


**2012-2013**

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**OPERATING BUDGET**



**ATTACHMENT A -  
GENERAL FUND  
BALANCING  
STRATEGY DETAIL**

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### INTRODUCTION

This Attachment is intended to provide a more detailed summary of the key actions taken to balance the 2012-2013 Adopted General Fund Budget. Significant 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 Adopted Budget are described.

In February 2012, the Administration presented to the City Council formal projections for the 2012-2013 General Fund Budget as part of the *2012-2013 City Manager's Budget Request & 2013-2017 Five-Year Forecast and Revenue Projections* document. The 2012-2013 "base-case" projections in that document estimated a 2012-2013 General Fund surplus totaling approximately \$10.0 million (no development fee impact assumed). This surplus represented the gap between projected 2012-2013 General Fund resources and the expected cost of approved 2012-2013 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).

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 Adopted Budget.

The revisions to the February Base Budget Forecast included a series of changes that produced a reduction in General Fund sources and an increase in overall uses. These changes resulted in a decrease of \$1.0 million to the estimated General Fund surplus, bringing the revised surplus to \$9.0 million (no development fee program impact assumed). With the development fee program impact included, the surplus grew to \$10.4 million. This is the amount that was addressed by the Adopted Budget balancing plan. These adjustments to the February Base Budget Forecast are described in more detail later in this section.

The 2012-2013 City Manager's Proposed Budget that was released in May 2012 contained a set of recommended actions that increased both overall General Fund sources (by a total of \$34.9 million), and increased net uses (by \$45.3 million).

The increase in sources of \$34.9 million included several major components: a higher 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance of \$30.9 million reflecting the liquidation of the 2012-2013 Future Deficit Reserve, the use of a portion of the Development Fee Reserves, as well as an increase in expectations for additional current year excess revenues and expenditure savings; fee and fine changes totaling \$1.8 million; increase in transfers from other funds of \$2.0 million, and miscellaneous revenue changes of \$1.2 million; partially offset by a decrease of \$938,000 to overhead reimbursements resulting from budget actions in several City funds.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### INTRODUCTION

The increase in uses of \$45.3 million included additional funding for the following: establish a 2013-2014 Future Deficit Reserve (\$22.5 million), meet critical unmet/deferred infrastructure and maintenance needs (\$9.6 million), provide for miscellaneous additions (\$7.2 million), restore one-time 2011-2012 funded services (\$3.5 million), expand development fee program resources (\$3.3 million), repay the fiber optics development loan to the Sewage Treatment Plant Connection Fee Fund (\$2.2 million), open and maintain new facilities (\$2.1 million), establish an essential services reserve (\$1.5 million), and other net proposed changes (\$0.4 million). These increases were offset by decreases due to the use of reserves (\$4.9 million), other position and personal services related savings (\$2.0 million), and funding shifts (\$0.1 million). The result was a balanced 2012-2013 General Fund Proposed Budget of \$882.4 million.

From the release of the Proposed Budget to the final adoption of the budget, additional revisions totaling \$84.3 million occurred. The largest component of the increase was the rebudget of 2011-2012 funds (\$73.2 million) that were carried forward to 2012-2013 to complete various projects. The Adopted Budget was balanced with 100% ongoing actions.

Table I below displays the overall projections for the 2012-2013 General Fund as they changed between the February Base Budget Forecast and the Adopted Budget. Table II summarizes the changes from the February Base Budget Forecast to the Revised Base Budget Forecast, including 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, and the final changes from the Proposed Budget to the Adopted Budget are summarized in Table IV.

**Table I**  
**2012-2013 ADOPTED OPERATING BUDGET**  
**Forecast To Adopted Budget Reconciliation (in \$000s)**

	Total Sources	Total Uses	(Shortfall)/ Surplus
<b>February Base Budget Forecast</b>	<b>\$ 828,211</b>	<b>\$ 818,238</b>	<b>\$ 9,973</b>
Forecast Revisions	17,156	18,143	(987)
<b>Revised Base Budget Forecast (no fee impact)</b>	<b>845,367</b>	<b>836,381</b>	<b>8,986</b>
Development Fee Program Impact	2,087	686	1,401
<b>Revised Base Budget Forecast (with fee impact)</b>	<b>847,454</b>	<b>837,067</b>	<b>10,387</b>
Proposed Revisions	34,919	45,306	(10,387)
<b>2012-2013 Proposed Budget</b>	<b>\$ 882,373</b>	<b>\$ 882,373</b>	<b>\$ 0</b>
Adopted Revisions	84,317	84,317	0
<b>2012-2013 Adopted Budget</b>	<b>\$ 966,690</b>	<b>\$ 966,690</b>	<b>\$ 0</b>

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### 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 incorporated 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 \$10.4 million (with the Development Fee Program Impact), an increase of \$0.4 million from the \$10.0 million in the February Base Budget Forecast (with no development fee program impact assumed). Changes are detailed in Table II below.

