

General Fund Recommended Budget Adjustments Summary

2012-2013 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
URGENT FISCAL/PROGRAM NEEDS				
<i>2013-2014 Future Deficit Reserve</i>	EARMARKED RESERVES		\$6,900,000	
<p>This action increases the 2013-2014 Future Deficit Reserve by \$6.9 million, funded by a one-time payment from the County of Santa Clara to reflect the recalculation of prior year Property Tax Administrative Fees (PTAF) for 2004-2005 to 2011-2012 as described elsewhere in this report. This action will bring the 2013-2014 Future Deficit Reserve level from \$22.5 million to \$29.4 million and will be available for allocation, as needed, as part of the upcoming 2013-2014 budget process.</p>				
<i>Departmental Savings - Police</i>	POLICE		(\$4,000,000)	
<p>This action decreases the Police Department's Personal Services appropriation by \$4.0 million to establish a Police Department Overtime Earmarked Reserve for 2013-2014. As of January 28, the Department had 114 vacant sworn positions which were offset by 61 temporary positions, including 43 police officer recruits, 15 direct hire police officers in field training, and three sworn positions funded through various grants awarded to the Department, leaving a net of 43 sworn vacancies in the Department. Although the Department is conducting police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2013-2014 with at least 80 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed in 2013-2014 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. A corresponding action establishes a Police Department Overtime Earmarked Reserve as described elsewhere in this report.</p>				
<i>Police Department Helicopter Maintenance</i>	POLICE			
<p>This action reallocates \$75,000 of vehicle maintenance and operations funding within the Police Department's Non-Personal/Equipment appropriation to increase the amount of funding available for helicopter maintenance. Due to the number of sworn vacancies in the Department, fewer patrol cars are being driven, resulting in lower vehicle maintenance and operations costs. The Department's helicopter is scheduled to undergo its 12 year major maintenance inspection as recommended by the manufacturer's specifications. This overhaul procedure requires a complete teardown and inspection of all components. In addition, repair work is needed to fix an engine module that recently failed in flight. It is estimated that the inspection and repair work could take up to five months to complete. During the repair work the Department will rely on the partnership with the Santa Clara County Sheriff's Office to provide helicopter coverage for the City.</p>				

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URGENT FISCAL/PROGRAM NEEDS				
<i>Police Department Overtime</i>	POLICE			
<p>This action increases the Police Department's current year overtime funding by \$500,000 (\$17.2 million to \$17.7 million) to deploy additional patrol teams on overtime to expand the gang suppression cars and/or address other critical issues as needed in the second half of the year. In addition, this funding will allow the Department to conduct targeted investigations, such as seeking out persons who are prohibited from carrying guns but are known to have them in their possession. This action reallocates anticipated departmental vacancy savings to the overtime line item to give the Department overtime expenditure flexibility through the remainder of 2012-2013.</p>				
<i>Police Department Overtime Reserve</i>	EARMARKED RESERVES		\$4,000,000	
<p>This action establishes a \$4.0 million Police Department Overtime Earmarked Reserve for 2013-2014. As of January 28, the Department had 114 vacant sworn positions which were offset by 61 temporary positions, including 43 police officer recruits, 15 direct hire police officers in field training, and three sworn positions funded through various grants awarded to the Department, leaving a net of 53 sworn vacancies in the Department. Although the Department is conducting police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2013-2014 with approximately 80 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed in 2013-2014 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available for additional non-sworn staffing as needed. A corresponding action to reduce the Police Department's Personal Services appropriation as described elsewhere in this report is recommended.</p>				
<i>Police Department Recruit Academy Contract</i>	POLICE			
<p>This action reallocates \$212,000 of vehicle maintenance and operations funding within the Police Department's Non-Personal/Equipment appropriation to increase the amount of funding available for the April Recruit Academy contract with the South Bay Public Safety Consortium (South Bay). Due to the number of sworn vacancies in the Department, fewer patrol cars are being driven, resulting in lower vehicle maintenance and operations costs. As part of the 2012-2013 Adopted Operating Budget, the Department established a partnership with South Bay to provide two annual Police Officer Recruit Academies for the San José Police Department; however, funding for the contract for the second academy in 2012-2013 was inadvertently not set aside as part of the budget. This action reallocates funding to pay for the contract with South Bay for the April 2013 academy.</p>				

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URGENT FISCAL/PROGRAM NEEDS				
