

General Fund Recommended Budget Adjustments Summary

Annual Report 2012-2013

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Business Incentive - Business Cooperation Program</i>	CITY-WIDE EXPENSES		\$120,000	
<p>This action establishes a Business Incentive – Business Cooperation Program appropriation to the Office of Economic Development to provide businesses a rebate of up to 30.0% of the local portion of the State collected use tax revenue as a result of the use tax deliberately allocated to San José by participating companies, in the acquisition of equipment and or construction materials in San José. This initial funding provides a rebate related to the construction of the new Samsung headquarters for the construction contractors participating in the Business Cooperation Program. In 2013-2014, it is anticipated that approximately \$400,000 in additional use tax revenues will be collected by the City from construction contractor participation. Of this amount, 30.0% (\$120,000) will be a rebate to selected construction contractors working on the Samsung construction project. In 2014-2015, it is anticipated that an additional \$280,000 in use tax revenues will be collected and the rebate of \$70,000 will be included as part of the 2014-2015 budget process.</p>				
<i>Business Incentive - Business Cooperation Program Administration</i>	CITY-WIDE EXPENSES		\$56,000	
<p>This action establishes a Business Incentive – Business Cooperation Program Administration appropriation to the Office of Economic Development to fund the contractual services provided by Municipal Revenue Advisors (MRA). As part of the Business Cooperation Program, businesses can receive a rebate of up to 30.0% of the local portion of the use deliberately allocated to San José in the acquisition of equipment and/or construction materials in San José. After the rebate to the participating companies, 20% of the net revenues will be remitted to MRA as contract fees for their services. Municipal Revenue Advisors provides technical assistance to participating Business Cooperation companies in identify eligible purchases and the appropriate procedures for allocating tax to the City of San José. In addition, MRA will verify the City of San José has received the new use tax revenue and can prepare the necessary requests on participating companies behalf for reimbursement per City ordinance. In 2014-2015, it is anticipated funding for the MRA contract will be \$42,000, which will be included as part of the 2014-2015 budget process.</p>				
<i>Business Incentive - Maxim Integrated Products</i>	CITY-WIDE EXPENSES		\$42,000	
<p>This action establishes the Business Incentive - Maxim Integrated Products appropriation to the Office of Economic Development to provide a Utility User Tax rebate of up to \$600,000 over five years to Maxim Integrated Products, as previously approved by the City Council on January 25, 2011. The business incentive rebates 50.0% of Utility User Tax paid to the City over \$10, back to the business. The incentive was created to incentivize Maxim Integrated Products to relocate their headquarters to San José, CA from Sunnyvale, CA.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Council District #2 Special Event Sponsorship</i>	MAYOR & COUNCIL		\$6,445	
This action increases the Council District #2 appropriation to reflect sponsorship funding received in 2012-2013 for reimbursement of costs for various special events co-sponsored with Council District #2 such as African American Flag Raising, Future Roots Festival, and Veterans Event.				
<i>Council District #8 Special Event Sponsorship</i>	MAYOR & COUNCIL		\$3,475	
This action increases the Council District #8 appropriation to reflect sponsorship funding received in 2012-2013 for reimbursement of costs for various special events co-sponsored with Council District #8 such as Day in the Park, Senior Walk/Health Fair, Jewish American Flag Raising, and Movie Night.				
<i>Council District #9 Special Event Sponsorship</i>	MAYOR & COUNCIL		\$3,000	
This action increases the Council District #9 appropriation to reflect sponsorship funding received in 2012-2013 for reimbursement of costs for the 8th Annual Cambrian Festival co-sponsored with Council District #9.				
<i>Salaries and Benefits - Health and Dental Savings</i>	EARMARKED RESERVES		(\$2,286,719)	
This action decreases the Salaries and Benefits Earmarked Reserve to reflect health (\$2,247,667) and dental (\$39,052) savings based on the actual health and dental rates that are projected to be implemented on January 1, 2014. Based on actual contracted costs negotiated between the Human Resources Department and the City's health and dental providers, only a 1.0% increase to the City's health contribution rates and no increase to the dental contribution rates are required in 2013-2014. Sufficient departmental vacancy savings are anticipated to be available to cover the 1.0% increase in City contributions. These actual rate increases compare to budgeted increases of 11.0% for health and 2.0% for dental, previously projected by the benefits actuarial consultant and programmed as part of the 2013-2014 Adopted Budget.				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
Sales Tax				\$2,400,000
<p>This action increases the estimate for General Sales Tax by \$2.4 million increasing the estimate from \$162.1 million to \$164.5 million. When the 2013-2014 Adopted Budget revenue projection was developed, actual 2012-2013 data was available for the first two quarters, and it was assumed that 3.0% growth would be realized in the last two quarters of 2012-2013. As discussed in the General Fund Revenue Performance section of this report, actual increases in the last two quarters of 2012-2013 were 7.0% and 4.0%, respectively. From this higher revenue base, a 3.0% growth assumption has been applied which is slightly lower than the 4.0% growth factor used in the 2013-2014 Adopted Budget, but is consistent with the most recent forecast provided by MuniServices. It is anticipated that a portion of the growth in 2013-2014 (approximately \$400,000) will be generated from the Business Cooperation Program, which is expected to generate additional use tax for the City. The City's Business Cooperation program is a rebate program designed to have local businesses take a proactive approach in allocating use tax to San José on select purchases. With the recommended change to the underlying 2013-2014 growth assumption from the actual 2012-2013 receipts as well as adjustments associated with the true-up payment from 2012-2013, the recommended 2013-2014 modified budget estimate of \$164.5 million reflects an increase of 3.7% from the 2012-2013 year-end figure of \$158.6 million. The increase in estimated revenues is recommended to fund other actions as described in this report.</p>	REVENUE ADJUSTMENTS			
Transfers and Reimbursements - Airport Maintenance and Operation Fund				(\$419,833)
<p>This action decreases the estimate for Transfers and Reimbursements by \$420,000 to reflect a decrease in overhead reimbursements from the Airport Maintenance and Operations Fund. The Municipally-Funded Air Service Incentive Program, a provision in the Airline-Airport Lease and Operating Agreements approved by the City Council on 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 2012-2013, the percentage growth in annual enplanements at the Airport was 2.7%, which exceeded the Federal Aviation Administration's projection of 0.0% for national enplanement growth for 2012-2013. Therefore, this action recommends a reduction in the 2013-2014 overhead expenses to the Airport by 2.7% (from the adopted overhead rate of 18.25% to 15.55%). A corresponding decrease in the Overhead expenditures in the Airport Maintenance and Operations Fund is recommended in this document.</p>	REVENUE ADJUSTMENTS			
TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS			(\$2,055,799)	\$1,980,167

