Donors often seek the tax benefits that can most readily be accessed through a 501c3 non-profit corporation, and as a result the Parks, Recreation and Neighborhood Services Department (PRNS) is working on the selection of an appropriate non-profit to successfully accomplish the private fundraising. A separate action in this document consolidates funding for the program by decreasing the City Manager's Office Vietnamese-American Community Center City-Wide Expenses appropriation in the amount of \$70,000 and increasing the PRNS General Fund Capital Improvement Vietnamese-American Community Center Planning and Fundraising appropriation by \$70,000 (from \$230,000 to \$300,000).

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## Annual Report 2015-2016

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| <b>REQUIRED TECHNICAL/REBALANCING ACTIONS</b>   |                    |                  |                           |                       |
| <b>TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS</b>   |                    | ( .75)           | \$5,287,700               | (\$216,285)           |
| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                    |                  |                           |                       |
| <i>After School Education and Safety Programs for School Year 2016-2017/Revenue from Local Agencies</i>   | CITY-WIDE EXPENSES |                  | \$454,830                 | \$454,830             |
| <p>This action recognizes and appropriates school district funding in the amount of \$454,830 to the Parks, Recreation and Neighborhood Services Department to support after school education and safety programs in the Berryessa (\$106,257) and Alum Rock (\$103,171) School Districts, and at the Empower Academy (\$100,402) and Franklin McKinley (\$145,000) ACE Charter Schools.</p>  |                    |                  |                           |                       |
| <i>Bay Area Electric Vehicle Corridor Project/Revenue from State of California</i>  | CITY-WIDE EXPENSES |                  | \$30,663                  | \$30,663              |
| <p>This action establishes the Bay Area Electric Vehicle Corridor Project appropriation to the Public Works Department and recognizes Revenue from State of California in the amount of \$30,663. These funds will support the installation of approximately four additional electric charging stations for electric and plug-in vehicles. These additional charging stations will be located in publicly accessible areas on City property.</p>  |                    |                  |                           |                       |
| <i>Cirque du Soleil/Other Revenue</i>   | CITY-WIDE EXPENSES |                  | \$250,000                 | \$250,000             |
| <p>This action establishes the Cirque du Soleil City-Wide Expenses appropriation to the Office of Economic Development and increases the corresponding estimate for Other Revenue to recognize a lease agreement with Cirque du Soleil America, Inc. in the amount of \$250,000. The lease agreement will permit use of City-owned real property by Cirque du Soleil to present their touring show at the beginning of 2017. The proceeds from the agreement will be used for City departments' staff costs associated with the set-up and take-down of the event and the rental of 100 parking spaces in County lots used for displaced staff from the Police and Fire Departments and the Office of Emergency Services.</p> |                    |                  |                           |                       |
| <i>Council District #02 (Special Event Sponsorship)/Other Revenue</i>   | MAYOR & COUNCIL    |                  | \$3,350                   | \$3,350               |
| <p>This action increases the Council District #02 appropriation and the estimate for Other Revenue by \$3,350 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 2, including the Philippine Flag Raising, the Future Roots Event, and the Indian Flag Raising.</p>  |                    |                  |                           |                       |



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| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                    |                  |                           |                       |
| <i>Council District #05 (Special Event Sponsorship)/Other Revenue</i>   | MAYOR & COUNCIL    |                  | \$8,800                   | \$8,800               |
| <p>This action increases the Council District #05 appropriation and the estimate for Other Revenue by \$8,800 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 5, including National Night Out.</p>  |                    |                  |                           |                       |
| <i>Council District #08 (Special Event Sponsorship)/Other Revenue</i>   | MAYOR & COUNCIL    |                  | \$10,128                  | \$10,128              |
| <p>This action increases the Council District #08 appropriation and the estimate for Other Revenue by \$10,128 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by Council District 8, including the Day in the Park, the 8th Annual Health Fair, and the 2016 Music and Movie Night.</p>  |                    |                  |                           |                       |
| <i>Foundation Grant - encores4youth Initiative/Other Revenue</i>  | CITY-WIDE EXPENSES |                  | \$245,000                 | \$245,000             |
| <p>This action establishes the Foundation Grant - encores4youth Initiative appropriation to the City Manager's Office and increases the corresponding estimate for Other Revenue to recognize grant awards from the David and Lucile Packard Foundation (\$120,000) and another entity (\$125,000) in the amount of \$245,000 to support the City of San José's partnership with Encore.com. This initiative will expand opportunities for adults ages 50 and older to step into a wide range of youth-serving roles, from volunteer mentoring and tutoring to paid program and leadership positions, with the end objective to leverage the City's resources more effectively to serve children and youth who must contend with systemic inequality and educational barriers.</p>  |                    |                  |                           |                       |
| <i>Internet Crimes Against Children Federal Grant 2014-2015/Revenue from Federal Government</i>   | CITY-WIDE EXPENSES |                  | \$411,960                 | \$411,960             |
| <p>This action increases the Internet Crimes Against Children Federal Grant 2014-2015 appropriation to the Police Department and increases the estimate for Revenue from Federal Government to recognize additional grant funding from the U.S. Department of Justice in the amount of \$411,960. This grant funds officer overtime for investigating and disseminating tips from the National Center for Missing and Exploited Children's CyberTipLine and a portion of an analyst position (\$195,000); forensic software tools, licenses, internet services, and vehicle operating costs (\$116,000); professional development trainings of the Silicon Valley Internet Crimes Against Children Taskforce to expand and improve effective prevention, interdiction, investigation, and prosecution of internet crimes against children (\$66,000); and travel costs for investigators to attend trainings and quarterly commander meetings (\$35,000). The grant period has been extended through June 30, 2017.</p> |                    |                  |                           |                       |

