

General Fund Recommended Budget Adjustments Summary

Annual Report 2011-2012

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
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REQUIRED TECHNICAL/REBALANCING ACTIONS

Almaden Lake Park Rangers

PARKS, REC, &
NEIGH SVCS

\$18,510

Increases the Parks, Recreation and Neighborhood Services Personal Services appropriation by \$18,510 to fund Park Rangers at Almaden Lake. Councilmember Pyle had previously raised funds to support the swim program at Almaden Lake Park. However, the open water swim program at Almaden Lake was eliminated due to bacteria and algae bloom issues. The Mayor's 2012-2013 June Budget Message as approved by the City Council directed the Administration to work with Council District 10 and the Parks Foundation to reallocate the funds to PRNS for other District 10 parks and trail programs as early in the fiscal year as possible. Based on discussions with the Council Office and the Parks Foundation, it is recommended to allocate the funds for additional part-time unbenefitted Park Ranger hours to District 10 parks and trails with a focus on Almaden Lake. Also included elsewhere in this report are Gift Trust Fund appropriation actions to reallocate donated funds originally intended to support the Almaden Lake Swim Program to Park Rangers (\$28,622) bringing the total amount to \$47,132 which will fund approximately 1,900 in part-time unbenefitted Park Ranger hours. A corresponding elimination of the Almaden Lake Swim Program Earmarked Reserve of \$18,510 is also included in this report.

Almaden Lake Swim Program

EARMARKED
RESERVES

(\$18,510)

Eliminates the Earmarked Reserve appropriation to fund Park Rangers at Almaden Lake. Councilmember Pyle had previously raised funds to support the swim program at Almaden Lake Park. However, the open water swim program at Almaden Lake was eliminated due to bacteria and algae bloom issues. The Mayor's 2012-2013 June Budget Message as approved by the City Council directed the Administration to work with Council District 10 and the Parks Foundation to reallocate the funds to PRNS for other District 10 parks and trail programs as early in the fiscal year as possible. Based on discussions with the Council Office and the Parks Foundation, it is recommended to allocate the funds for additional part-time unbenefitted Park Ranger hours to District 10 parks and trails with a focus on Almaden Lake. Also included elsewhere in this report are Gift Trust Fund appropriation actions to reallocate donated funds originally intended to support the Almaden Lake Swim Program to Park Rangers (\$28,622) bringing the total amount to \$47,132 which will fund approximately 1,900 in part-time unbenefitted Park Ranger hours. A corresponding increase to the PRNS Personal Services appropriation of \$18,510 is also included in this report.

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Fuel Tank Monitoring</i>	CAPITAL PROJECTS		\$50,000	
<p>During the last two decades, Underground Storage Tanks (USTs) for fuel at various City facilities were removed. Some of these USTs have been found to have fuel leakage issues and require soil and/or groundwater remediation. The Fuel Tank Monitoring appropriation has ongoing funding of \$50,000 programmed for certain projects, including collection of groundwater samples and payments for regulatory permit fees. However, the funding is insufficient to complete the soil and groundwork remediation at Fire Station 16, where a leaking UST was removed. This funding will allow for the soil and groundwater remediation at Fire Station 16 prior to the rainy season and ensure compliance with the Santa Clara County Department of Environmental Health.</p>				
<i>General Fund and Neighborhood Security Bond Fund Expenditures Alignment/Transfers and Reimbursements</i>	TRANSFERS		\$374,000	\$374,000
<p>These technical adjustments increase the revenue estimate for Transfers and Reimbursements and establish a Transfer to the Neighborhood Security Bond Fund (Bond Fund) in the amount of \$374,000 in order to: 1) recognize the transfer of bond proceeds from the Bond Fund to reimburse the General Fund for costs associated with several Public Safety Capital projects; and 2) transfer General Fund funding to the Bond Fund to reimburse the Bond Fund for capital expenditures which have been determined as ineligible to be reimbursed from bond proceeds.</p>				
<i>HUD Section 108 Loan Repayment (Airport West)/Other Revenue</i>	CITY-WIDE EXPENSES		\$4,973,000	\$4,973,000
<p>Increases the estimate for Other Revenue in the amount of \$4.97 million to recognize a payment associated with the Sale of 14.5 Acres of Airport West property to the Earthquakes, LLC and establishes a City-Wide HUD Section 108 Loan Repayment appropriation in the amount of \$4.97 million to pay off a portion of the HUD 108 loan associated with this property. As part of a Purchase and Sale Agreement with Earthquakes Soccer LLC, the developer purchased a portion of the Airport West property for the development of the future Earthquakes Soccer Stadium. The payment will be used to pay off a portion of the HUD 108 loan, reducing the principal of the loan from \$20,803,000 to \$15,830,200. The use of the payment to pay off a portion of the HUD Loan was assumed in the most recent financing plan that was approved by the City Council in June 2012 to accommodate the community soccer facility.</p>				