<i>Police Department Recruiting</i>	POLICE			
<p>This action reallocates \$200,000 of vehicle maintenance and operations funding within the Police Department's Non-Personal/Equipment appropriation to increase the amount of funding available for recruiting activities. Due to the number of sworn vacancies in the Department, fewer patrol cars are being driven, resulting in lower vehicle maintenance and operations costs. As of January 28, the Police Department had 184 vacant positions (114 sworn and 70 non-sworn). In order to attract the most qualified candidates to the Department, both sworn and non-sworn, funding will be used to attend job fairs within in the Bay Area and California as well as outside the State. In addition, funding will be used for advertising and informational material to be distributed to potential candidates.</p>				
<i>Revenues - Revenue from Local Agencies</i>	REVENUE ADJUSTMENTS			\$6,900,000
<p>This action increases the Revenue from Local Agencies estimate by \$6.9 million to recognize a one-time payment from the County of Santa Clara for the recalculation of prior year Property Tax Administrative Fees (PTAF). The City of Alhambra et al. had successfully sued the County of Los Angeles regarding the calculation of these fees. The litigation concerned whether SB 1096 Triple Flip and Vehicle License Fee revenues should be excluded from the calculation of SB 2557 PTAF. The Supreme Court of California denied a rehearing of the City of Alhambra et al. v. County of Los Angeles, therefore upholding the prior ruling on the recalculation of these fees. On January 25, 2013, the City was notified by the County of Santa Clara of the receipt of \$6.9 million due to the recalculation of PTAF in accordance with this court decision. The City's additional PTAF for the affected years from 2004-2005 through 2011-2012 was recalculated at \$6.7 million in adjustments and earned interest of \$223,000. From this point forward, this revised methodology will be used which will generate ongoing savings in the Property Tax Administration Fee city-wide appropriation, described elsewhere in this report. This additional revenue is recommended to be used to increase the 2013-2014 Future Deficit Reserve as described elsewhere in this report.</p>				
TOTAL URGENT FISCAL/PROGRAM NEEDS			\$6,900,000	\$6,900,000

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>2012-2013 Ending Fund Balance Reserve</i>	EARMARKED RESERVES		\$12,000,000	
<p>This action establishes a 2012-2013 Ending Fund Balance Reserve of \$12.0 million in the General Fund. A total of \$18.5 million in 2012-2013 Ending Fund Balance was assumed as a funding source for 2013-2014 in the 2013-2017 General Fund Five-Year Forecast from a combination of excess revenue, expenditure savings, and liquidation of carryover encumbrances. Currently, it is estimated that approximately \$2.5 million in liquidation of carryover encumbrances will be available by year end, leaving \$16.0 million in fund balance to be identified and set aside by year-end. This action sets aside 75% (\$12.0 million) of this balance at mid-year, which is available from the cumulative result of various actions described in this report, including \$7.6 million of additional revenues and savings of \$2.3 million in departmental personal services allocations, \$1.7 million in City-Wide Expenses appropriations, and \$407,000 in Earmarked Reserve liquidations. The source of the remaining \$4.0 million needed for the ending fund balance estimate will be determined and recommended as part of the year-end clean-ups memorandum that will be brought forward for consideration in June 2013.</p>				
<i>City Clerk Recruitment</i>		CITY CLERK	\$20,000	
<p>This action increases the City Clerk's Office Non-Personal/Equipment appropriation to provide for contractual recruitment support for a new City Clerk. Vacancy savings are available in the Personal Services appropriation to offset this expense, and a corresponding action is recommended in this report to decrease the Personal Services appropriation.</p>				
<i>City Clerk's Office Personal Services</i>		CITY CLERK	(\$20,000)	
<p>This action decreases the City Clerk's Office Personal Services appropriation to offset the increase to the Non-Personal/Equipment appropriation recommended in this report. The City Clerk's Office is projected to end the year with Personal Services savings in the General Fund due to higher than budgeted vacancies.</p>				
<i>City's Standard Plans and Specifications Loan Repayment/Transfers and Reimbursements</i>		REVENUE ADJUSTMENTS		\$8,245
<p>This action increases the Transfers and Reimbursements revenue estimate to recognize a transfer from the Public Works Program Support Fund for a portion of the final payment for the City's Standard Plans and Specifications long-term loan in the amount of \$8,254. The remaining balance of the City's Standard Plans and Specifications Loan of \$1,456 will be accounted for in the year-end reconciliation of revenues and expenses in the General Fund Public Works Development Fee Program. This funding is recommended to be used to offset other budget actions as described in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>City-Wide Savings - Property Tax Administration Fee</i>	CITY-WIDE EXPENSES		(\$1,500,000)	