**Table II**  
**2012-2013 PROPOSED OPERATING BUDGET**  
**Revised Base Budget Forecast Summary of Changes (in \$000s)**  
**(Forecast Revisions combined with Development Fee Program Impact)**

Sources	Revision
Revenue from Local Agencies	\$ 15,338
Sales Tax	975
Licenses and Permits	913
Departmental Charges	726
Property Tax	655
Fines, Forfeiture and Penalties	500
Revenues from the State	359
Revenue from Money & Property	118
Business Taxes	100
Transfers and Reimbursements	7
Utility Tax	0
Franchise Fees	(415)
Other Revenue	(33)
<b>Net Change in Sources</b>	<b>\$ 19,243</b>

Uses	Revision
Convention Center Debt Service	\$ 15,341
Transfers to Other Funds	2,597
Development Fee Impact	737
Personal Services and Wage Adjustments	219
Fund Realignments	(65)
<b>Net Change in Uses</b>	<b>\$ 18,829</b>

<b>Total Change (Shortfall)/Surplus</b>	<b>\$ 414</b>
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## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### REVISED BASE BUDGET FORECAST

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

- The Revenue from Local Agencies category increased \$15.3 million to reflect the anticipated reimbursement from the Successor Agency to the Redevelopment Agency for the Convention Center Debt Service payment (\$15.3 million), partially offset by a decrease of \$3,000 to the anticipated payment from the County for the Paramedic Program.
- The Sales Tax category increased by \$975,000 to reflect higher than anticipated General Sales Tax collections for the second quarter of 2011-2012.
- The Licenses and Permits category increased by \$913,000 to reflect a \$700,000 increase to the Building Permits revenue estimate and a net increase of \$150,000 to the Fire Permits revenue estimate to reflect the anticipated 2012-2013 collection and activity levels as well as an increase of \$65,000 for the Crime Prevention through Environmental Design Fee in the Police Departmental Charges. These increases were slightly offset by a decrease of \$2,000 to the Taxi Stand Rental Fee revenue estimate based on updated activity projections.
- The Departmental Charges category increased by \$726,000 due to the following adjustments: an increase of \$927,000 to the Public Works Departmental Charges revenue estimate to reflect anticipated 2012-2013 collection and activity levels and an increase of \$75,000 to the Parks, Recreation and Neighborhood Services Departmental Charges to reflect the opening of artificial turf sports fields and increases in San José family camp activity levels. These increases were partially offset by a decrease of \$204,000 to reflect the elimination of the revenue associated with the Enterprise Zone Fee as this program was budgeted on a one-time basis in 2011-2012 and a decrease to the Transportation Departmental Charges of \$71,000 based on adjusted activity levels.
- The Property Tax category increased by \$655,000 to reflect an increase of \$455,000 to the Secured Property Tax estimate and an increase of \$200,000 to the SB 813 Property Taxes (supplemental taxes) estimate based on higher actual collection trends.
- The Fines, Forfeitures and Penalties category increased by \$500,000 to reflect the following: an increase of \$500,000 to the parking fine revenue estimate based on current collection levels; an increase of \$100,000 to the revenue estimate for past-due parking fines collected by the State of California Franchise Tax Board on behalf of the City and a reduction of \$100,000 to the Police False Alarms revenue estimate to reflect the service delivery change to a verified response model.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### REVISED BASE BUDGET FORECAST