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REQUIRED TECHNICAL/REBALANCING ACTIONS

<i>Leland Sports Field Repayment</i>	TRANSFERS		\$20,000	
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Establishes a Transfer to the Council District 10 Construction and Conveyance Tax Fund in the amount of \$20,000 to fund a portion of the total repayment of \$350,000 that originally supported the addition of an enhanced concession/storage/bathroom facility at the Leland Sports Field. As approved by the City Council in March 2007, fees collected from use of this sports field will: support ongoing operational and maintenance costs; repay the Council District #10 Construction and Conveyance Tax Fund the \$350,000 that was advanced to the project from the District; and establish a reserve for future replacement of the turf should there be a need to replace the turf prior to the expiration of the agreement. This allocation is in addition to a repayment that was approved as part of the 2010-2011 Annual Report in the amount of \$120,000; therefore, with the approval of this action, a total of \$210,000 remains to be repaid to the Council District 10 Construction and Conveyance Tax Fund.

Police Department Overtime

POLICE

Increases the Police Department's overtime funding in 2012-2013 by \$3.9 million (from \$13.3 million to \$17.2 million) to continue to backfill for vacant patrol positions, expand targeted enforcement of high crime activity related to gangs through suppression cars, and provide funding to continue backgrounding efforts on an overtime basis until the contract is in place. This action reallocates anticipated savings related to sworn vacancies in 2012-2013 of \$2.4 million from the salary and benefits line items to the overtime line item in the Police Department Personal Services appropriation to ensure the Department has sufficient overtime resources based on recent increases in crime activity and discussions that occurred as part of the City Council Study Session on Public Safety on September 18, 2012. Several other actions are also recommended elsewhere in this document, including additional funding of \$1.25 million that is recommended to be rebudgeted for overtime expenditures from 2011-2012 savings, as well as a recommended reallocation of \$250,000 in non-personal/equipment funding for contracted backgrounding services to the personal services overtime line item due to a delay in contract implementation.

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Police Retirees' Health/Dental Fees</i>			\$50,000	
Increases the Police Retirees' Health and Dental Fees City-Wide Expenses appropriation by \$50,000 from \$40,000 to \$90,000 based on projected costs as a result of changes to the Police Retirees' lowest cost health plan option. Per the Memorandum of Agreement with the San José Police Officers' Association, the City must set aside a portion of eligible Police retiree members' sick leave payments upon retirement to offset their healthcare plan deductions. Retirees with a certain amount of service with the City qualify for lifetime medical insurance upon retirement whereby the retirement funds pay 100% of the premium costs of the City's low cost plan. In June 2012 the City Council approved a new low cost plan. Effective January 1, 2013, if retirees choose not to elect the new low cost plan and remain with their current plan, retirees will have to pay a portion of the annual health and dental fees. It is estimated that Police retirees eligible for this health and dental fee offset will elect to remain in their current plan and incur the higher cost starting the next calendar year. Therefore, it is expected that retirees will increase their usage of the set aside funding to cover the cost of their portion of the annual health and dental fees.	CITY-WIDE EXPENSES			
<i>Revenue - Revenue from Local Agencies</i>				(\$400,000)
Decreases the estimate for Revenue from Local Agencies by \$400,000 from \$450,000 to \$50,000 due to fewer adults attending Grace Community Center Day Rehabilitation Program. As a result of a State Department of Mental Health audit, a program redesign/recertification of the Day Rehabilitation Program was necessary to bring the program into compliance with State regulations. This new model, however, resulted in a significant drop in attendance, which significantly reduces the eligible reimbursement and increases the General Fund ongoing cost for this program. With projected attendance levels July through November 2012, reimbursement for eligible costs are estimated at \$50,000. The Parks, Recreation and Neighborhood Services Department will continue to evaluate this program to identify next steps to ensure the program is as cost-effective as possible. Any recommended changes to the service delivery model will be brought forward later in the year.	REVENUE ADJUSTMENTS			
<i>Revenue - Sales Tax</i>				\$3,140,000
Increases the General Sales Tax estimate by \$3.1 million (from \$148.2 million to \$151.3 million) to recognize one-time additional Sales Tax revenue generated in the fourth quarter of 2011-2012 (\$1.7 million) and to recognize the 2011-2012 "Triple Flip" true-up payment from the State, anticipated to be received in January 2013 (\$1.4 million). Ongoing impacts of higher than estimated receipts will continue to be monitored closely and adjustments brought forward as appropriate.	REVENUE ADJUSTMENTS			

