


2014-2015

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OPERATING BUDGET



ATTACHMENT A -  
GENERAL FUND  
BALANCING  
STRATEGY DETAIL



## General Fund Balancing Strategy Detail

### 2014-2015 Proposed Operating Budget

#### INTRODUCTION

This Attachment is intended to provide a more detailed summary of the key actions taken to balance the 2014-2015 Proposed General Fund Budget. Revisions to the February Base Budget Forecast, as well as the key elements of the strategy to bring the General Fund into balance in the Proposed Budget are described.

In February 2014, the Administration prepared formal projections for the 2014-2015 General Fund Budget as part of the *2014-2015 City Manager's Budget Request & 2015-2019 Five-Year Forecast and Revenue Projections* document that was presented to the City Council. The 2014-2015 "base-case" projections in that document estimated a 2014-2015 General Fund shortfall of approximately \$1.5 million (no Development Fee Program impact assumed given that the four fee programs are designed to be set at 100% cost-recovery levels). This shortfall represented the gap between projected 2014-2015 General Fund resources and the expected cost of approved 2014-2015 Base Budget services in next year's terms, as well as several City Council "committed" augmentations (e.g., the costs of operating and maintaining new facilities previously approved to be built).

Subsequent to the release of the February Forecast and based on updated information, a number of revisions to both expenditures and revenue estimates were made, which constituted the **Revised Base Budget Forecast** included in the Proposed Budget.

The revisions to the February Base Budget Forecast included a series of changes that produced an increase in General Fund sources and an increase in overall uses. These changes resulted in a decrease of \$2.6 million to the estimated General Fund shortfall, resulting in a \$1.1 million surplus (no Development Fee Program impact assumed). With the Development Fee Program impact included, the surplus grew to \$2.5 million. This is the amount that is addressed by the Proposed Budget balancing plan. These adjustments to the February Base Budget Forecast are described in more detail later in this section.

The Proposed Budget contains a set of recommended actions that increase both overall General Fund sources (by a total of \$49.5 million), and increase net uses (by \$52.0 million) from the Revised Base Budget Forecast, bringing the overall General Fund into balance for 2014-2015. The increase in sources of \$49.5 million include several major components: a higher Available Fund Balance of \$46.3 million, of which \$40.8 million reflects the elimination of the 2014-2015 Future Deficit Reserve and other earmarked reserves for specific services in 2014-2015; an increase in transfers and reimbursements from other funds of \$1.9 million; other revenue changes of \$0.8 million; and additional revenue from grants, reimbursements, and fees totaling \$0.5 million. The increase in uses of \$52.0 million included additional funding for the following: service level enhancements (\$21.3 million); several earmarked reserves (\$11.1 million), repayment of SERAF former Redevelopment Agency/City loans (\$10.2 million), development fee program as well as other fee and grant program services (\$5.3 million), a 2015-2016 Future Deficit Reserve (\$4.2 million); a small number of critical unmet/deferred infrastructure and maintenance needs (\$2.6 million); and to continue 2013-2014 one-time funded services (\$2.0 million). These increases are partially offset by savings realized from

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### INTRODUCTION

cost reductions and service delivery efficiencies (\$3.8 million) and decreases due to the use of reserves that had been established to address 2014-2015 City Council committed additions and unmet/deferred infrastructure and maintenance needs (\$1.0 million) that were included in the February Forecast. The result of these actions is a balanced 2014-2015 General Fund Proposed Budget of \$974.0 million.

Table I below displays the overall projections for the 2014-2015 General Fund as they changed between the February Base Budget Forecast and the Proposed Budget. Table II summarizes the changes from the February Base Budget Forecast to the Revised Base Budget Forecast, including both Forecast revisions and the development fee program impact. The specific elements of the City Manager's Proposed Budget balancing strategy are summarized in Table III.