- The Revenue from the State category increased by \$359,000 to reflect a \$500,000 increase in Tobacco settlement funds based on higher actual 2011-2012 receipts that were received in April 2012, partially offset by a decrease of \$141,000 to reflect the elimination of the revenue estimate for the Waste Tire Enforcement Grant which ends in 2011-2012.
  - The Revenue from Money and Property category increased by \$118,000 due to the following adjustments: an increase of \$133,000 for rental income for the Del Monte/McCarthy Rental Property, partially offset by a decrease of rental income of \$15,000 as a result of the Convention Center renovation.
  - The Business Taxes increase of \$100,000 reflects the change in the Marijuana Business Tax revenue estimate based on the current collection trends in this category.
  - A net increase of \$7,000 in the Transfers and Reimbursements category reflects: an increase of \$361,000 to overhead reimbursements reflecting final 2012-2013 base expenditures and final 2012-2013 overhead rates as provided by the Finance Department; various corrections including a \$236,000 transfer of interest earnings from the Construction and Conveyance Tax Fund; a \$65,000 Deferred Compensation Program reimbursement adjustment based on a revised cost estimate; a \$2,000 adjustment to the Workforce Investment Act rent for use of community centers; and a \$2,000 decrease to the transfer from the Community Facilities Fund based on revisions to the 2012-2013 City costs that are being reimbursed by this fund. These actions were offset by a decrease of \$355,000 to reflect the loss of reimbursement for the Possessory Interest generated from the HP Pavilion that had previously been funded by the San Jose Redevelopment Agency, and a decrease of \$300,000 to the estimate for Highway Users Tax Funds (Gas Tax) based on the downward collection trend experienced in 2011-2012.
  - The Utility Tax Category includes net-zero adjustments between the subcategories to reflect updated estimates: a decrease of \$470,000 for Telephone; an increase of \$200,000 for Gas; an increase of \$170,000 for Electricity; and a \$100,000 increase in Water.
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- The Franchise Fees category net decrease of \$415,000 reflects a decrease of \$500,000 to the Electricity Franchise Fee estimate based on revised estimated 2011-2012 collection levels partially offset by an increase of \$85,000 to the Cable Television Franchise Fee estimate based on 2011-2012 collection trends.
  - The Other Revenue category decrease of \$33,000 reflects lower estimated receipt of \$20,000 for the Fish and Wildlife taxes; lower estimated labor compliance liquidated damages of \$10,000; and a decrease of \$2,000 for the Department of Transportation new subdivision pavement markings and a \$1,000 decrease for traffic control signs.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### REVISED BASE BUDGET FORECAST

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

- The Convention Center Debt Service payment was previously assumed to be paid directly from the Successor Agency to the Redevelopment Agency. It was recently determined, however, that the appropriation for these payments must be made by the City, therefore, the reestablishment of the Convention Center Debt Service payment (\$15.3 million) was necessary. A corresponding reimbursement for the Convention Center Debt Service payment from the Successor Agency to the Redevelopment Agency offsets this expenditure.
- Transfers to Other Funds increased by \$2.6 million. The largest adjustment was an increase of \$2.9 million to the transfer to the Successor Agency to the Redevelopment Agency based on a revised estimate of the 2012-2013 shortfall for the Successor Agency. A \$16.9 million deficit is now projected for the Successor Agency (up from \$14.0 million in the February Base Budget Forecast), based on an analysis of the projected 2012-2013 tax increment revenue compared to the enforceable obligations. An \$11.5 million transfer from the General Fund was forecasted to be necessary to address a portion of this \$16.9 million deficit, with the General Purpose Parking Fund and the Community Development Block Grant Fund addressing the remaining shortfall by assuming certain debt service payments for the Successor Agency. In addition, based on an updated review of anticipated Hayes Mansion revenues and expenditures in the Community Facilities Revenue Fund, a reduction of \$300,000 in the transfer from the General Fund to that fund (total transfer budgeted at \$4.5 million) was anticipated in the 2012-2013 Base Budget.
- Inclusion of the development fee program shortfalls for the Planning and Building Fee Programs that were estimated, but not included in the February Base Budget Forecast, was factored into the Revised Base Budget Forecast for overall budget balancing purposes. This shortfall totaled \$737,000 based on estimated February Base Budget Forecast expenditures. However, based on a review of projected development activity levels, these costs were more than offset by additional revenue as described elsewhere in this document.
- Various personal services and wage adjustments of \$219,000 were necessary to reflect costs that were not included in the February Base Budget Forecast. Living wage adjustments of \$90,000 effective July 1, 2012, were calculated by the Public Works Department (Information Memorandum distributed to City Council on March 7, 2012) and included in the Revised Base Budget Forecast. Other wage adjustments of \$129,000 were also included in the Revised Base Budget Forecast.
- A net decrease of \$65,000 in fund realignments included the reallocation of funding for positions to better align with work currently performed, reallocation of positions between departments, position transactions approved through the add/delete process, and various funding corrections/adjustments based on updated information.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### PROPOSED BUDGET BALANCING STRATEGY

As summarized in Table III and discussed below, the budget balancing strategy developed by the Administration distributed a \$10.4 million (with the Development Fee Program Impact) General Fund surplus and resulted in a balanced 2012-2013 General Fund Proposed Budget totaling \$882.4 million.