<p>This action decreases the Property Tax Administration Fee appropriation to reflect a revised calculation methodology for SB 2557 Property Tax Administrative Fees. As discussed elsewhere in this report, per the Supreme Court of California, a prior ruling in the Alhambra et al. v. County of Los Angeles case was upheld addressing how the County calculated and imposed property tax administrative fees on Cities for their share of County's costs in administering the property tax system. The Supreme Court affirmed that the County's method of calculation violated the tax code. As such, property tax administrative fees beginning 2004-2005 were recalculated and \$6.9 million was remitted to the City from the County of Santa Clara. In 2012-2013, savings of \$1.5 million is anticipated as a result of this change in methodology and adjustments to the 2013-2014 Forecast will include the impact of this change. An increase in the Other Revenue estimate is included elsewhere in this report to reflect the receipt of the \$6.9 million payment. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
<i>City-Wide Savings - TRANs Debt Service</i>	CITY-WIDE EXPENSES		(\$200,000)	
<p>This action decreases the TRANs (Tax Revenue Anticipation Notes) Debt Service appropriation to account for savings in the interest charges associated with the debt issuance required for City cash flow purposes. A lower than anticipated TRANs issuance amount in 2012-2013 (\$100.0 million compared to \$125.0 million) generated these savings. A technical adjustment to account for the lower TRANs issuance is recommended elsewhere in this report. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
<i>Departmental Savings - City Manager's Office</i>	CITY MANAGER		(\$500,000)	
<p>This action decreases the City Manager's Office Personal Services appropriation by \$500,000. The City Manager's Office is projected to end the year with Personal Services savings in the General Fund due to higher than budgeted vacancies. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
<i>Departmental Savings - Information Technology</i>	INFORMATION TECHNOLOGY		(\$550,000)	
<p>This action decreases the Information Technology (IT) Department's Personal Services appropriation by \$550,000. The IT Department is projected to end the year with personal services savings in the General Fund due to higher than budgeted vacancies. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Departmental Savings - Parks, Recreation and Neighborhood Services</i>	PARKS, REC, & NEIGH SVCS		(\$900,000)	
<p>This action decreases the Parks, Recreation and Neighborhood Services (PRNS) Department's Personal Services appropriation by \$900,000. The PRNS Department is projected to end the year with Personal Services savings in the General Fund due to higher than budgeted vacancies. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
<i>Departmental Savings - Planning, Building and Code Enforcement</i>	PLANNING, BLDG, & CODE ENF		(\$300,000)	
<p>This action decreases the Planning, Building and Code Enforcement Department's Personal Services appropriation by \$300,000 to reflect anticipated savings as a result of higher than anticipated vacancies. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
<i>Finance Department Personal Services</i>	FINANCE		(\$400,000)	
<p>This action decreases the Finance Department's Personal Services appropriation to offset an increase to the Finance Department's Non-Personal/Equipment appropriation, as recommended elsewhere in this report. Personal Services savings are available due to a high number of vacancies in the Department. As of January 28th, there were 18.5 vacant positions in the Finance Department. This high vacancy rate has necessitated the use of temporary staffing for critical functions, increasing costs in the Non-Personal/Equipment appropriation.</p>				
<i>Finance Department Temporary Staffing</i>	FINANCE		\$400,000	
<p>This action increases the Finance Department's Non-Personal/Equipment appropriation to provide for temporary staffing. Due to a high level of vacancies in the Finance Department, temporary staffing is being utilized to support critical functions in areas including revenue management, purchasing, and payroll services until recruitments for permanent staff can be completed. To provide funding for these costs, vacancy savings are available and are recommended to be shifted from the Finance Department's Personal Services appropriation to the Non-Personal/Equipment appropriation as described elsewhere in this report.</p>				
<i>Human Resources Department Personal Services</i>	HUMAN RESOURCES		(\$50,000)	
<p>This action decreases the Human Resources Department's Personal Services appropriation to offset an increase to the Human Resources Department's Non-Personal/Equipment appropriation for recruitment costs related to two high level positions in the Human Resources Department, as recommended elsewhere in this report. Personal Services savings are available due to the Human Resources Director and Benefits Manager vacancies in the Department.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Human Resources Director and Benefits Manager Recruitments</i>	HUMAN RESOURCES		\$50,000	
<p>This action increases the Human Resources Department's Non-Personal/Equipment appropriation by \$50,000 to provide funding for recruitment efforts for the Human Resources Director (\$28,500) and Benefits Manager (\$21,500) positions. To provide funding for these costs, vacancy savings are available and are recommended to be shifted from the Human Resources Department's Personal Services appropriation to the Non-Personal/Equipment appropriation.</p>				