**Table I**  
**2014-2015 PROPOSED OPERATING BUDGET**  
**Forecast To Proposed Budget Reconciliation (in \$000s)**

	Total Sources	Total Uses	(Shortfall)/ Surplus
<b>February Base Budget Forecast</b>	<b>\$ 918,868</b>	<b>\$ 920,416</b>	<b>(\$ 1,548)</b>
Forecast Revisions	4,283	1,677	2,606
<b>Revised Base Budget Forecast (no fee impact)</b>	<b>923,151</b>	<b>922,093</b>	<b>1,058</b>
Development Fee Program Impact	1,325	(69)	1,394
<b>Revised Base Budget Forecast (with fee impact)</b>	<b>924,476</b>	<b>922,024</b>	<b>2,452</b>
Proposed Revisions	49,498	51,950	(2,452)
<b>2014-2015 Proposed Budget</b>	<b>\$ 973,974</b>	<b>\$ 973,974</b>	<b>\$ 0</b>

### REVISED BASE BUDGET FORECAST

As discussed previously, following the issuance of the February Base Budget Forecast, detailed analysis of the status of General Fund revenues and expenditures continued. Based on this review, the Proposed Budget incorporates a series of changes to the February Base Budget Forecast estimates for both sources and uses to form a Revised Base Budget Forecast. This Revised Base Budget Forecast resulted in a revised surplus estimate of \$2.5 million (with the Development Fee Program Impact), an increase of \$4.0 million from the \$1.5 million shortfall in the February Base Budget Forecast (with no Development Fee Program impact assumed). Changes are detailed in Table II on the following page.

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**2014-2015 Proposed Operating Budget**

**REVISED BASE BUDGET FORECAST**

**Table II**  
**2014-2015 REVISED BASE BUDGET FORECAST**  
**Summary of Changes (in \$000s)**  
 (Forecast Revisions combined with Development Fee Program Impact)

<b>Sources</b>	<b>Revision</b>
Sales Tax	\$ 2,300
Departmental Charges	1,768
Transfers and Reimbursements	862
Licenses and Permits	695
Other Revenue	247
Business Taxes	200
Beginning Fund Balance	(339)
Utility Tax	(125)
<b>Net Change in Sources</b>	<b>\$ 5,608</b>

<b>Uses</b>	<b>Revision</b>
Transfer to City Hall Debt Service Fund	\$ 525
Living Wage Increase	470
Non-Personal/Equipment and City-Wide Expenses Adjustments	423
Position and Funds Realignment	259
Development Fee Program Changes	(69)
<b>Net Change in Uses</b>	<b>\$ 1,608</b>

<b>Total Change (Shortfall)/Surplus</b>	<b>\$ 4,000</b>
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## General Fund Balancing Strategy Detail

### 2014-2015 Proposed Operating Budget

#### REVISED BASE BUDGET FORECAST

Following is a description of the Revised Forecast changes in General Fund sources:

- The Sales Tax estimate was increased \$2.3 million to reflect higher than anticipated collections for the second quarter of 2013-2014 (7.9% growth compared to estimated 3.5% growth).
- The Departmental Charges category was increased by \$1.8 million as follows: an increase of \$1.05 million to the Public Works Development Fee Program revenue estimate to reflect anticipated 2014-2015 collection and activity levels; an increase of \$446,000 to the Parks, Recreation and Neighborhood Services Departmental Charges to align revenues with current estimated activity levels; an increase of \$142,000 in Sidewalk Program Administrative charges to align with current activity levels (offset by increases in base costs to administer this service); an increase of \$122,000 in Solid Waste Fees revenue estimate to align with 2014-2015 base expenditure; an increase of \$50,000 to the General Plan Update revenue estimate to reflect the anticipated 2014-2015 collection and activity levels (offset by an increase in the General Plan Update Earmarked Reserve); a net increase of \$7,000 to reflect the realignment of revenues for various fees and charges revenue estimates with base activity levels for the Finance Department Collection Fee (\$12,000) and Administrative Remedies Lien (\$3,000), slightly offset by a decrease in the Clerk's Office Lobbyist Registration Fees (\$8,000); a decrease of \$48,000 to reflect the restatement of Enterprise Zone Fee revenue to eliminate revenues associated with the payment of 0.20 position and overhead costs from fee activities as this program is recommended to be eliminated.
- The Transfers and Reimbursements category was increased by a net \$862,000 as follows: a net increase of \$735,000 to reflect updated overhead reimbursements from operating funds (\$1.1 million), slightly offset by a reduction in capital (\$377,000) funds based on final 2014-2015 base expenditures and final 2014-2015 overhead rates as provided by the Finance Department; an increase of \$150,000 to the estimate for Gas Tax based on the collection trend experienced in 2013-2014; a net reduction of \$23,000 to align transfers with the 2015-2019 Proposed Capital Improvement Programs, including a decrease in the Construction Excise Tax Fund (\$25,000) slightly offset by an increase in the Construction and Conveyance Tax Fund (\$2,000).
- The Licenses and Permits category was increased a net \$695,000 as follows: an increase of \$713,000 to the Fire Permits revenue estimate (development fee program related revenues up \$613,000 to \$7.0 million and non-development related revenues up \$100,000 to \$4.0 million) to reflect anticipated 2014-2015 collection and activity levels; an increase of \$4,000 to reflect the realignment of revenues for the Finance Department Handbill Permits with base activity levels; and a decrease of \$23,000 to reflect the reallocation of revenues for Office of Economic Development Special Events permit revenues for private and paseo property permits from the General Fund to the Transient Occupancy Tax Fund. This is consistent with the reallocation of staff costs associated with these services which occurred in the 2014-2015 base budget and ensures the fees reimburse the appropriate funding source.

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### REVISED BASE BUDGET FORECAST

- The Other Revenue category was increased a net \$247,000 as follows: an increase of \$250,000 for the new revenue sharing agreement with the City's banking services provider due to a change in the vendor payment process, as approved in the 2013-2014 Adopted Budget, which was erroneously excluded in the February Forecast, partially offset by a decrease of \$3,000 to reflect the realignment of Finance Department revenue estimates for the Return Check Fee with base activity levels.
- The Business Taxes category was increased \$200,000 to reflect a revised estimate for Disposal Facility Tax revenues based on the current collection trend experienced in 2013-2014 which has seen increased activity from neighboring agencies dumping in San José landfills.
- A decrease of \$339,000 to the Beginning Fund Balance to reverse the assumed liquidation of the Public Works Development Fee Program Reserve. With the \$1.05 million increase in the Public Works Development Fee Program revenue estimate, the liquidation of the reserve is no longer necessary to ensure the program remains balanced.
- A net decrease of \$125,000 in the Utility Tax category to reflect a decrease to the estimate for Gas Utility Taxes (\$225,000, from \$9.3 million to \$9.1 million), partially offset by an increase to the estimate for Telephone Utility Taxes (\$100,000 to \$33.0 million from \$33.1 million) based on the current collection trend experience in 2013-2014.

Following is a brief description of the Revised Forecast changes in General Fund uses:

- An increase of \$525,000 to the Transfer to the City Hall Debt Service Fund is included to reflect revised calculations from the Public Works and Finance Departments for the General Fund's share of City Hall debt services costs when compared to the assumptions used in the February Forecast.
- An increase of \$470,000 to the Police, Planning, Building, and Code Enforcement, Library, and Parks, Recreation, and Neighborhood Services Departments is included to reflect an increase to living wage rates effective July 1, 2014. These rates were released after the development of the February Forecast and these adjustments ensure sufficient funding to cover the increased living wage costs anticipated for 2014-2015.
- A net increase of \$423,000 reflects non-personal/equipment and City-Wide Expenses adjustments. This includes increases for Parks, Recreation, Neighborhood Services Department for soccer, parking, and other parks fee activities, updates to the General Plan Update Earmarked Reserve based on actual collections, and city-wide elections costs based on recent ballot measure information.