**Table III**  
**2012-2013 PROPOSED OPERATING BUDGET**  
**General Fund Funding Requirements and Balancing Strategy (in \$000s)**

	2012-2013	Ongoing
<b>2012-2013 General Fund Surplus</b>	\$ 8,986	\$ 8,986
<b>Development Fee Program Impact</b>	1,401	1,401
<b>Revised Base Budget Forecast</b>	<b>\$ 10,387</b>	<b>\$ 10,387</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Available Fund Balance:		
2012-2013 Future Deficit Reserve Elimination	\$ 21,947	\$ 0
Development Fee Program Reserves	2,908	2,644
Additional 2011-2012 Ending Fund Balance	6,000	0
Transfer and Reimbursements from Other Funds	1,999	292
Fee Changes/Activity Level Adjustments		
Parks, Recreation and Neigh. Svcs. Fees/Activity Levels	1,373	1,494
Other Fees/Activity Levels	383	904
Miscellaneous Revenue Changes	1,247	146
Overhead Reimbursements	(938)	(1,179)
<b>Subtotal Source of Funds</b>	<b>\$ 34,919</b>	<b>\$ 4,301</b>
<b>Use of Funds</b>		
2013-2014 Future Deficit Reserve	\$ 22,500	\$ 9,000
Unmet/Deferred Infrastructure and Maintenance	9,625	1,275
Miscellaneous Additions	7,235	1,968
One-Time 2011-2012 Funded Services	3,539	2,346
Development Fee Programs	3,349	3,014
Fiber Optics Loan Repayment	2,200	(50)
New Facilities Operations and Maintenance	2,064	3,951
Essential Services Reserve	1,500	0
Other Fee Programs	279	320
Non-Personal/Equipment and City-Wide Expenses	0	(906)
Use of Reserves	(4,929)	(3,978)
Position Changes/Other Personal-Related Savings	(1,967)	(2,168)
Funding Shifts to Other Funds	(89)	(84)
<b>Subtotal Use of Funds</b>	<b>\$ 45,306</b>	<b>\$ 14,688</b>
<b>Total Balancing Strategy</b>	<b>\$ (10,387)</b>	<b>\$ (10,387)</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>



## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### PROPOSED BUDGET BALANCING STRATEGY

Specific City Council direction regarding the preparation of the Proposed Budget was provided in the *Mayor's March Budget Message for Fiscal Year 2012-2013* as approved by the City Council (see Appendices Section of this document). The details of the specific direction of that Message and the responses contained in this budget are provided in Attachment B. 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 were included in the Proposed Budget.

#### Source of Funds

From the Revised Base Budget Forecast of \$847.5 million, a net increase of \$34.9 million to the General Fund revenue estimate was recommended, bringing the 2012-2013 Proposed Budget revenue estimate to \$882.4 million. The components of the \$34.9 million increase included an increase in the estimate for the 2011-2012 Ending Fund Balance of \$30.9 million and a net increase to various revenue categories of \$4.0 million. Following is a discussion of those components broken down by the revenue categories that are further detailed in the *General Fund Revenue Estimates* section of this document.

#### Available Fund Balance

The increase of \$30.9 million from the February Forecast reflected the following: liquidation of the \$22.0 million 2012-2013 Future Deficit Reserve; liquidation of \$2.9 million from the various Development Fee Program Reserves to support program expenditures in 2012-2013; and additional anticipated ending funding balance from estimated expenditure savings and excess revenue of \$6.0 million in 2011-2012 that will be available for use in 2012-2013.

#### Transfers and Reimbursements from Other Funds

An increase of \$2.0 million reflected additional transfers from other funds. The largest adjustment was the addition of a one-time transfer from expired special assessment districts of \$1.2 million. 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 will be transferred to the General Fund. In addition, a transfer of \$637,000 (\$292,000 ongoing) from the Convention and Cultural Affairs Fund was included to cover costs that were previously captured through the overhead rate process, and a one-time transfer of \$200,000 from the Stores Fund was recommended to reflect the close-out of the fund.

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Fee Changes/Activity Level Adjustments

A \$1.8 million increase to the revenue estimates was the result of the following adjustments:

- An increase of \$1.4 million to the Parks, Recreation and Neighborhood Services Departmental Charges revenue estimate to reflect the following: collections from facilities that will open or remain open in 2012-2013 (Bascom Community Center, Lake Cunningham Skate Park, and Fair Swim Center); the establishment of new fees and increases to existing fees; and increased interest levels in recreational classes and programs both currently offered as well as new classes and pricing adjustments to remain competitive in the marketplace, moving toward a 40% cost recovery level.
  - An increase of \$488,000 generated from various Code Enforcement related fees, including: an increase of \$279,000 to the Solid Waste Enforcement Fee revenue estimate; an increase of \$164,000 to the vacant and neglected building fee revenue estimate; an increase of \$23,000 to the revenue estimates for the tobacco retailer fees; and an increase of \$21,000 to the multiple housing permit revenue estimate. These adjustments were brought forward to maintain cost recovery levels through fee level changes as well as to reflect anticipated changes in activity levels.
  - An increase of \$278,000 to the Fire Non-Development fee revenue estimate due to an anticipated increase in activity levels.
  - A decrease of \$500,000 in Parking Fines to reflect the estimated temporary impact associated with the Curbside Management service delivery model change in the Airport Department that was incorporated into the 2012-2013 Proposed Budget.
  - A decrease of \$191,000 to the Cardroom fees to reflect the lower cost of delivering this program due to the Police Department Gaming Unit reorganization that was brought forward in the 2012-2013 Proposed Budget (Cardroom Administrative fees down \$172,000 and permit fees down \$19,000).
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- A net increase in Other Fee Programs of \$308,000 that resulted from a number of adjustments, including the following: an increase of \$242,000 to the Enterprise Zone Fee revenue estimate to reflect the continuation of this program that was approved in the 2011-2012 Adopted Budget on a one-time basis; an increase of \$89,000 in various Department of Transportation permits and fees as a result of increased development related activity and fee adjustments; and an increase of \$35,000 to the Library Departmental Charges to reflect increased fine revenue resulting from the staggered opening of four new branch (ongoing \$150,000). These adjustments were partially offset by a reduction in Police Department revenues (\$56,000) due to changes in various fee levels.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### PROPOSED BUDGET BALANCING STRATEGY