<i>Parking Citations/Jail Courthouse Fees/Fines, Forfeitures and Penalties</i>	CITY-WIDE EXPENSES		(\$400,000)	(\$1,250,000)
<p>This action decreases the revenue estimate for Fines, Forfeitures and Penalties by \$1,250,000 due to lower than expected Parking Fines Revenue and reduces the Parking Citations/Jail Courthouse Fees appropriation to reflect a reduction in activity. The reduction in Parking Fines revenue is due to several factors, including the training and transition of parking compliance officers that were reassigned from the Airport Department to the Department of Transportation during the first six months of the current fiscal year, which resulted in the bumping of 15 veteran officers; reduction in parking activity in neighborhoods around the HP Arena due to the delayed hockey season; a higher level of staff absences due to a combination of injuries and non-work related injuries/illness; and a slight decrease in the number of parking citations issued by police officers due to other police priorities. The reduction in revenue is partially offset by a reduction in the Parking Citations/Jail Courthouse Fees appropriation (\$400,000) to reflect a reduction in activity consistent with the reduction in parking fines. The remaining balance is recommended to be offset by other budget actions, as described elsewhere in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Reserve Savings - Salaries and Benefits Reserve (Benefits Program)</i>	EARMARKED RESERVES		(\$1,470,049)	
<p>This action decreases the Salaries and Benefits Reserve to realize savings based on the actual health rate increase on January 1, 2013 as well as savings not necessary to be distributed to departments due to sufficient vacancy savings. During the development of the 2012-2013 Budget, \$2.0 million was set aside in the Salaries and Benefits Reserve based on the actuarial assumption that the City's health rate contribution would increase by 11% on January 1, 2013. The actual health rate increase implemented totaled 9.2%, generating \$407,000 in savings from the \$2.0 million Benefits Program allocation and that savings is recommended to be reallocated to the 2012-2013 Ending Fund Balance Reserve as part of this report. Due to a large number of vacancies city-wide, the majority of City departments are tracking with sufficient vacancy savings to absorb the 9.2% health rate increase; therefore, funding of \$1.063 million of the \$2.0 million Benefits Program allocation is not necessary to be distributed to departments and is recommended to be liquidated to provide funding for other actions recommended in this report. The remaining \$500,000 of the \$2.0 million Benefits Program allocation is recommended to be distributed to the few departments that are not tracking with sufficient vacancy savings to absorb the 9.2% health rate increase. These actions are displayed elsewhere in this report.</p>				
<i>Revenue - Departmental Charges (Public Works Development Fee)</i>				\$46,378
<p>This action increases the Departmental Charges revenue estimate by \$46,378 to reflect the overhead reimbursement from the addition of Public Works Development Fee Program positions in the Public Works Department as approved by the City Council on January 29, 2013. This funding is recommended to be used to offset other budget actions as described in this report.</p>				
<i>Revenue - Licenses and Permits (Building Fees)</i>				\$50,510
<p>This action increases the Licenses and Permits revenue estimate by \$50,510 to reflect the overhead reimbursement from the addition of Building Development Fee Program positions in the Planning, Building and Code Enforcement Department as approved by the City Council on January 29, 2013. This funding is recommended to be used to offset other budget actions as described in this report.</p>				
<i>Revenue - Licenses and Permits (Fire Fees)</i>				\$12,116
<p>This action increases the Licenses and Permits revenue estimate by \$12,116 to reflect the overhead reimbursement from the addition of Fire Development Fee Program positions in the Fire Department as approved by the City Council on January 29, 2013. This funding is recommended to be used to offset other budget actions as described in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
Revenue - Sales Tax				\$5,450,000
REVENUE ADJUSTMENTS				
<p>This action increases the Sales Tax revenue estimate by \$5.45 million, from \$155.8 million to \$161.3 million, to reflect higher projected General Sales Tax (\$4.9 million) and Proposition 172 Sales Tax (\$550,000) in 2012-2013. The increase in the General Sales Tax revenue estimate reflects stronger than anticipated actual first quarter 2012-2013 revenue performance as well as the assumption that 3% year-over-year growth will be realized in the remaining three quarters. The increase in the Proposition 172 Sales Tax estimate is based on actual collection trends. Please refer to the Status of the General Fund Revenues section of this document (Section I. B.) for more detailed information. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
Revenues - Business Taxes				\$1,550,000
REVENUE ADJUSTMENTS				