# General Fund Recommended Budget Adjustments Summary

## Annual Report 2015-2016

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| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                          |                  |                           |                       |
| <i>Internet Crimes Against Children State Grant 2016-2017/Revenue from State of California</i>  | CITY-WIDE EXPENSES       |                  | \$200,000                 | \$200,000             |
| <p>This action establishes an Internet Crimes Against Children State Grant 2016-2017 appropriation to the Police Department and increases the estimate for Revenue from State of California to recognize grant funding from the California Governor's Office of Emergency Services in the amount of \$200,000. This grant funds activities and equipment related to increasing the investigation and prosecution of internet crimes against children offenses, such as a forensic van, laptops, forensic software licenses, and community outreach materials to bring awareness about how to keep children safe on the internet. The term of the grant is July 1, 2016 through June 30, 2017.</p> |                          |                  |                           |                       |
| <i>Knight Foundation Parks Study Tour/Other Revenue</i>   | PARKS, REC, & NEIGH SVCS |                  | \$6,900                   | \$6,900               |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department (PRNS) Non-Personal/Equipment appropriation and estimate for Other Revenue in the amount of \$6,900 to reflect the reimbursement of travel expenses of city staff by the Knight Foundation. A team of staff from PRNS were invited by the Knight Foundation to attend the Parks Study Tour in Philadelphia from August 9th - August 12th; the Knight Foundation sponsored the event, including travel, hotel, and some meal costs.</p>  |                          |                  |                           |                       |
| <i>Non-Personal/Equipment (Deferred Compensation Program)/Transfers and Reimbursements</i>  | HUMAN RESOURCES          |                  | \$6,778                   | \$6,778               |
| <p>This action increases the Human Resources Department Non-Personal/Equipment appropriation and the corresponding estimate for Transfers and Reimbursements from the Deferred Compensation Fund by \$6,778 for increased contractual and dues and subscriptions costs for the Deferred Compensation program, as approved by the Deferred Compensation Advisory Committee on March 21, 2016.</p>  |                          |                  |                           |                       |
| <i>Non-Personal/Equipment (Rescue Training)/Revenue from Federal Government</i>   | FIRE                     |                  | \$29,700                  | \$29,700              |
| <p>This action increases the Fire Department Non-Personal/Equipment appropriation and increases the estimate for Revenue from Federal Government by \$29,700 to recognize grant funds from the Federal Emergency Management Agency (FEMA). This grant funds rescue systems training for sworn personnel. Training courses in rescue systems include participation in the engineering and operation of simple to complex rescue systems.</p>   |                          |                  |                           |                       |