##### Miscellaneous Revenue Changes

Miscellaneous revenue changes resulted in a net increase of \$1.2 million and included the following five adjustments:

- An increase of \$1.0 million to the estimate for sidewalk repairs and sidewalk repair administrative fees was proposed to reflect the anticipated increase in reimbursements from property owners for contractual sidewalk repairs performed by the City on behalf of the property owners as a result of the expansion of the Sidewalk Repair Program.
- An increase of \$129,000 to reflect two grants from CalTrans (Community Based Transportation Planning and Urban Corridor Master Plan) that will support a Senior Planner through December 31, 2013 to provide planning services was recommended.
- The establishment of an estimate of \$65,000 to recognize the anticipated revenue from the sale of fire hydrants, which was previously budgeted in the Stores Fund was included.
- The establishment of an estimate of \$55,000 to recognize the reimbursement from the Christmas in the Park Foundation for the City costs of a part-time Exhibit Designer/Builder that is included in 2012-2013 was proposed.
- A decrease of \$43,000 in reimbursement for the Deferred Compensation program to align revenues with budgeted expenses was included.

##### Overhead Reimbursements

A net decrease of \$938,000 (\$1.2 million ongoing) in anticipated overhead reimbursements to reflect the impact of various budget actions included in the Proposed Budget that changed the staffing levels funded by special and capital funds was recommended.

##### Use of Funds

From the Revised Base Budget Forecast of \$837.1 million, a net increase of \$45.3 million to the General Fund expenditures was brought forward, bringing the 2012-2013 Proposed Budget Use of Funds estimate to \$882.4 million. A listing of the Proposed Budget modifications is provided by specific categories in Table II and briefly discussed in the following pages. Further detail is incorporated into the CSA and departmental sections of this document.

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### 2013-2014 Future Deficit Reserve

In accordance with the Mayor's 2012-2013 March Budget Message as approved by the City Council, the Proposed Budget established a 2013-2014 Future Deficit Reserve of \$22.5 million (\$12.5 million one-time, \$9.0 million ongoing) to address the projected shortfall for 2013-2014 that was presented in the 2013-2017 General Fund Five-Year Forecast released in February 2012.

#### Unmet/Deferred Infrastructure and Maintenance

To address the growing backlog of unmet and deferred infrastructure and maintenance, funding of \$9.6 million was included for the following: public safety-related infrastructure needs such as the uninterruptible power supply at the Police Communications Building (\$2.5 million), generators for backup emergency communications (\$500,000), Police Administration and Communications Buildings repairs and renovations (\$300,000) and lighting (\$200,000) maintenance; Public Works Department deferred facility infrastructure and facility maintenance (\$1.8 million); information technology investments for replacement of the Business Tax System (\$1.5 million), Financial Management System business process mapping (\$450,000), hosted email (\$300,000), server licensing (\$250,000), security compliance (\$175,000), and software centralization (\$150,000); and transportation infrastructure for street tree maintenance (\$500,000), raised reflective markers and arterial street striping (\$500,000), school radar speed sign replacement (\$250,000), and vehicle detection sensors (\$250,000).

#### Miscellaneous Additions

Total funding of \$7.2 million was included in the Proposed Budget for miscellaneous additions. The largest investments included funding for San José BEST (\$2.0 million), fiscal reform and City Attorney's Office support (\$818,000), economic development/incentive fund (\$750,000), Police field patrol targeted enforcement (\$500,000), Police property warehouse relocation (\$500,000), parks landscape watering (\$400,000), Police Department gaming unit auditors (\$326,000), reserve for SAFER Grant costs (\$300,000), Fire Department sworn incident command training (\$300,000), and parks senior and wellness services (\$200,000).