<p>This action increases the Business Taxes revenue estimate by \$1.55 million, from \$40.9 million to \$42.4 million, based on stronger than budgeted collection levels in the Cardroom Tax (\$750,000), Disposal Facility Tax (\$700,000), and Marijuana Business Tax (\$100,000). The increase in the Cardroom Tax and Disposal Facility Tax are recommended based on current year collections trends. The increase in the Marijuana Business Tax is based on both 2011-2012 actual performance as well as current year collections trends. Please refer to the Status of the General Fund Revenues section of this document (Section I. B.) for more detailed information. The funding from Cardrooms, Marijuana Business Tax, and a small portion of the Disposal Facilities Tax (\$32,000) is recommended to be used to offset other budget actions as described elsewhere in this report. The remaining increase to Disposal Facility Tax (\$668,000) is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				
Revenues - Revenue from the State				\$525,000
REVENUE ADJUSTMENTS				
<p>This action increases the Revenue from the State of California estimate by \$525,000 to recognize a payment from the State for excess Vehicle License Fees collections. Vehicle License Fee revenues collected by the Department of Motor Vehicles as a result of certain compliance procedures are allocated equally to counties and cities and are apportioned on a population basis. This is anticipated to be a new ongoing source of revenue and will be factored into the 2013-2014 Forecast. Please refer to the Status of the General Fund Revenues section of this document (Section I. B.) for more detailed information. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<p>Revenues - Transfers and Reimbursements (Transfer from Parks C&C Tax Funds - Parks Operating and Maintenance Costs)</p> <p>This action increases the Transfers and Reimbursements revenue estimate by \$880,000 to recognize an increase to the transfer from the Parks Construction and Conveyance Tax Funds for Parks Operating and Maintenance Costs to reflect higher than anticipated year-to-date Construction and Conveyance Tax revenue collections. The remaining balance is recommended to be offset by other budget actions, as described elsewhere in this report.</p>				\$880,000
			REVENUE ADJUSTMENTS	
<p>Revenues - Transfers and Reimbursements (Transfer from the Community Facilities Revenue Fund)</p> <p>This action increases the Transfers and Reimbursements revenue estimate to recognize an additional transfer from the Community Facilities Revenue Fund. The General Fund is eligible to be reimbursed for 50% of the cost of the Principal Accountant overseeing the Community Facilities Revenue Fund. This action adjusts the transfer to account for the full 50% cost of that position, the cost of which was inadvertently underestimated when the 2012-2013 transfer amount was established. This funding is recommended to be used to offset other budget actions as described in this report.</p>				\$26,000
			REVENUE ADJUSTMENTS	
<p>Revenues - Transient Occupancy Tax</p> <p>This action increases the Transient Occupancy Tax revenue estimate by \$1.0 million, from \$9.1 million to \$10.1 million, to reflect the strong year-to-date collections which continue to track well above the prior year and current budgeted levels. This increase reflects a year-over-year increase of 12.4% in General Fund receipts in 2011-2012. A corresponding increase is recommended in the Transient Occupancy Fund, which receives 60% of this tax. Please refer to the Status of the General Fund Revenues section of this document (Section I. B.) for more detailed information of the General Fund performance and the Status of Selected Special and Capital Funds (Section II) for a discussion of the actions in the Transient Occupancy Tax Fund. This funding is recommended to be used to establish the 2012-2013 Ending Fund Balance Reserve as described elsewhere in this report.</p>				\$1,000,000
			REVENUE ADJUSTMENTS	
<p>Revenues - Utility Tax</p> <p>This action decreases the Utility Tax revenue estimate by \$882,000 from \$91.9 million to \$91.1 million due to net lower collection levels in the category. This action reflects lower collections levels in Gas (\$1.0 million), Electricity (\$500,000), and Telephone (\$382,000) Utility Taxes, partially offset by higher collection in Water (\$1.0 million) Utility Tax. Please refer to the Status of the General Fund Revenues section of this document (Section I. B.) for more detailed information. This reduced revenue is recommended to be offset by budget actions as described elsewhere in this report.</p>				(\$882,000)
			REVENUE ADJUSTMENTS	

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>TRANS Debt Service/Other Revenue</i>	CITY-WIDE EXPENSES		(\$25,000,000)	(\$25,000,000)
<p>This action decreases the TRANS Debt Service appropriation and associated estimate for Other Revenue by \$25.0 million due to a lower than estimated issuance of Tax and Revenue Anticipation Notes (TRANS) for 2012-2013. These notes are used to pre-fund City contributions to the Retirement System, as described in a memorandum to the City Council on June 1, 2012, because sufficient cash is not available on the pre-payment date. Due to the prudent management of the City's cash flows, it was possible to issue only \$100.0 million in TRANS, rather than the full \$125.0 available through the City's agreement with the notes purchaser.</p>				
<i>Transfer to the Downtown Property & Business Improvement District Fund</i>	TRANSFERS		(\$4,029)	