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### REVISED BASE BUDGET FORECAST

- A net increase of \$259,000 reflects various position and fund realignments, including the reallocation of funding for positions to better align with work currently performed, position transactions approved through the add/delete process, and various funding corrections/adjustments based on updated information.
  
- Minor expenditure adjustments to the Fire (\$69,000) Development Fee Program were included as a result of fund and position realignments. These adjustments, in addition to the Base Budget revenue revisions previously discussed, resulted in a net surplus of \$1.4 million for the Development Fee Programs.

### PROPOSED BUDGET BALANCING STRATEGY

As summarized in Table III and discussed on the following page, the Administration's budget balancing strategy allocated a \$2.5 million (with the Development Fee Program Impact) General Fund surplus and resulted in a balanced 2014-2015 General Fund Proposed Budget totaling \$974.0 million.



**General Fund Balancing Strategy Detail**  
**2014-2015 Proposed Operating Budget**

**PROPOSED BUDGET BALANCING STRATEGY**

Table III  
**2014-2015 PROPOSED OPERATING BUDGET**  
**General Fund Balancing Strategy (in \$000s)**

	2014-2015	Ongoing
<b>2014-2015 General Fund Surplus</b>	\$ 1,058	\$ 1,058
<b>Development Fee Program Impact</b>	1,394	1,394
<b>Revised Base Budget Forecast</b>	\$ 2,452	\$ 2,452
<b>Source of Funds</b>		
Available Fund Balance:		
2014-2015 Future Deficit Reserve	\$ 18,112	\$ 0
Successor Agency City Legal Obligations Reserve	8,000	0
Development Fee Program Reserves	4,232	3,120
Police Department Overtime Reserve	4,000	0
Homeless Rapid Rehousing/Homeless Response Team Res.	3,500	0
San José BEST and Safe Summer Initiative Reserve	1,500	0
Various Other Reserve Eliminations	1,458	0
Additional 2013-2014 Ending Fund Balance	5,500	0
Grants/Reimbursements/Fees:		
Multiple Housing Fee Program Restructure	885	885
Parks, Recreation and Neighborhood Services Fees/Activity	429	220
Development Fee Program Fees (Building and Public Works)	(546)	(546)
Other Fee Programs/Reimbursements	(253)	(422)
Other Revenue Changes:		
2010 COPS Grant Hiring Program Extension	600	0
Miscellaneous Other Revenue	196	223
Transfers and Reimbursements:		
Overhead Reimbursements	1,158	1,038
Transfers from Other Funds	727	250
<b>Subtotal Source of Funds</b>	<b>\$ 49,498</b>	<b>\$ 4,768</b>
<b>Use of Funds</b>		
Service Level Enhancements	\$ 21,306	\$ 4,584
Earmarked Reserves (e.g., Homeless, Essential Svces, San José BEST, Air Service, HR/Payroll, Business Tax, Contingency)	11,070	500
SERAF Former Redevelopment Agency/City Loans Repayment	10,200	0
Development Fee Programs	4,457	3,268
2015-2016 Future Deficit Reserve	4,200	0
Unmet/Deferred Infrastructure and Maintenance	2,620	0
2013-2014 One-Time Funded Services	1,989	1,039
Other Fee Programs/Grants	880	634
Cost Reductions/Service Delivery Efficiencies	(3,768)	(2,538)
Use of Reserves (Committed Additions/Deferred Infrastructure)	(1,004)	(267)
<b>Subtotal Use of Funds</b>	<b>\$ 51,950</b>	<b>\$ 7,220</b>
<b>Total Balancing Strategy</b>	<b>\$ (2,542)</b>	<b>\$ (2,542)</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>

## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

As summarized in Table III on the previous page and discussed below, the Administration's budget balancing strategy allocated a \$2.5 million (with the Development Fee Program Impact) General Fund surplus, resulting in a balanced 2014-2015 General Fund Proposed Budget totaling \$974.0 million.