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Revenue - Transfers and Reimbursements</i>				(\$651,788)
Decreases the estimate for Transfers and Reimbursements by \$652,000 to reflect the net impact of the following adjustments: a decrease to the Gas Tax estimate by \$500,000, from \$15.0 million to \$14.5 million, to remain consistent with the approximate 1% decline assumed in the 2012-2013 Adopted Budget from actual 2011-2012 receipts; a decrease in reimbursement from the Workforce Investment Act Fund for the rental of former community centers by the work2future program by \$233,938 to align reimbursements with eligible costs in accordance with federal grant requirements; and an increase of \$82,150 to reflect additional excess funds generated from the close-out of the Stores Fund. A final transfer from the Stores Fund to the General Fund is anticipated later this year after the sale of remaining inventory is finalized and the close-out of the Stores Fund is complete.	REVENUE ADJUSTMENTS			
<i>Revenue - Transient Occupancy Tax</i>				\$385,000
Increases the budgeted estimate for 2012-2013 Transient Occupancy Tax receipts by \$385,000 from \$8.7 million to \$9.1 million. The 2012-2013 Adopted Budget assumed growth of 5% from 2011-2012 estimated collections. As a result of higher than anticipated 2011-2012 collections, growth of only 0.6% is needed to meet the 2012-2013 Adopted Budget estimate. With no indications of reduced activity, this action increases the budgeted estimate to allow for growth of 5% from 2011-2012 actual receipts which is consistent with the level assumed in the 2012-2013 Adopted Budget.	REVENUE ADJUSTMENTS			
<i>Spartan Keyes Center Service Delivery Model Change</i>	PARKS, REC, & NEIGH SVCS	(1.00)	(\$86,000)	
Eliminates 1.0 Recreation Specialist position and reallocates the funding to Parks, Recreation and Neighborhood Services (PRNS) Department Non-Personal/Equipment appropriation to support a change in the recommended service delivery model at this center. A Recreation Specialist position was added on a one-time basis as part of the 2012-2013 Adopted Budget to continue operations at Spartan Keyes, including coordinating neighborhood programs such as after school homework assistance (12-20 students each day), First Five literacy help for pre-Kindergarten families (30 families each session/2 sessions per week), and Second Harvest Food Bank services (150 families or 200 people per month). However, it has been determined that it would be more effective to have Catholic Charities, a Community Based Organization, rather than in-house PRNS staff perform these duties, keeping in line with direction approved in the Mayor's June Budget Message for 2012-2013 to explore opportunities for partnerships with non-profits to provide support and minimize costs. A corresponding action to increase PRNS Department Non-Personal/Equipment appropriation is recommended as noted below.				

