



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Margaret McCahan

**SUBJECT: LOCAL SALES TAX BUDGET  
ADJUSTMENTS**

**DATE:** June 1, 2018

Approved

Date

6-1-18

## RECOMMENDATION

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

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

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

## **BACKGROUND**

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

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

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

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

### **ANALYSIS**

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

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

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

HONORABLE MAYOR AND CITY COUNCIL  
June 1, 2018  
**Subject: Local Sales Tax Budget Adjustments**  
Page 4

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

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

**COORDINATION**

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

**PUBLIC OUTREACH**

This memorandum will be provided to the Citizens Oversight Committee.



MARGARET MCCAHAN  
Budget Director

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

Attachment A: 2018-2019 Local Sales Tax Spending Plan

## 2018-2019 Local Sales Tax Spending Plan

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

## 2018-2019 Local Sales Tax Spending Plan

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

## 2018-2019 Local Sales Tax Spending Plan

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

## 2018-2019 Local Sales Tax Spending Plan

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



## 2018-2019 Local Sales Tax Spending Plan

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

## 2018-2019 Local Sales Tax Spending Plan

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

## 2018-2019 Local Sales Tax Spending Plan

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