Specific City Council direction regarding the preparation of the Proposed Budget was provided in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council (see Appendices Section of this document). The details of the specific direction of that Message and the corresponding responses contained in this budget are provided in Attachment B following this section in the City Manager's Message. Attachment C contains information regarding the status of City Auditor recommendations with funding impacts.

Following is a brief discussion of the key elements of the budget balancing actions that are included in the Proposed Budget.

#### Source of Funds

From the Revised Forecast of \$924.5 million, a net increase of \$49.5 million to the General Fund revenue estimates are recommended, bringing the 2014-2015 Proposed Budget revenue estimate to \$974.0 million. The components of this increase include an increase to the estimate for 2013-2014 Ending Fund Balance/2014-2015 Beginning Fund Balance (\$46.3 million), and an increase to various revenue categories (\$3.2 million). Following is a discussion of those changes, which are further detailed in the General Fund Revenue Estimates section of this document.

#### Available Fund Balance

An increase of \$46.3 million from the Revised Forecast is included bringing the estimated 2014-2015 Beginning Fund Balance from \$57.4 million to \$103.7 million to primarily reflect the elimination of various Earmarked Reserves but also the availability of a small amount of additional 2013-2014 ending fund balance:

The elimination of various Earmarked Reserves totaled \$40.8 million, and included the: \$18.1 million 2014-2015 Future Deficit Reserve, \$8.0 million Successor Agency City Legal Obligations Reserve to repay a portion of the Supplemental Educational Revenue Augmentation Fund (SERAF) Loan, \$4.2 million in Development Fee Program Reserves, \$4.0 million Police Department Overtime Reserve, \$2.0 million 2014-2015 Homeless Rapid Rehousing Reserve, \$1.5 million 2014-2015 Homeless Response Team Reserve, \$1.5 million 2014-2015 San José BEST and Safe Summer Initiative Programs Reserve, \$550,000 2014-2015 Children's Health Initiative Reserve, \$508,000 Aircraft Rescue and Firefighting Services Reserve, \$300,000 Wellness Program Reserve, and \$100,000 2014-2015 Community and Action Pride Grants Reserve.

## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Source of Funds

##### Available Fund Balance

In total, additional 2013-2014 Ending Fund Balance of \$5.5 million is also included and reflects increased expectations for additional revenue and expenditure savings in 2013-2014 that will be available for use in 2014-2015. Additional funds are primarily due to additional Sales Tax receipts (\$1.8 million) in the second quarter of 2013-2014 (up 7.9% compared to budgeted growth of 3.5%) and additional Solid Waste Fees (\$600,000) above budgeted estimates. Additional expenditure savings of \$1.5 million is attributed to anticipated savings in the City's 2013-2014 General Fund Successor Agency City Legal Obligations Subsidy. As a result of the most current projected cash flow, it is anticipated that the current budgeted subsidy of \$3.1 million for 2013-2014 will not be necessary and \$1.5 million in savings can be used to assist in the payment of the May 2010 SERAF Loan due in June 2015. The remainder reflects anticipated expenditure savings as a result of higher than budgeted vacancy rates throughout the City in addition to expected City-Wide Expenditure savings such as workers' compensation claims costs.

##### Grants/Reimbursements/Fees

A \$515,000 increase to the revenue estimates is the result of the following adjustments:

- An increase of \$885,000 reflects the implementation of a new three-tier program for Multiple Housing Occupancy Permits offset by additional staffing (5.0 positions).
- An increase of \$429,000 to the Parks, Recreation and Neighborhood Services Department Charges estimate reflects the following: increase in sports fields reservations to be set aside in a reserve for artificial turf field replacements (\$200,000); continues the Get Fit Summer Camps for Kids program that was piloted in 2013-2014 and associated increased fee activity (\$198,000); increased picnic reservations (\$20,000); and revenue associated with new facilities that are scheduled to come on-line in 2014-2015 (\$11,000).
- A decrease of \$546,000 in Development Fee Program revenues includes a \$400,000 decrease in Building Permits to reflect two changes in the Building Development Fee Structure: 1) revise the business process to small residential alterations, and 2) reduce the base hours charged for permit issuance by 50%; and a \$146,000 decrease in the Public Works Development Program by adjusting targeted fees in the following categories: Common Interest Development Engineering and Inspection; Erosion and Sediment Control; Grading Permit/Plan Checking; and the Private Utility Permits (targeted to residential customers/streamlined service opportunities).

## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Source of Funds

##### Grants/Reimbursements/Fees (Cont'd.)

- A net decrease of \$253,000 to reflect the following adjustments:
  - An increase of \$170,000 reflects a payment from the Santa Clara Valley Water District (SCWVD) to partially offset the costs of four Park Ranger positions that were added to support the 2014-2015 Homeless Response Team.
  - An increase of \$125,000 in Fire non-development permits reflecting a 3% increase in fees to offset cost increases and maintain a 100% cost recovery level.
  - A decrease of \$310,000 adjusts the Solid Waste Enforcement Fee down to maintain 100% cost recovery levels; a 11.5% fee reduction from \$1.31 per ton to \$1.16 per ton.
  - A \$300,000 ongoing decrease in wellness program revenues, historically provided by the City's health providers, as negotiated, necessitating a service evaluation to ensure remaining revenues align with the highest program needs. A review of medical services and wellness programs will ensure that current service levels are provided in the most efficient and cost-effective manner.
  - A decrease of \$135,000 eliminates revenues associated with the Enterprise Zone Incentive program that was designed to encourage business investment and promote job creation. However, this program was terminated on December 31, 2013 by the passage of AB93 and SB90. A corresponding elimination of 1.0 position and contractual services offsets this loss for a net zero impact.
  - A net increase in other fee programs of \$197,000 to reflect changes in various fee levels increasing revenue estimates in the Department of Transportation (\$109,000), Animal Care and Services (\$31,000), Police Department (\$14,000), Code Enforcement Fees (\$13,000), Clerk's Office (\$9,000), and Sidewalk Repairs (\$89,000) partially offset by a decrease in Finance Department (\$69,000) to maintain cost recovery levels and adjust for proposed changes in costs.

##### Other Revenue Changes

Miscellaneous revenue changes resulted in a net increase of \$796,000 and include the following adjustments:

- A one-time increase of \$600,000 in additional revenue from the approved extension of the 2010 COPS grant through August 31, 2015.

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### PROPOSED BUDGET BALANCING STRATEGY

#### Source of Funds

##### Other Revenue Changes (Cont'd.)

- An increase of \$161,000 reflects an increase in the Commercial Solid Waste (CSW) fees by 1.46% based on the consumer price index. In October 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is \$5.0 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and South District. The revised structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years. It should be noted that the City did not increase this fee last year.
- An increase of \$31,000 in parking citations revenue offset by a corresponding addition of 1.0 Parking Traffic Control Officer to enforce 40 curb miles of prohibitive parking signs on residential streets that experience high parking impacts which would result in reducing the City's trash load and producing cleaner streets.
- A net increase of \$5,000 to reflect an increase of \$17,000 in the estimated reimbursement from Christmas in the Park Foundation, offset by a decrease of \$12,000 as a result of staffing adjustments to the Deferred Compensation Program which are reimbursed.

##### Transfers and Reimbursements

A net increase of \$1.2 million in anticipated overhead reimbursements is included to reflect the impact of various budget actions in the Proposed Budget that change the staffing levels funded by special and capital funds.

A net increase of \$727,000 is included from transfers from other funds and reflects the following adjustments:

- A one-time transfer of \$750,000 in revenue from expired special assessment districts. In 2008-2009, Finance staff completed an analysis of 50 expired special assessment districts with remaining cash balances. Based on that review, in accordance with State law, the availability of surplus funds was announced to be claimed by current and former property owners. With the statute of limitations, any unclaimed funds may be transferred to the General Fund. The initial deadline to claim a portion of the surplus funds was in March 2012, after which time unclaimed funds in the amount of \$1.2 million were transferred to the General Fund. The next and final deadline to claim the remaining portion of the surplus funds is in May 2014. It is expected that approximately \$750,000 will remain unclaimed and be available for transfer to the City in 2014-2015.