# General Fund Recommended Budget Adjustments Summary

## Annual Report 2015-2016

| <u>Action</u>   | <u>Department</u>        | <u>Positions</u> | <u>Expenditure Change</u> | <u>Revenue Change</u> |
|---|--------------------------|------------------|---------------------------|-----------------------|
| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                          |                  |                           |                       |
| <i>Non-Personal/Equipment (Viva CalleSJ from the Youth Connections Foundation)/Other Revenue</i>  | PARKS, REC, & NEIGH SVCS |                  | \$10,000                  | \$10,000              |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department Non-Personal/Equipment appropriation and recognizes Other Revenue from the Youth Connections Foundation in the amount of \$10,000 to support Viva CalleSJ. Viva CalleSJ is a San José event that brings people and communities together to walk, bike, skate, play, and explore the city. This funding supported Reserve Officers and the School Challenge Contest Awards at the Viva CalleSJ event held on September 18, 2016.</p>   |                          |                  |                           |                       |
| <i>Non-Personal/Equipment (Water Rescue - Boats)/Revenue from Federal Government</i>  | FIRE                     |                  | \$15,485                  | \$15,485              |
| <p>This action increases the Fire Department Non-Personal/Equipment appropriation and increases the estimate for Revenue from Federal Government by \$15,485 to reflect funds received from the State Homeland Security Grant Program (SHSGP) Anti-Terrorism Approval Authority. This grant funds the purchase of two Jon boats for use in water rescue. These boats are flat-bottomed vessels that are relatively lightweight and exceptionally stable in rough water.</p>   |                          |                  |                           |                       |
| <i>Office of the Mayor (Special Event Sponsorship)/Other Revenue</i>  | MAYOR & COUNCIL          |                  | \$57,500                  | \$57,500              |
| <p>This action increases the Office of the Mayor's appropriation and the estimate for Other Revenue by \$57,500 to allocate revenue received from various businesses and individuals. This funding will support special events co-sponsored by the Office of the Mayor.</p>   |                          |                  |                           |                       |
| <i>Personal Services (Partnerships to Improve Community Health Grant)/Revenue from Local Agencies</i>   | PARKS, REC, & NEIGH SVCS |                  | \$25,000                  | \$25,000              |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department Personal Services appropriation and Revenue from Local Agencies in the amount of \$25,000 to recognize a grant awarded by the County of Santa Clara from the Center for Disease Control and Prevention's Partnerships to Improve Community Health. This grant is intended to address physical inactivity, one of the leading risk factors for the major causes of death and disability. These funds were used to further the City's Viva CalleSJ open streets event held on September 18, 2016, which is a San José event that brings people and communities together to walk, bike, skate, play, and explore the city.</p> |                          |                  |                           |                       |

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|---|--------------------------|------------------|---------------------------|-----------------------|
| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                          |                  |                           |                       |
| <i>Personal Services (Rescue Training)/Revenue from Federal Government</i>  | FIRE                     |                  | \$19,560                  | \$19,560              |
| <p>This action increases the Fire Department Personal Services appropriation and increases the estimate for Revenue from Federal Government by \$19,560 to recognize grant funds from the Federal Emergency Management Agency (FEMA). This grant funds training overtime for a Task Force 3 Program Manager from July 2016 to September 2016. The City of San Jose's Fire Department is a participating agency for FEMA California Task Force 3 to provide state-wide and national fire emergency response resources under the California Governor's Office of Emergency Services (CAL OES) and FEMA.</p>   |                          |                  |                           |                       |
| <i>Personal Services (Viva CalleSJ from Kaiser Permanente)/Other Revenue</i>  | PARKS, REC, & NEIGH SVCS |                  | \$5,000                   | \$5,000               |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department Personal Services appropriation and the estimate for Other Revenue by \$5,000 under Kaiser Permanente's South Bay funding program for local community activities. These funds contributed to the Viva CalleSJ event held on September 18, 2016. Viva CalleSJ is a San José event that brings people and communities together to walk, bike, skate, play, and explore the city.</p>  |                          |                  |                           |                       |
| <i>Personal Services (Viva CalleSJ from the Emerging City Fellowship Grant)/Other Revenue</i>   | PARKS, REC, & NEIGH SVCS |                  | \$5,000                   | \$5,000               |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department Personal Services appropriation and recognizes Other Revenue from 880 Cities for the 2016 Emerging City Project Fellowship in the amount of \$5,000. This fellowship provides funding to young civic innovators with creative ideas to enhance civic engagement, improve mobility in the community, and activate public spaces, concepts that are in alignment with the City's Viva CalleSJ event, which was held on September 18, 2016. Viva CalleSJ is a San José event that brings people and communities together to walk, bike, skate, play, and explore the city.</p> |                          |                  |                           |                       |
| <i>Personal Services and Non-Personal/Equipment (National Recreation and Park Association Grant)/Other Revenue</i>  | PARKS, REC, & NEIGH SVCS |                  | \$7,500                   | \$7,500               |
| <p>This action increases the Parks, Recreation and Neighborhood Services Department Personal Services appropriation by \$1,500, Non-Personal/Equipment appropriation by \$6,000, and corresponding estimate for Other Revenue from the National Recreation and Park Association by \$7,500. These funds will support after school programs at Recreation of City Kids (R.O.C.K.) sites including the Wildlife Explorers Program. This new program is expected to reach approximately 100 children.</p>  |                          |                  |                           |                       |