<p>This action decreases the Transfer to the Downtown Property & Business Improvement District (PBID) Fund by \$4,029 from \$623,920 to \$619,891. On August 7, 2007, the City Council approved formation of the Downtown PBID for a five-year period ending December 31, 2012, and directed assessments to be levied and collected. A reconciliation of the fund's finances at the close of the contract indicated that the net transfers from the General Fund for assessments of City properties and the baseline level of service were higher than needed. A downward adjustment of \$4,029 to the 2012-2013 General Fund transfer will align the transfer with fund obligations. The remaining balance is recommended to be offset by other budget actions, as described elsewhere in this report. On December 18, 2012, the City Council approved a new PBID contract for a term of 10 years.</p>				
<i>Wellness Program Reserve</i>	EARMARKED RESERVES		\$220,254	
<p>This action increases the Wellness Program Reserve by \$220,254. Consistent with a budget practice that was enacted when the City began to receive funding from its health care providers to promote Wellness, a year-end reconciliation of revenues and expenditures in the Wellness Program is conducted to determine if revenues exceeded or fell below costs. Based on the 2011-2012 results, which were not included in the 2011-2012 Annual Report, \$220,254 is recommended to be added to the Wellness Program Reserve, preserving any net savings between revenues and expenditures in this program. Recommendations for the use of this funding for wellness activities are anticipated to be brought forward as part of the 2013-2014 budget process. This additional funding is recommended to be offset by other budget actions as described elsewhere in this report.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Workers' Compensation Claims - Fire Department</i>	CITY-WIDE EXPENSES		\$1,000,000	
<p>This action increases the Workers' Compensation Claims - Fire appropriation by \$1.0 million, from \$5.7 million to \$6.7 million. The workers' compensation tracking system reflected a 10.4% increase in the number of claims through December when compared to the same time period last fiscal year. Fire Department medical costs have increased 59% (\$560,000) compared to last year as a result of a spike in the severity of injuries requiring surgery, hospital stays, and prescription drugs. In addition, permanent disability claims have increased by 11.2% (\$105,000) over the last year. Due to the volatile nature of this appropriation, additional funding of approximately \$300,000 is recommended to ensure sufficient funds for potential higher payments is available. The Fire Department is developing a comprehensive and aggressive modified duty program to enhance the early return to work of employees on disability leave to help control costs.</p>				
<i>Workers' Compensation Claims - Public Works Department</i>	CITY-WIDE EXPENSES		(\$50,000)	
<p>This action decreases the Workers' Compensation Claims - Public Works appropriation by \$50,000, from \$530,000 to \$480,000. Claims for Public Works employees are projected to end the year with savings of \$50,000 and are available to offset the increase in Workers' Compensation Claims - Transportation appropriation as described elsewhere in this report.</p>				
<i>Workers' Compensation Claims - Transportation Department</i>	CITY-WIDE EXPENSES		\$50,000	
<p>This action increases the Workers' Compensation Claims Payments - Transportation appropriation by \$50,000, from \$600,000 to \$650,000. New claims are up by 24% and medical expenses are higher than last year by 14%. The Transportation Department is reviewing injuries to improve its safety prevention and to help control costs. A corresponding decrease to Workers' Compensation Claims - Public Works appropriation is included elsewhere in this report to offset this action.</p>				
<i>Workers' Compensation State License</i>	CITY-WIDE EXPENSES		\$142,000	
<p>This action increases the Workers' Compensation State License appropriation by \$142,000 (from \$730,000 to \$872,000) due to implementation of SB863. One of the major components of this bill is increasing the permanent disability rates effective January 1, 2013 and requires a greater claims oversight by the State. The current budget assumed a 7% increase in costs and the actual increase was 34%. The additional funding is recommended to be offset by other budget actions as described elsewhere in this report.</p>				
TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS			(\$17,461,824)	(\$17,583,751)

General Fund Recommended Budget Adjustments Summary 2012-2013 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Anti-Drug Abuse Grant 2012-2013/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$101,777	\$101,777
<p>This action recognizes and appropriates grant funding to the Police Department from the State of California Governor's Office of Emergency Services to reimburse the Department for equipment and training related to anti-drug abuse activities. The Department will purchase night vision monocular kits, night vision cameras, and tactical vests. In addition, the funding will allow 13 officers to attend the California Narcotics Officers' Association (CNOA) Conference, four officers to attend the California Association of Tactical Officers Conference, and four officers to attend the California Homicide Investigators Association Conference to learn best practices in these fields and relate these practices when narcotics are involved.</p>				
<i>Avoid the 13 Grant 2012-2013/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$5,600	\$5,600