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GRANTS/REIMBURSEMENTS/FEES				
<i>After School Education and Safety Programs for 2013-2014/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$314,560	\$314,560
<p>This action recognizes and appropriates school district grant funding in the amount of \$314,560 to the Parks, Recreation and Neighborhood Services Department to support after school education and safety programs in the Alum Rock School District for the 2013-2014 school year. The After School Education and Safety Program is a voter-approved initiative to support local after school education and enrichment programs by providing literacy, academic enrichment, and constructive alternatives for students in kindergarten through the ninth grade. A corresponding increase to the estimate for Revenue from Local Agencies is recommended to offset this action.</p>				
<i>Bay Area Electric Vehicle Corridor Project/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$62,800	\$62,800
<p>This action appropriates funding in the amount of \$62,800 to the Public Works Department offset by revenue received from the State of California to install 23 additional electric charging stations for electric and plug-in vehicles throughout San José. A corresponding increase to the estimate for State of California is recommended to offset this action.</p>				
<i>Certified Access Specialist Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$50,000	\$50,000
<p>This action establishes a Certified Access Specialist (CASp) Program appropriation to the Finance Department in the amount of \$50,000, offset by corresponding fee revenues. In compliance with the State Senate Bill 1186, a \$1.00 fee will be collected on each new or renewed City-issued business license for activities and services associated with an expanded CASp Program. This program will increase compliance with ADA improvements and develop educational resources for businesses to facilitate compliance with federal and State disability laws. Of the total fees collected, 30.0% will be transmitted to the State Division of Architect and 70.0% will remain with the City of San José. Of the 70.0% City portion, 95.0% of the funding will fund inspection services in the Planning, Building and Code Enforcement Department and the remaining 5.0% will fund administrative costs in the Finance Department for collections and reporting. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Cirque du Soleil/Other Revenue</i>	CITY-WIDE EXPENSES		\$105,000	\$105,000
<p>This action increases the Cirque du Soleil appropriation to the Office of Economic Development by \$105,000 to recognize new lease agreement revenue from Cirque du Soleil. The lease agreement will permit use of the E-lot from December 2013 to March 2014. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Clean Creeks Healthy Communities/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		(\$93,000)	(\$93,000)
<p>This action decreases the Clean Creeks Healthy Communities appropriation to the Environmental Services Department and the corresponding estimate for Revenue from the Federal Government in the amount of \$93,000. The funding for the fourth year of the grant was previously recognized and appropriated, therefore, an adjustment is necessary to align the revenue and expenditures with the total grant amount.</p>				
<i>Code Enforcement Local Enforcement Agency Grant/Revenue from State of California</i>	PLANNING, BLDG, & CODE ENF		\$29,206	\$29,206
<p>This action increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation by \$29,206 and recognizes equal grant funding from the State of California for supplies, training, and software maintenance associated with the solid waste facilities permit and inspection program.</p>				
<i>Council District #2 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$5,200	\$5,200
<p>This action appropriates sponsorship funding in the amount of \$5,200 to Council District #2. These funds will support a variety of special events co-sponsored by Council District #2, including the African American Flag Raising, Future Roots Festival, and Indian Independence Flag Raising events. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Council District #2 Surplus Campaign Funds/Other Revenue</i>	MAYOR & COUNCIL		\$1,494	\$1,494
<p>This action appropriates funding to Council District #2 to reflect revenue to the City in the form of a donation of surplus campaign funds from Councilmember Kalra. Under San José Municipal Code Section 12.06.720, a candidate has two choices for the disposition of any surplus campaign funds: 1) return the funds to contributors on a pro rata basis, or 2) donate the funds to the City's General Fund. Councilmember Kalra's campaign has issued a check to the City for the balance of the campaign account, which has been received by the Office of City Clerk and deposited in the General Fund. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Council District #4 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$954	\$954
<p>This action appropriates sponsorship funding in the amount of \$954 to Council District #4. These funds will support a variety of special events co-sponsored by Council District #4, including the Health Fair event and the 38th Black April Commemoration event. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Council District #7 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$19,300	\$19,300
<p>This action appropriates sponsorship funding in the amount of \$19,300 to Council District #7. These funds will support the Mid Autumn Festival co-sponsored by Council District #7. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Council District #8 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$3,650	\$3,650
<p>This action appropriates sponsorship funding in the amount of \$3,650 to Council District #8. These funds will support a variety of special events co-sponsored by Council District #8, including Day in the Park, Senior Walk/Health Fair, and Movie Night events. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Council District #9 Special Event Sponsorship/Other Revenue</i>	MAYOR & COUNCIL		\$14,600	\$14,600
<p>This action appropriates sponsorship funding in the amount of \$14,600 to Council District #9. These funds will support the 8th Annual Cambrian Festival co-sponsored by Council District #9. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Diabetes Management Grant for Mayfair Community Center Day Camp/Other Revenue</i>	PARKS, REC, & NEIGH SVCS		\$1,500	\$1,500