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|--|--------------------|------------------|---------------------------|-----------------------|
| <b>GRANTS/REIMBURSEMENTS/FEEES</b>   |                    |                  |                           |                       |
| <i>San José BEST and Safe Summer Initiative Programs Grant from Santa Clara County District Attorney/Revenue from Local Agencies</i>   | CITY-WIDE EXPENSES |                  | \$50,000                  | \$50,000              |
| <p>This action increases the San José BEST and Safe Summer Initiative Programs Grant and the estimate for Revenue from Local Agencies by \$50,000. The Santa Clara County District Attorney's Office has granted funds to the City of San José to support the Safe Summer Initiative Program for summer 2016.</p>  |                    |                  |                           |                       |
| <i>Selective Traffic Enforcement Program 2016-2017/Revenue from State of California</i>  | CITY-WIDE EXPENSES |                  | \$225,000                 | \$225,000             |
| <p>This action establishes a Selective Traffic Enforcement Program 2016-2017 appropriation to the Police Department and increases the estimate for Revenue from State of California to recognize grant funding from the State of California Office of Traffic Safety in the amount of \$225,000. This grant, which totals \$300,000, funds Police Officer overtime to conduct targeted driving under the influence (DUI) patrols and checkpoints and conduct distracted driving, motorcycle safety, click it or ticket, and pedestrian/bicycle enforcement operations during the term of the grant (October 1, 2016 through September 30, 2017). The remaining portion (\$75,000) will be appropriated next fiscal year.</p> |                    |                  |                           |                       |
| <i>State Homeland Security Grant Program 2015-2016/Revenue from State of California</i>  | CITY-WIDE EXPENSES |                  | \$7,752                   | \$7,752               |
| <p>This action establishes a State Homeland Security Grant Program 2015-2016 appropriation to the Police Department and increases the estimate for Revenue from State of California to recognize grant funds of \$7,752 from the California Office of Emergency Services. This program supports equipment, training, and exercise needs to address acts of terrorism and other catastrophic events. The funds will be used for overtime and training identified in the application of the grant.</p>   |                    |                  |                           |                       |

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## Annual Report 2015-2016

| <u>Action</u>   | <u>Department</u>  | <u>Positions</u> | <u>Expenditure Change</u> | <u>Revenue Change</u> |
|---|--------------------|------------------|---------------------------|-----------------------|
| <b>GRANTS/REIMBURSEMENTS/FEES</b>   |                    |                  |                           |                       |
| <i>Urban Areas Security Initiative Grant - Fire 2015<br/>(Reallocation from Urban Areas Security Initiative Grant - Police 2015)</i>  | CITY-WIDE EXPENSES |                  | \$56,400                  |                       |
| <p>This action reallocates funds to the Urban Areas Security Initiative Grant (UASI) - Fire 2015 appropriation from the Urban Areas Security Initiative Grant - Police 2015 appropriation in the amount of \$56,400. This grant funds specialized equipment to strengthen Chemical, Biological, Radiological, Nuclear, and Explosives (CBRNE) detection, response, and decontamination capabilities and to strengthen emergency planning and citizen preparedness capabilities. Due to the specialized nature of this equipment, the Fire Department is better equipped to procure and manage the CBRNE-related equipment, including Radiation Detection Equipment and a Commodity Points of Distribution (C-POD) package to support critical resource logistics activities in the City. A corresponding decrease to the Urban Areas Security Initiative Grant - Police 2015 appropriation is recommended to offset this action elsewhere in this report for a net-zero impact on the General Fund.</p> |                    |                  |                           |                       |
| <i>Urban Areas Security Initiative Grant - Police 2015 (Reallocation to Urban Areas Security Initiative Grant - Fire 2015)</i>  | CITY-WIDE EXPENSES |                  | (\$56,400)                |                       |
| <p>This action reallocates funds from the Urban Areas Security Initiative Grant (UASI) – Police 2015 appropriation to the Urban Areas Security Initiative Grant - Fire 2015 appropriation in the amount of \$56,400. This grant funds specialized equipment to strengthen Chemical, Biological, Radiological, Nuclear, and Explosives (CBRNE) detection, response, and decontamination capabilities and to strengthen emergency planning and citizen preparedness capabilities. Due to the specialized nature of this equipment, the Fire Department is better equipped to procure and manage the CBRNE-related equipment, including Radiation Detection Equipment and a Commodity Points of Distribution (C-POD) package to support critical resource logistics activities in the City. A corresponding increase to the Urban Areas Security Initiative Grant - Fire 2015 appropriation is recommended to offset this action elsewhere in this report for a net-zero impact on the General Fund.</p>   |                    |                  |                           |                       |
| <b>TOTAL GRANTS/REIMBURSEMENTS/FEES</b>   |                    |                  | <b>\$2,085,906</b>        | <b>\$2,085,906</b>    |