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### PROPOSED BUDGET BALANCING STRATEGY

#### Source of Funds

##### Transfers and Reimbursements (Cont'd.)

- An ongoing transfer of \$250,000 from the General Purpose Parking Fund (\$210,000) and the Transient Occupancy Tax Fund (\$40,000) to provide a total 2014-2015 subsidy of \$420,000 to the San José Downtown Association (SJDA). Funding will allow for the continued partnership with the City in activating and promoting downtown.
- A one-time transfer of \$234,000 from various special and capital funds to offset a portion of the recommended \$1.0 million reserve for an alternative solution to the City's current Human Resources/Payroll System.
- A decrease of \$508,000 to the transfer from the Airport Maintenance and Operation Fund to reimburse the General Fund for aircraft rescue and firefighting services provided by the Fire Department. This action is offset by the liquidation of the Aircraft Rescue and Firefighting Services Reserve that was set aside from the extension of the Fire SAFER 2011 Grant in 2013-2014. This action will maintain sworn Fire Fighter staffing levels in the Fire Department and avoid layoffs.

#### Use of Funds

From the Revised Base Budget Forecast of \$922.0 million, a net increase of \$52.0 million to the General Fund expenditures is recommended, bringing the 2014-2015 Proposed Budget Use of Funds estimate to \$974.0 million. A listing of the Proposed Budget modifications is provided by specific categories in Table III and briefly discussed in the following pages. Further detail is incorporated into the CSA and departmental sections of this document.

##### Service Level Enhancements

Total funding of \$21.3 million is included in the Proposed Budget for service level enhancements. The largest investments include funding for City staff relocation due to the build out of the United States Patent and Trademark Office (\$4.5 million) in the City Hall Wing, Police Department overtime (\$4.0 million), the continuation of the Homeless Rapid Rehousing Program (\$2.0 million), the continuation of a Homeless Response Team (\$1.5 million), additional resources for the San José BEST and Safe Summer Initiative Programs (\$1.5 million), and resources for the Police Department background and recruiting support (\$710,000) and to fund a third Police Recruit Academy (\$640,000).

## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Use of Funds

##### *Earmarked Reserves*

One-time Earmarked Reserves, totaling \$11.1 million are included in the Proposed Budget. This includes funding to continue various services in 2015-2016: the Homeless Rapid Rehousing Program (\$2.0 million), Homeless Response Team (\$1.5 million), San José BEST and Safe Summer Initiative Programs (\$1.5 million), and Community Action and Pride Grants (\$100,000). In accordance with the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, an Essential Services Reserve of \$2.0 million is included to fund additional services that are of importance to the community. This reserve will subsequently be allocated by the City Council later in the 2014-2015 budget process. Allocations are also set aside to upgrade the Human Resources/ Payroll System (\$1.0 million) and the Business Tax System (\$850,000), provide funding for the Air Service Incentive Program per a provision of the Airline-Airport Lease and Operating Agreements (\$1.0 million), increase the Contingency Reserve in accordance with City Council Policy I-18 (\$500,000), and provide additional funding for Fiscal Reform Plan implementation (\$500,000).