<p>This action increases the Parks, Recreation and Neighborhood Services Non-Personal/Equipment appropriation and corresponding estimate for Other Revenue by \$1,500 to support diabetes management camp costs at Mayfair Community Center. This allocation from the National Diabetes Association will fund a one-week day camp to educate children ages 3-14 with Type 1 (insulin-dependent) diabetes and their parents on the best ways to manage their condition.</p>				
<i>Drug Enforcement Agency San José Resident Office Task Force/Revenue from Federal Government</i>	POLICE		\$17,202	\$17,202
<p>This action recognizes and appropriates funding in the amount of \$17,202 from the Federal Drug Enforcement Agency to the Police Department for overtime expenses related to the Drug Enforcement Agency San José Resident Office Task Force. The task force is investigating illegal activities in San José and has requested assistance from San José Police Department personnel. A corresponding increase to the estimate for Revenue from Federal Government is recommended to offset this action.</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Maddie Lifesaving Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$146,987	\$146,987
<p>This action increases the Maddie Lifesaving Grant appropriation to the Public Works Department in the amount of \$146,987 to recognize revenue received from the Duffield Family, dba Maddie's Fund. This grant will enhance the Animal Care and Services Division's ability to support and manage additional off-site adoption drives and promotion and outreach activities that would otherwise be beyond the capability of the division. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>PG&E Summer Cooling Shelter Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$7,000	\$7,000
<p>This action recognizes and appropriates a PG&E Summer Cooling Shelter Program grant to the Parks, Recreation and Neighborhood Services Department in the amount of \$7,000. PG&E supports local governments in raising awareness of heat safety measures and in sheltering residents to mitigate health risks on extremely hot days. This past summer, the City's cooling center plan was activated at several community centers including: Cypress, Southside, Roosevelt, Berryessa, Mayfair, Willow Glen, Seven Trees, Evergreen, Camden, and Almaden Community Centers from July 1 through July 3, 2013, and provided shelter to 75 residents. A corresponding increase to the estimate for Other Revenue is recommended to offset this action.</p>				
<i>Selective Traffic Enforcement Grant Program 2013-2014/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$183,917	\$183,917
<p>This action recognizes and appropriates funds from the State of California Office of Traffic Safety to the Police Department in the amount of \$183,917 to fund Police Officer overtime to conduct targeted driving under the influence (DUI) patrols and distracted driving enforcement during the term of the grant (October 1, 2013 through September 30, 2014). The remaining portion (\$61,305) of the total grant award (\$245,222) will be appropriated next fiscal year. A corresponding increase to the estimate for Revenue from State of California is recommended to offset this action.</p>				
<i>Senior Nutrition Program/Revenue from Local Agencies</i>	PARKS, REC, & NEIGH SVCS		\$873,875	\$873,875
<p>This action recognizes and appropriates funding of \$873,875 from the County of Santa Clara Department of Aging and Adult Services to the Parks, Recreation and Neighborhood Services Department Non-Personal/Equipment appropriation for the Senior Nutrition Program. Total cost for this program in 2013-2014 is \$1.4 million including the ongoing meal enhancement options approved as part of the 2013-2014 Adopted Budget; \$532,000 represents the City share and \$874,000 is reimbursed by the County. This funding will be used to reimburse the City's vendor for the cost of meals for seniors at all 13 senior nutrition sites.</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<p><i>Silicon Valley Regional Interoperability Authority (SVRIA) Computer Aided Dispatch (CAD) Interface/Revenue from Local Agencies</i></p> <p>This action recognizes and appropriates funding of \$95,852 from the County of Santa Clara to the Police Department to purchase an interface between the San José Police and Fire Dispatch Computer Aided Dispatch (CAD) system and the Silicon Valley Regional Interoperability Authority Data Exchange (SVRIA-DX) system. This system will allow the San José Police Department and San José Fire Department to interface with other public safety agencies in the County. A corresponding increase to the estimate for Revenue from Local Agencies is recommended to offset this action.</p>	POLICE		\$95,852	\$95,852
<p><i>Sobriety Checkpoint Grant Program 2013-2014/Revenue from State of California</i></p> <p>This action recognizes and appropriates funds from the State of California Office of Traffic Safety to the Police Department to fund Police Officer overtime to staff driving under the influence (DUI) checkpoints during the term of the grant (October 1, 2013 through September 30, 2014). The remaining portion (\$30,750) of the total grant award (\$123,000) will be appropriated next fiscal year. A corresponding increase to the estimate for Revenue from State of California is recommended to offset this action.</p>	CITY-WIDE EXPENSES		\$92,250	\$92,250
<p><i>Summer Youth Nutrition Program/Revenue from Federal Government</i></p> <p>This action recognizes and appropriates federal grant funding of \$30,012 to the Parks, Recreation and Neighborhood Services Department for the 2013 Summer Food Service Program. This program, administered by the California Department of Education Nutrition Services Division, provides lunches and snacks to youth at the Bascom, Mayfair, Roosevelt, and Seven Trees Community Centers. A corresponding increase to the estimate for Revenue from Federal Government is recommended to offset this action.</p>	CITY-WIDE EXPENSES		\$30,012	\$30,012
<p><i>Water Hydration Station/Revenue from Local Agencies</i></p> <p>This action increases the Parks, Recreation and Neighborhood Services (PRNS) Department Non-Personal/Equipment appropriation and corresponding estimate for Revenue from Local Agencies by \$5,000 to fund water hydration stations. This allocation from the Santa Clara County Public Health Department adds hydration stations (areas where users can fill reusable containers with filtered water) in places where families and children gather. PRNS will be installing a station in Caesar Chavez Plaza Park; the department is still evaluating the most beneficial locations for the other stations to go.</p>	PARKS, REC, & NEIGH SVCS		\$5,000	\$5,000