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## Annual Report 2015-2016

| <u>Action</u>  | <u>Department</u>  | <u>Positions</u> | <u>Expenditure Change</u> | <u>Revenue Change</u> |
|--|--------------------|------------------|---------------------------|-----------------------|
| <b>URGENT FISCAL/PROGRAM NEEDS</b>   |                    |                  |                           |                       |
| <i>City Manager's Office Talent Recruitment Initiative</i>   | CITY-WIDE EXPENSES |                  | \$250,000                 |                       |
| <p>This action provides funding to support a City Manager's Office-led Talent Recruitment Initiative in the amount of \$250,000. Given the high level of position vacancies city-wide (as of September 14, 2016 there were 843 full time equivalent position vacancies, representing a vacancy level of 14%), this funding will be used to attract and rapidly onboard more people into City service. While recent improvements have been made to hiring cycle times, there has been an ongoing wave of retirements, continued attrition, and annual modest increases to the City's position count, which has caused the City to continue to experience a significant level of vacancies that necessitates a new recruitment approach. Professional services and contracts that directly support implementing an improved recruiting process, prototyping new recruiting methods, and analyzing the City's recruiting service delivery model are among the strategies that will be employed with this new funding. The outcome of this initiative is to 1) increase the number of people onboarded (volume); 2) reduce the time to recruit and fill positions (cycle time); and 3) increase the percentage of high performers entering City service (quality).</p> |                    |                  |                           |                       |
| <i>Cultural Facilities Capital Maintenance Reserve (Hammer Theatre Center Upgrades)</i>  | EARMARKED RESERVES |                  | (\$200,000)               |                       |
| <p>This action decreases the Cultural Facilities Capital Maintenance Reserve (from \$5,819,000 to \$5,619,000) to establish the Hammer Theatre Center Upgrades appropriation in the amount of \$200,000 to address the modernization of elevator controls and repairs to the stage flooring. The single elevator, which services the facility, is at risk of failing and the control mechanisms are no longer available. In addition, the current stage floor has an uneven surface with protrusions and dips, creating possible trip hazards. A corresponding action to establish the Hammer Theatre Center Upgrades appropriation is recommended elsewhere in this report for a net-zero impact on the General Fund.</p>   |                    |                  |                           |                       |
| <i>Hammer Theatre Center Upgrades</i>  | CAPITAL PROJECTS   |                  | \$200,000                 |                       |
| <p>This action establishes the Hammer Theatre Center Upgrades appropriation in the amount of \$200,000 to fund repairs at this facility. This funding will be used to modernize the elevator controls (\$125,000) and address repairs to the stage flooring (\$75,000). The single elevator, which services the facility, is at risk of failing and the control mechanisms are no longer available. In addition, the current stage floor has an uneven surface with protrusions and dips, creating possible trip hazards. A corresponding reduction to the Cultural Facilities Capital Maintenance Reserve to offset this action is recommended elsewhere in this report for a net-zero impact on the General Fund.</p>  |                    |                  |                           |                       |

# General Fund Recommended Budget Adjustments Summary

## Annual Report 2015-2016

| <u>Action</u>  | <u>Department</u>    | <u>Positions</u> | <u>Expenditure Change</u> | <u>Revenue Change</u> |
|--|----------------------|------------------|---------------------------|-----------------------|
| <b>URGENT FISCAL/PROGRAM NEEDS</b>   |                      |                  |                           |                       |
| <i>Non-Personal/Equipment (City Attorney's E-Discovery and Public Records Act Software)</i>  | CITY ATTORNEY        |                  | \$100,000                 |                       |
| <p>This action increases the City Attorney's Office Non-Personal/Equipment appropriation by \$100,000 for the acquisition of high-volume document processing, review, and production software that will enable the City Attorney's Office to respond to an increasing number of Public Records Act (PRA) Requests and electronic-discovery for litigation, in an accurate, timely, and legally defensible manner. Funding was provided in the 2015-2016 Adopted Budget for consultant services to ensure that the infrastructure development and legal framework for PRA requests were closely coordinated between the Information Technology Department and the Attorney's Office. As a result of the consultant's evaluation, it is recommended that the Attorney's Office procure software to aid in processing the high volume of documents to gain immediate improvements in the PRA process.</p> |                      |                  |                           |                       |
| <i>Non-Personal/Equipment (Diridon Area Development Advisor)</i>   | ECONOMIC DEVELOPMENT |                  | \$100,000                 |                       |