#### One-Time 2011-2012 Funded Services

In accordance with the Mayor's March Budget Message as approved by the City Council, funding was included to continue services funded on a one-time basis in 2011-2012. These include the continuation of almost 30 positions and related costs associated with the following: medical marijuana program staffing (\$1.2 million); resources to the Police Department for field patrol (\$523,000), horse mounted unit (\$216,000), school safety program (\$125,000), La Raza Study (\$50,000), and chaplaincy program (\$20,000); resources to the Parks, Recreation and Neighborhood Services Department for senior wellness funding (\$400,000 reallocated from Healthy

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### 2012-2013 Adopted Budget

#### PROPOSED BUDGET BALANCING STRATEGY

Neighborhoods Venture Funds), safe school campus initiative (\$326,000), community center senior services (\$186,000), Lake Cunningham Skate Park support (\$135,000 offset by revenue), and park ranger services (\$199,000); Planning, Building and Code Enforcement Department funding for a code enforcement inspector for vacant/neglected buildings (\$120,000) and an ordinance planner position (\$113,000); enterprise zone program staffing (\$120,000 offset by revenue) in the Office of Economic Development; and workers' compensation staffing in the City Attorney's Office (\$148,000).

#### *Development Fee Programs*

Over 20 positions and over \$3.3 million of new resources were included in the development fee programs (Building, Planning, Public Works, Fire) to provide additional resources and to meet increased development services activities using reserves and no fees increases.

#### *Fiber Optics Loan Repayment*

Funds were included to complete the repayment of the loan from the Sewage Treatment Connection Fee Fund to the General Fund that was used to fund a fiber optics conduit network. The original loan of \$5.2 million from 1996 has a balance of \$2.28 million. After being deferred for two years, the loan repayment is now due June 2013. Funding of \$2.2 million was included in the Proposed Budget to complete the loan repayment.

#### *New Facilities Operations and Maintenance*

Significant funding was included to operate and maintain new parks and community facilities including the Bascom Community Center (\$492,000) and new trails (\$169,000); new Seven Trees, Bascom, Educational Park, and Calabazas branch libraries (\$1.2 million); traffic infrastructure (\$49,000); and maintain the South San José Police Substation while that facility remains closed (\$184,000).

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#### *Essential Services Reserve*

The Proposed Budget included a one-time Essential Services Reserve of \$1.5 million to fund services that were of importance to the community in accordance with in the Mayor's 2012-2013 March Budget Message as approved by the City Council. These funds were allocated by the City Council later in the 2012-2013 Budget process.

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### PROPOSED BUDGET BALANCING STRATEGY

#### Other Fee Programs

The Proposed Budget included net additions to other fee programs totaling \$279,000. This primarily included resources for Fire Department non-development activities to improve cycle times for code compliance inspections and address billing and customer service needs.

#### Non-Personal/Equipment and City-Wide Expenses

The Proposed Budget included net-zero changes in the non-personal/equipment and City-Wide Expenses categories. The largest included the elimination of General Fund contributions to the Convention and Visitor's Bureau Marketing Program (\$554,000) and a reduction in the transfer to the Successor Agency to the Redevelopment Agency (\$500,000), partially offset by an increase to revenue-supported Sidewalk Program activities (\$900,000). Other numerous changes totaling (\$154,000) in this category were included in the Proposed Budget.

#### Use of Reserves

The Proposed Budget included the liquidation of earmarked reserves that were established in the 2012-2013 General Fund Forecast Base Budget to address the projected additional costs to operate and maintain the new South San José Police Substation (\$2,393,000), maintain new library facilities (\$1,185,000) and new parks and recreation facilities (\$702,000), and new traffic infrastructure assets (\$49,000) including traffic signals, landscaping, and street lighting that are scheduled to become operational in 2012-2013. In addition, the liquidation of a reserve (\$600,000) set aside for deferred infrastructure and maintenance needs was included in the Proposed Budget.

#### Position Changes/Other Personal-Related Savings

Several actions were incorporated into the Proposed Budget that generated savings, including the reduction of one of two annual Fire Fighter recruit academies (-\$1.0 million) and Police Department savings for recruit academy staffing and sworn position civilianization (-\$666,000). Other additional actions in this category include the reorganization of department staffing and personnel adjustments to realize operational efficiencies.