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GRANTS/REIMBURSEMENTS/FEES				
<i>Wells Fargo Summer Youth Scholarship Program/Other Revenue</i>	PARKS, REC, & NEIGH SVCS		\$10,000	\$10,000
<p>This action increases the Parks, Recreation and Neighborhood Services Personal Services appropriation and corresponding estimate for Revenue from Local Agencies in the amount of \$10,000 to help fund PRNS Camp San José. This camp, provided to boys and girls ages 5-13, offers traditional camp activities such as games, sports, and craft projects, along with specialized activities that include components of science, technology, engineering, and math.</p>				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$1,977,359	\$1,977,359
URGENT FISCAL/PROGRAM NEEDS				
<i>Community Service Officer Vehicles</i>	POLICE		\$250,000	
<p>This action increases the Police Department's Non-Personal/Equipment appropriation by \$250,000 to purchase 14 additional vehicles for the 21 new Community Service Officers (CSOs) that were added to the Department as part of the 2013-2014 Adopted Budget. The Adopted Budget included funding for seven vehicles based on a patrol deployment model that would have been similar to sworn officers. However, after further analysis, it has been determined that for more effective coverage and service to the community for cases such as stolen vehicles, traffic complaints, and non-injury and minor injury vehicle accidents, the CSOs will now be deployed on a Monday through Friday, eight-hour day schedule that will require each position to have its own vehicle. Because the vehicle purchases and build-up take several months to complete, it is recommended to set aside this additional funding now to ensure the vehicles are available when the CSOs complete their training later this fiscal year.</p>				
<i>General Liability Claims</i>	CITY-WIDE EXPENSES		\$6,500,000	
<p>This action increases the General Liability Claims appropriation in 2013-2014 by \$6.5 million (from \$7.9 million to \$14.4 million). As part of the 2013-2014 Adopted Budget, expenditure savings of \$5.9 million were anticipated and rebudgeted as only \$2.0 million in ongoing funding for potential claim awards and litigation settlements is budgeted annually. However, only \$4.2 million was available at the conclusion of 2012-2013. Despite there being insufficient savings to cover the rebudget, not only is a downward adjustment to the appropriation not recommended as would be the usual budget practice, but an increase of \$6.5 million is needed as well to provide sufficient funding for a recent \$4.95 million settlement agreement and \$1.0 million judgment against the City. The remaining funding increase of \$550,000 combined with the remaining appropriation balance of \$7.9 million is needed to ensure sufficient funding for other judgments that have been rendered and other potential claims and litigation settlements against the City that may occur this year.</p>				