This action increases the Office of Economic Development Non-Personal/Equipment appropriation in the amount of \$100,000 (from \$1.3 million to \$1.4 million) for consultant services to enable high-quality corporate development and financing associated with private development and intermodal transportation in the Diridon Area. The 2016-2017 Adopted Budget included one-time funding of \$140,000 for project management services to continue the coordination and development of the Diridon Station Area Plan (DSAP). Additionally, a grant award of \$600,000 was issued to the City from the California High Speed Rail Authority (CHSRA) for 2015-2016 and 2016-2017 to fund project management and consultant services to develop a financing strategy, governance structure, parking strategy, and process to select a master developer for the Diridon area. The work has begun and the process to select the master developer will begin in January 2017. The CHSRA, Valley Transportation Authority, and Caltrain are beginning rail planning and the consultant services are needed for the City to have an input in that planning to allow for future corporate development in the area. Given the time sensitive nature of this project, City funds of \$100,000 are recommended through this action to continue the DSAP work.



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## Annual Report 2015-2016

| <u>Action</u>  | <u>Department</u> | <u>Positions</u> | <u>Expenditure<br/>Change</u> | <u>Revenue<br/>Change</u> |
|--|-------------------|------------------|-------------------------------|---------------------------|
| <b>URGENT FISCAL/PROGRAM NEEDS</b>   |                   |                  |                               |                           |
| <i>Non-Personal/Equipment (Legal Fees for Housing Authority Litigation)</i>  | HOUSING           |                  | \$360,000                     |                           |
| <p>This action increases the Housing Department's Non-Personal/Equipment appropriation by \$360,000 to fund a reimbursement payment to the Housing Authority of the County of Santa Clara for legal fees associated with a Housing Authority breach of contract claims against Housing and Urban Development (HUD), which resulted in a \$36 million judgment award to the City Housing Authority by the United States Court of Claims. Because of the various restrictions on the City's Housing funds, these litigation cost must be borne by the General Fund. Information on the authorized uses of the award to the City Housing Authority by the United States Court of Claims will be brought to the City Council by early winter 2017.</p>   |                   |                  |                               |                           |
| <i>Non-Personal/Equipment (Workers' Compensation Third Party Administrator)</i>  | HUMAN RESOURCES   |                  | \$540,000                     |                           |
| <p>This action increases the Human Resources Department Non-Personal/Equipment appropriation by \$540,000 to support a third-party administrator (TPA) for a portion of the Workers' Compensation Program for the period of January 1, 2017 through June 30, 2017. Currently, as part of an alternative service delivery pilot program, a TPA is handling approximately half of the City's workers' compensation claim administration cases as well as all City bill review, utilization review, and medical management, and provides for the use of a Medical Provider Network. As approved by the City Council on June 21, 2016, after three amendments, the current TPA agreement for these workers' compensation program services was extended for a fourth time, from July 1 through December 31, 2016, in order to provide sufficient time to prepare a new Request for Proposals (RFP) and to review and accept bids for these services through the standard procurement process. As planned, the RFP was initiated this fall and is in its final stages before award. Based on a preliminary estimate, additional funding will be needed to award a new contract for the second half of the year and additional ongoing funding for these services will also be required. The Human Resources Department will bring forward a recommendation to the City Council regarding the Workers' Compensation Program service delivery model, which will include a new TPA contract, by November 2016. This action ensures that funding for these workers' compensation services can be provided for the remainder of the year.</p> |                   |                  |                               |                           |

**TOTAL URGENT FISCAL/PROGRAM NEEDS**

\$1,350,000

\$0

**General Fund Recommended Budget Adjustments Totals**

| <u>Positions</u> | <u>Expenditure<br/>Change</u> | <u>Revenue<br/>Change</u> |
|------------------|-------------------------------|---------------------------|
| ( .75)           | \$8,723,606                   | \$1,869,621               |