##### *SERAF Former Redevelopment Agency/City Loans Repayment*

Three transfer appropriations, totaling \$10.2 million, are recommended (Sewage Treatment Plant Connection Fee Fund - \$5.1 million; Subdivision Park Trust Fund - \$3.1 million; and Ice Centre Revenue Fund - \$2.0 million) to complete the payment of the May 2010 Supplemental Educational Revenue Augmentation Fund (SERAF) Loan (\$10.0 million principal, estimated \$200,000 interest) due June 30, 2015. These loans were completed in order for the former Redevelopment Agency to make the State mandated payments to the SERAF. These transfers are offset by the liquidation of the Successor Agency City Legal Obligations Reserve (\$8.0 million) and estimated 2013-2014 expenditure savings as a result of a lower anticipated General Fund net subsidy (\$1.5 million) to the Successor Agency to the Redevelopment Agency. In addition, the reduction of the 2014-2015 estimated General Fund subsidy will fully offset these payments. It is important to note that loans such as these may be deemed an enforceable obligation of the Successor Agency contingent upon requirements as outlined in AB 1484 with repayment anticipated in later years. The Administration continues to work through these requirements; however, this action satisfies the amounts due to these special funds and realigns the loan between the City and Successor Agency between the City's General Fund and the Successor Agency

## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Use of Funds

##### Development Fee Programs

The Proposed Budget includes approximately 29 positions and \$4.5 million of new resources in the Development Fee Programs (Building, Planning, Public Works, and Fire) to meet increased development services activities as described in detail in the Community and Economic Development City Service Area and respective department sections.

##### 2014-2015 Future Deficit Reserve

In accordance with the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the Proposed Budget establishes a 2014-2015 Future Deficit Reserve of \$4.2 million to address the projected shortfall for 2015-2016 that was presented in the 2015-2019 General Fund Five-Year Forecast released in February 2014.

##### Unmet/Deferred Infrastructure and Maintenance

To address a very small portion of the backlog for unmet and deferred infrastructure and maintenance needs, funding of \$2.6 million is included in the Proposed Budget for the City's most urgent repair needs and include the following: information technology investments (\$1.0 million); Children's Discovery Museum chiller (\$700,000) and portico roof (\$250,000) replacements; Police Administration Building and Communications Center parking repairs (\$500,000), municipal garage repainting (\$100,000), and City Hall security improvements (\$50,000).

##### 2013-2014 One-Time Funded Services

In accordance with the 2014-2015 Mayor's March Budget Message, as approved by the City Council, funding is included to continue services that were funded on a one-time basis in the 2013-2014 Adopted Budget. This funding of \$2.0 million includes continuation of the Public Works Department Preventative Maintenance Program (\$1.3 million), Evergreen Branch Library Saturday Hours (\$157,000), CommUniverCity Program (\$100,000), Community Action and Pride Grants (\$100,000-funds additional year of service in 2015-2016), 2-1-1 Santa Clara County Information and Referral Service (\$75,000), La Raza Roundtable/Harvard Study Consensus Building Project (\$50,000), Franklin McKinley Children's Initiative Summer Programming (\$25,000) and Overfelt Swimming Program (\$25,000).



## General Fund Balancing Strategy Detail 2014-2015 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Use of Funds

##### Other Fee/Grant Programs

The addition of 12 positions and funding of \$880,000 is included to support other activities supported by fees, grants, or reimbursements in the Office of Economic Development and the Fire, Planning, Building and Code Enforcement, and Parks, Recreation, and Neighborhood Services Departments.

##### Cost Reductions/Service Delivery Efficiencies

Savings of \$3.8 million are included as a result of cost reductions and service delivery efficiencies. The largest actions include a savings associated with the repurpose of the South San José Police Substation (\$1.7 million), a one-time reduction to the transfer to the Community Facilities Revenue Fund to support Hayes Mansion (\$900,000), and a one-time decrease in the Successor Agency subsidy (\$700,000).

##### Use of Reserves

The Proposed Budget includes the elimination of earmarked reserves that were established in the February Forecast to address the projected additional costs to operate and maintain new parks and recreation facilities (\$193,000), and new traffic infrastructure assets (\$11,000) including traffic signals, landscaping, and street lighting that are scheduled to become operational in 2014-2015. In addition, the liquidation of a reserve (\$800,000) set aside in the February Forecast to fund critical capital maintenance or address urgent technology needs is included in the Proposed Budget.

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