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URGENT FISCAL/PROGRAM NEEDS				
<i>Police Department Overtime (Personal Services Reallocation)</i>	POLICE			
<p>This action increases the Police Department's sworn and non-sworn overtime funding in 2013-2014 by \$2.2 million (from \$15.9 million to \$18.1 million) which is approximately equivalent to the overtime expenditures in 2012-2013. This funding will primarily help expand targeted enforcement of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, graffiti, and high profile investigations. As approved as part of the 2013-2014 Adopted Budget, \$4.0 million in overtime funding was added to the base overtime budget level of \$12.0 million, and additional funding is needed as the Police Department works through filling sworn and non-sworn vacancies. This action reallocates \$1.5 million in anticipated 2013-2014 vacancy savings from the salary line item to the overtime line item in the Police Department Personal Services appropriation. Additional overtime funding of \$750,000 is also included as a rebudget action recommended elsewhere in this document.</p>				
<i>San José Police Officers' Association Employee Compensation Planning Reserve</i>	EARMARKED RESERVES		\$1,100,000	
<p>This action increases the San José Police Officers' Association Employee Compensation Planning Reserve in the amount of \$1.1 million from \$10.0 million to \$11.1 million to ensure that sufficient funds are set aside if a negotiated settlement were to occur. Based on the City's most recent offer in negotiations, included in this reserve is funding equivalent to a 3.0% ongoing general wage increase in 2013-2014 as part of a one-year agreement (total one-year funding of \$6.5 million) or a 2.5% ongoing general wage increase in both 2013-2014 and 2014-2015 as well as a one-time 4.0% non-pensionable retention bonus paid in two installments as part of a two-year agreement (total two year funding of \$15.5 million).</p>				