#### Funding Shifts to Other Funds

The Proposed Budget included funding shifts to other funds that resulted in net savings of \$89,000. This resulted from reallocating arts and cultural development non-personal/equipment funding from the General Fund to the Transient Occupancy Tax Fund (\$213,000) and shifting Public Works positions to support capital projects (\$67,000). This decrease was partially offset by shifts to realign funding with services provided in the Retirement Department, Finance Department, Transportation Department, and the Office of Economic Development.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### ADOPTED BUDGET BALANCING STRATEGY

The final phase of the 2012-2013 budget process commenced following the issuance of the City Manager's Proposed Budget and consisted of the following major steps: City Council Budget Study Sessions on the Proposed Budget; formal public input through the Public Hearings process; issuance by the Administration of recommended revisions to the Proposed Budget (in the form of formal Manager's Budget Addenda); issuance by the City Council of recommended revisions to the Proposed Budget (in the form of Budget Documents submitted to the Mayor's Office); issuance of the Mayor's June Budget Message memorandum that included recommended revisions to the Proposed Budget and incorporated feedback from the City Council and the Administration; and approval by the City Council of the Mayor's June Budget Message and final Adopted Budget.

Summarized in Table IV by general category are the additional funding requirements introduced by Manager's Budget Addenda or the Mayor's June Budget Message. (The full text of the Message is included as an Appendix to this document.) Those additional requirements totaled \$84.3 million.

**Table IV**  
**2012-2013 ADOPTED OPERATING BUDGET**  
**General Fund Funding Requirements and Balancing Strategy (in \$000s)**

	2012-2013	Ongoing
<b>Remaining Balance from Proposed Budget (from Table III)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Fund Balance to Support 2011-2012 Projects/Balancing Strategy	\$ 77,250	\$ 0
Revenue-Related Rebudgets to Support 2011-2012 Projects	8,808	0
New Grants/Reimbursements/Revenue-Supported Expenditures	1,312	0
Transfers and Reimbursements from Other Funds	87	87
Miscellaneous Other Revenue Changes	(3,140)	0
<b>Subtotal Source of Funds</b>	<b>\$ 84,317</b>	<b>\$ 87</b>
<b>Use of Funds</b>		
Rebudgeted 2011-2012 Projects	\$ 73,175	\$ 0
Revenue-Related Rebudgets to Support 2011-2012 Projects	8,808	0
Miscellaneous Additions	3,582	144
New Grants/Reimbursements/Revenue-Supported Expenditures	1,312	0
Development Fee Programs	587	587
Use of Reserves	(1,647)	(645)
Essential Services Reserve	(1,500)	0
<b>Subtotal Use of Funds</b>	<b>\$ 84,317</b>	<b>\$ 86</b>
<b>Total Balancing Strategy</b>	<b>\$ 0</b>	<b>\$ 1</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 1</b>

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### ADOPTED BUDGET BALANCING STRATEGY

#### Source of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$84.3 million in additional resources were approved to be utilized as part of the Adopted Budget strategy. The major elements of these revisions are described below.

#### *Fund Balance to Support 2011-2012 Rebudgeted Projects/Balancing Strategy*

The unrestricted portion of the 2011-2012 Ending/2012-2013 Beginning Fund Balance estimate was adjusted upward by an additional \$77.3 million to primarily reflect the 2011-2012 funding which was estimated to be available to be carried over to 2012-2013 to complete previously approved projects (\$73.2 million). In addition, the fund balance estimate was increased by \$3.2 million to reflect additional Sales Tax receipts and \$875,000 of Mayor and City Council expenditure savings used for the budget balancing strategy in the City-Council-approved Mayor's 2012-2013 June Budget Message.

#### *Revenue-Related Rebudgets to Support 2011-2012 Projects*

The Adopted Budget included grant and reimbursement-related revenue totaling \$8.8 million that was rebudgeted from 2011-2012 to complete the associated projects in 2012-2013. These revenue-related rebudgets were spread among a number of revenue categories (Local Agencies, State Government and Federal Government, and Other Revenue) and were offset by expenditure rebudgets. Expenditure appropriations for these actions were also included in the Adopted Budget.

#### *New Grants/Reimbursements/Revenue-Supported Expenditures*

The Adopted Budget included \$1.3 million in new grant and reimbursement revenue, primarily in the public safety and environmental services areas. These grants and reimbursements were reflected in several revenue categories (Revenue from Local Agencies, Revenue from the State, Revenue from the Federal Government, and Other Revenue).

#### *Transfers and Reimbursements from Other Funds*

Additional transfers from other funds of \$87,000 were incorporated in the Adopted Budget. This figure includes \$69,500 in ongoing funding from the Convention and Cultural Affairs Fund to support the Cultural Facilities Capital Maintenance partnership sharing capital maintenance costs for cultural facilities. The remaining \$18,000 increase reflects additional overhead from several Environmental Services funds associated with additional auditor services staffing that will be supporting activities related to these funds.



## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### ADOPTED BUDGET BALANCING STRATEGY

#### Miscellaneous Other Revenue Changes

The Adopted Budget included downward revenue revisions of \$3.1 million based on updated information. Downward adjustments were offset by additional fund balance that was generated by higher than anticipated Sales Tax receipts in the third quarter of 2011-2012, which is reflected in the "Fund Balance to Support 2011-2012 Rebudgeted Projects/Balancing Strategy" category. Below is a summary of the downward adjustments:

- A reduction to the Property Tax revenue estimate of \$2.45 million was included primarily due to a decrease to the Secured Property Tax estimate of \$2.62 million (from \$188.0 million to \$185.4 million) based on the June 2012 data from the Santa Clara County Assessor's Office. The Secured Property Tax growth rate was reduced from 2.75% to 1.3% for 2012-2013. This decline was slightly offset by a net increase of \$170,000 to the other Property Tax categories based on actual performance in 2011-2012.
- A net reduction of \$700,000 to the overall Franchise Fees revenue estimate based on actual 2011-2012 performance was included. For the Electric Franchise category, a downward adjustment of \$800,000 (from \$19.0 million to \$18.2 million) was included to reflect an assumed growth rate of 2.9% from estimated 2011-2012 collection levels. This downward adjustment was partially offset by an increase of \$100,000 to Gas Franchise Fees estimate (from \$4.8 million to \$4.9 million), which is consistent with the estimated 2011-2012 collections level with no rate increase assumed.
- An increase of \$60,000 to the Other Revenue estimate was incorporated in the Adopted Budget to reflect the lease of the City's suite at HP Pavilion at San Jose for ten Sharks home games to help support the operating budget for the San José Arena Authority.
- A decrease of \$50,000 to the estimate for reimbursement from the Central Fire District for services provided in County areas by the San José Fire Department was included. These payments are based on the property tax assessments for fire services collected in those areas that are passed on to the City. This downward revision accounts for a lower projected property tax growth factor in 2012-2013 (reduced from 2.5% to 1.3%) based on updated information from the County Assessor's Office.

## General Fund Balancing Strategy Detail

### 2012-2013 Adopted Budget

#### ADOPTED BUDGET BALANCING STRATEGY

##### Use of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$84.3 million in funding changes were approved to be utilized in the Adopted Budget strategy. These actions included the addition of approximately 25 positions across all City funds.

The major elements of these revisions are described below.

##### Rebudgeted 2011-2012 Projects

Additional expenditures totaling \$73.2 million were included in the Adopted Budget to fund the completion of programs and projects authorized in the prior year.

##### Revenue Related Rebudgets to Support 2011-2012 Projects

The Adopted Budget included grant and reimbursement-related expenditures totaling \$8.8 million that were rebudgeted from 2011-2012 to complete the associated projects in 2012-2013. These expenditure adjustments were offset by revenue rebudgets.

##### Miscellaneous Additions

The Adopted Budget included \$3.6 million of additional expenditures to reflect the net impact of budget augmentations included in final budget balancing. These included a net addition of 19 positions in order to provide additional resources in the City Attorney's Office, City Auditor's Office, City Clerk's Office, Independent Police Auditor, Police Department, Transportation Department, and the Planning, Building, and Code Enforcement Department.

##### New Grants/Reimbursements/Revenue-Supported Expenditures

Expenditure changes related to new grant or reimbursement activity totaled \$1.3 million. These grant and reimbursement expenditures, which were primarily in the public safety and environmental services areas, were offset by additional revenue.

##### Development Fee Programs

The Adopted Budget reflects an increase of \$587,000 to the Development Fee Program expenditures to fund five positions in the Planning and Building Development Fee Programs. This increase was necessary in order to operate San José Development Services at the "speed of business" and to ensure performance levels for planning services will meet newly anticipated customer demands. These expenditures are offset by the use of corresponding fee reserves, as previously mentioned.

## General Fund Balancing Strategy Detail 2012-2013 Adopted Budget

### ADOPTED BUDGET BALANCING STRATEGY

Listings of all the approved budget modifications are described in detail in the CSA and departmental sections of this Adopted Budget document.

#### Use of Reserves

This Adopted Budget included the use of reserves to fund development fee program expenditures and provide for Envision San José 2040 General Plan resources.

#### Essential Services Reserve

This action liquidates the Essential Services Reserve (\$1.5 million) to fund actions included in the Adopted Budget balancing strategy.

#### **Future Implications**

As shown in Table IV and mentioned previously, the 2012-2013 Adopted Budget was balanced with 100% ongoing solutions. The 2012-2013 Adopted Budget also incorporated a two-year strategy and set aside funding of \$22.5 million in a 2013-2014 Future Deficit Reserve to address the projected General Fund shortfall in that year (as shown in the February 2012 Five-Year Forecast document). Assuming the basic assumptions utilized in that forecast are close to being correct, the 2013-2014 budget would also be balanced. All of the assumptions used to develop this projection, however, will be revisited in the development of the 2014-2018 Five-Year General Fund Forecast.