<p>This action recognizes and appropriates grant funding to the Police Department from the State of California Office of Traffic Safety to reimburse the Department for overtime staffing while working DUI checkpoints. The funding award of \$5,600 reimburses the Department for work done as part of the Santa Clara County Avoid the 13 Program. San José Police Officers in the Traffic Enforcement Unit are reimbursed for overtime worked to conduct seven DUI saturation patrols within the grant period of October 1, 2012 through September 1, 2013.</p>				
<i>Bulletproof Vest Partnership Grant/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$36,827	\$36,827
<p>This action recognizes and appropriates federal grant funding to the Police Department for the purchase of bulletproof vests. The United States Department of Justice will reimburse the Police Department for 50% of the cost to purchase each bulletproof vest through August 31, 2013; however, the grant funding is anticipated to be expended by June 30, 2013. With matching funds from the Police Department to cover the other 50% of the vest purchases, the Department will purchase 123 vests this year.</p>				
<i>California Gang Reduction, Intervention and Prevention (CALGRIP) Grant/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$426,375	\$426,375
<p>This action recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services Department from the State of California's Board of State and Community Corrections in the total amount of \$500,000, of which \$426,375 is appropriated in 2012-2013 and the remaining amount of \$73,625 will be appropriated in 2013-2014. This CALGRIP grant is a collaborative effort targeting gang-impacted youth through the implementation of proven intervention, substance abuse and remedial (GED)/vocational education strategies with the intent to reduce gang and youth violence.</p>				

General Fund Recommended Budget Adjustments Summary 2012-2013 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Communities Putting Prevention to Work Grant - Obesity Prevention Initiative/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$36,316	\$36,316
<p>This action increases the grant allocation and corresponding revenue estimate to the Parks, Recreation and Neighborhood Services Department in recognition of a grant amendment from the County of Santa Clara's Public Health Department for the Communities Putting Prevention to Work - Obesity Prevention Initiative. This increase continues the county-wide obesity prevention efforts which focus on high-impact nutrition and physical activity for youth.</p>				
<i>Energy Efficiency Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$34,200	\$34,200
<p>This action increases the Other Revenue revenue estimate and appropriates funding for PG&E rebates of \$34,200 received between August and December 2012 to the Energy Efficiency Program. Qualifying energy efficient products, including energy efficient lighting, heating, ventilation, and air conditioning equipment, and thermostats and controls that are installed at City facilities, are eligible for rebates from PG&E. The funding will be utilized for energy efficiency projects throughout the City.</p>				
<i>Fire Department Strike Team/Revenue from Federal Government</i>	FIRE		\$30,713	\$30,713
<p>This action increases the Fire Department's Personal Services appropriation to reimburse for a Strike Team that was deployed to assist in the Robbers Fire (Placer County) in July 2012. Strike Team reimbursements include costs associated with the backfill need of the department while teams are deployed. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>				
<i>Interactive Digital Art Spaces Grant/Revenue from Local Agencies</i>	LIBRARY		\$15,000	\$15,000
<p>This action increases the Library Department's Library Grants appropriation and recognizes revenue of \$15,000 from the Pacific Library Partnership (PLP) for the PLP Interactive Digital Art Spaces Grant. These funds will be used to empower teens in the Teen Center of the Bascom Branch Library to virtually explore art collections from museums around the world and to create their own collections of art to display.</p>				
<i>Local Enforcement Agency Grant/Revenue from State of California</i>	PLANNING, BLDG, & CODE ENF		\$29,451	\$29,451
<p>This action increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation and recognizes grant funding from the State of California for supplies, training, and software maintenance associated with the solid waste facilities permit and inspection program.</p>				

General Fund Recommended Budget Adjustments Summary 2012-2013 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<p><i>Maddie Lifesaving Grant/Other Revenue</i></p> <p>This action appropriates funding to the Public Works Department and increases the estimate for Other Revenue to enhance the Animal Care and Services Division's ability to treat and save animals that require services that are typically beyond the resource capability of the division. On June 19, 2012, the City Council accepted a grant from the Duffield Family, dba Maddie's Fund to fund these services. A corresponding increase to the Other Revenue revenue estimate is also recommended.</p>	CITY-WIDE EXPENSES		\$370,000	\$370,000