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URGENT FISCAL/PROGRAM NEEDS				
<i>Successor Agency City Legal Obligations</i>				
	EARMARKED RESERVES		(\$2,000,000)	

This action decreases the Successor Agency Legal Obligations Reserve by \$2.0 million (from \$10.0 million to \$8.0 million). This reserve was established to provide the equivalent principal value of loans made between the City and former Redevelopment Agency as part of the SERAF Loan (\$5.0 million from the Sewage Treatment Plant Connection Fee Fund, \$3.0 million from the Subdivision Park Trust Fund, and \$2.0 million from the Ice Centre Revenue Fund) currently due and payable by June 30, 2015. The Adopted Budget, however, also included a contingency plan of \$13.0 million should the Successor Agency to the Redevelopment Agency (SARA) not prevail in litigation with the County of Santa Clara regarding the distribution of property tax increment to the Successor Agency and, among other items, this reserve was on the plan. Although the Successor Agency did prevail at the trial court level, the County has appealed the decision and continues to withhold the funding until a final decision is rendered, causing a current year cash flow shortage for completion of City contractually obligated payments. Due to higher than estimated tax increment growth in 2013-2014, however, the tax increment shortage has been somewhat mitigated, but a \$2.2 million increase to the General Fund Successor Agency City Legal Obligations Subsidy is still required as discussed in this report. The use of a portion of the SARA Reserve is therefore recommended to offset \$2.0 million of the needed subsidy increase. The remaining balance of \$244,000 is recommended to be funded by other actions described in this report. It is anticipated that to the extent possible the Administration will seek to reinstate the \$2.0 million to the SARA Reserve at a later date.

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URGENT FISCAL/PROGRAM NEEDS				
<i>Successor Agency City Legal Obligations Subsidy</i>	CITY-WIDE EXPENSES		\$2,244,000	
<p>This action increases the Successor Agency City Legal Obligations Subsidy by \$2.2 million (from \$850,000 to \$3.1 million) to reflect revised projected cash flow and structural deficits in 2013-2014. As described in the Transmittal Memorandum, due to the combined impact of the withholding of tax increment by the County to fund the County employees retirement plan (PERS levy) and the Water District levy, partially offset by higher than estimated growth in the 2013-2014 property assessment roll, it is anticipated that additional funding of \$2.2 million is needed by SARA in 2013-2014 to ensure sufficient cash flow for the City contractually obligated October 2013 Educational Revenue Augmentation Fund payment. Per the approved 2013-2014 Reimbursement Agreement between the City and SARA, a City Advance for this bonded obligation is eligible to be reimbursed should sufficient SARA cash balances remain at the end of 2013-2014. Revenues and expenditures will continue to be monitored closely and any adjustments or potential intra-year reimbursements will be brought forward for consideration as appropriate.</p> <p>The 2013-2014 Adopted Budget included a contingency plan of \$13.0 million should SARA not prevail in the litigation with the County. Therefore, due to the continued litigation, it is recommended that the Successor Agency Legal Obligations Reserve, a proposal included on the contingency plan, be adjusted downward by \$2.0 million (from \$10.0 million to \$8.0 million) to offset the majority of this recommended action as described elsewhere in this report. The remaining balance of \$244,000 is recommended to be funded by other actions as described in this report.</p>				
TOTAL URGENT FISCAL/PROGRAM NEEDS			\$8,094,000	\$0

General Fund Recommended Budget Adjustments Totals

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
	\$8,015,560	\$3,957,526