<p><i>National Forum Capacity-Building Grant OJJDP 2012-2015/Revenue from Federal Government</i></p> <p>This action recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services (PRNS) Department from the Federal Government's Office of Juvenile Justice and Delinquency Prevention (OJJDP) in the total amount of \$125,000, of which \$62,500 is appropriated in 2012-2013 and the remaining amount of \$62,500 will be appropriated in 2013-2014. Per executive order of the President, the Department of Justice will launch the National Forum on Youth Violence Prevention, representing a collaborative and diverse group of stakeholders at the federal, state and local levels who focus their efforts and attentions on finding effective ways of addressing youth and gang violence through partnerships, sharing common challenges, data-driven strategies, and comprehensive planning. This grant, which will enable capacity-building among Mayor's Gang Prevention Task Force partnering organizations, funds a portion of an Analyst and an intern in the PRNS Department.</p>	CITY-WIDE EXPENSES		\$62,500	\$62,500
<p><i>Organized Crime Drug Enforcement Task Force Grants/Revenue from Federal Government</i></p> <p>This action recognizes and appropriates grant funding to the Police Department's Personal Services appropriation to support overtime staffing while working on the Organized Crime Drug Enforcement Task Force (OCDETF). The award of \$10,000 reimburses the Department for work done on two separate OCDETF operations, Operation Sandbox (\$5,000), and Operation Crystal Hopper (\$5,000). San José Police Officers in the Covert Response Unit worked overtime to assist the task force with narcotics related investigations, operations, and prosecutions.</p>	POLICE		\$10,000	\$10,000
<p><i>PRNS Fee Activities/Departmental Charges</i></p> <p>This action increases the Parks, Recreation and Neighborhood Services Department (PRNS) Fee Activities appropriation and the PRNS Departmental Charges revenue estimate by \$424,000. The PRNS Fee Activities appropriation is tracking to exceed the budgeted revenue estimate by approximately \$424,000 due to increased participation levels in recreation classes including piano, fitness and group exercise, and Early Childhood Recreation. The increase in the Fee Activities appropriation will provide for additional staff hours needed to support the increased participation in piano and Early Childhood Recreation classes and additional vendor hours for the fitness and group exercise programs.</p>	PARKS, REC, & NEIGH SVCS		\$424,000	\$424,000

General Fund Recommended Budget Adjustments Summary 2012-2013 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEES				
<i>Parent Project/Other Revenue</i>	CITY-WIDE EXPENSES		\$31,938	\$31,938
<p>This action increases the San José BEST Program appropriation by \$31,938. Parents who attend anti-gang seminars reimburse the program for training materials received. A corresponding increase to the estimate for Other Revenue is also recommended.</p>				
<i>Partners in Reading Program/Revenue from State of California</i>	LIBRARY		\$53,902	\$53,902
<p>This action increases the Personal Services appropriation in the Library Department to reflect the receipt of a grant from the State of California to support the Adult Literacy and Families for Literacy programs. These funds support a portion of a position (Literacy Program Specialist) that manages the program and supports both participants and tutors by providing tutor training, conducting reading assessments, monitoring the progress of participants, collecting data, and recruiting of volunteer tutors and program participants. As part of State budget reductions, this grant was suspended indefinitely in 2011-2012. Actions taken in the 2012-2013 Adopted Budget restored funding for this position with Library Parcel Tax funding. However, the City has been notified that it will once again receive this grant in 2012-2013 in the amount of \$53,902. A corresponding action to reduce this funding in the Library Parcel Tax Fund is also included elsewhere in this report to offset this action.</p>				
<i>State Homeland Security Grant Program/Revenue from State of California</i>	FIRE		\$149,235	\$149,235
<p>This action increases the Fire Department's Personal Services appropriation and recognizes Revenue from the State of California to reimburse for Urban Search and Rescue specialized training activities. Training activities included rescue systems, confined space, trench rescue, river flood, and urban shield. A corresponding increase to the estimate for Revenue from the State of California is also recommended.</p>				
<i>Urban Area Security Initiative Grant - Police 2010/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$100,000	\$100,000
<p>This action appropriates additional federal grant funding to the Police Department from the Bay Area Urban Area Security Initiative (UASI) for the 2010 UASI Grant as a result of the UASI Board granting more funding to the San José Police Department. The additional funding will be used to purchase 13 UHF-R2 and 700-800 Dual Band handpack radios to continue the Department's transition to 700-800 Mhz, in order to allow all Bay Area public safety jurisdictions to communicate with each other.</p>				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$1,917,834	\$1,917,834

**General Fund Recommended Budget Adjustments Summary
2012-2013 Mid-Year Budget Review**

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
<i>General Fund Recommended Budget Adjustments Totals</i>			<u>Expenditure Change</u>	<u>Revenue Change</u>
		<u>Positions</u>	(\$8,643,990)	(\$8,765,917)