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REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Spartan Keyes Center Service Delivery Model Change</i>	PARKS, REC, & NEIGH SVCS		\$86,000	
<p>Reallocates funding in the amount of \$86,000 in the Parks, Recreation and Neighborhood Services (PRNS) Department from Personal Services to Non-Personal/Equipment to support a change in the recommended service delivery model at this center. A Recreation Specialist position was added on a one-time basis as part of the 2012-2013 Adopted Budget to continue operations at Spartan Keyes, including coordinating neighborhood programs such as after school homework assistance (12-20 students each day), First Five literacy help for pre-Kindergarten families (30 families each session/2 sessions per week), and Second Harvest Food Bank services (150 families or 200 people per month). However, it has been determined that it would be more effective to have Catholic Charities, a community-based organization, rather than in-house PRNS staff perform these duties, keeping in line with direction approved in the Mayor's June Budget Message for 2012-2013 to explore opportunities for partnerships with non-profits to provide support and minimize costs. A corresponding action to decrease the PRNS Department Personal Services appropriation is recommended as noted above.</p>				
TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS		(1.00)	\$5,467,000	\$7,820,212
GRANTS/REIMBURSEMENTS/FEES				
<i>1st ACT Silicon Valley Digital Media Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$8,000	\$8,000
<p>Recognizes and appropriates funding from 1st ACT Silicon Valley in the amount of \$8,000 for a digital media grant. This is a region-wide initiative undertaken by 1st ACT Silicon Valley to increase access to and engagement in high quality creative experiences for Silicon Valley youth. This grant supports a 12-week program for teens at Seven Trees Community Center to create digital media, such as documentaries, public service announcements, digital storytelling, poetry videos, animations, and music videos.</p>				
<i>After School Education and Safety Programs for 2012-2013/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$607,861	\$607,861
<p>Recognizes and appropriates grant funding from the school districts to support after school education and safety programs in the Berryessa and Alum Rock Union School Districts for the 2012-2013 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.</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Christmas in the Park Personal Services Reimbursement/Other Revenue</i>	PARKS, REC, & NEIGH SVCS		\$11,000	\$11,000
Increases the estimate for Other Revenue and appropriates funding to the Parks, Recreation and Neighborhood Services Department Personal Services appropriation in the amount of \$11,000 to reflect additional reimbursement from the Christmas in the Park Foundation for staff costs (additional part-time Recreation Leader hours) associated with the production and management of the 2012 Christmas in the Park program.				
<i>Energy Efficiency Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$18,425	\$18,425
Increases the estimate for Other Revenue and appropriates funding from PG&E rebates of \$18,425 received in July and August 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.				
<i>Gaming Unit Financial Background Consultant/Revenue from Licenses and Permits</i>	POLICE		\$122,369	\$122,369
Increases the estimate for Licenses and Permits and appropriates cardroom fee funding to the Police Department's Non-Personal/Equipment appropriation to fund contractual background investigation services related to the opening of the new M8TRIX cardroom. Due to the increased volume of cardroom permit applications and the detailed level of investigation needed on these applications to open the new cardroom, the Department contracted out some of the backgrounding services, and M8TRIX reimbursed the Department for expenses incurred as part of cardroom regulation fees.				
<i>Library Grants/Revenue from Federal Government</i>	LIBRARY		\$2,500	\$2,500
Recognizes and appropriates federal grant funding from the National Endowment for the Humanities America's Music Grant. This grant will support a six week music program at the Martin Luther King, Jr. Library featuring documentary film screenings and scholar-led discussions of twentieth-century music.				
<i>PG&E Summer Cooling Shelter Program Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$7,000	\$7,000
Increases the estimate for Other Revenue and appropriates a grant from PG&E in the amount of \$7,000 for City Cooling Centers. PG&E supports local governments to raise awareness of heat safety measures and to provide shelter for those in need on extremely hot days.				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Safe Summer Initiative Program/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$147,000	\$147,000
<p>Recognizes and appropriates revenue from Santa Clara County's Probation Department (\$97,000) and District Attorney's Office (\$50,000) to the 2012 Safe Summer Initiative Program. The Safe Summer Initiative Program offers grants to non-profit organizations that engage youth between the ages of six and 18 who are, have been, or are at risk of engaging with the juvenile justice system with activities during the summer months, including block parties, sports events, field trips, and summer camps that encourage outdoor activity and build social skills.</p>				
<i>San José BEST Program - California Emergency Management Agency Grant/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$250,000	\$250,000
<p>Recognizes and appropriates grant funding of \$250,000 from the California Emergency Management Agency to the San José BEST appropriation for continued support of gang intervention and prevention efforts. The California Gang Reduction, Intervention and Prevention (CalGRIP) initiative is a collaborative effort that supports gang prevention, intervention, and suppression, as well as education, job training and skills development activities. This allocation will fund collaborations with Catholic Charities, California Youth Outreach, and Work2Future to support re-entry services for juveniles. The target is to reach and serve 100 youth within an 18 month period.</p>				
<i>San José BEST Program - FLY, Tenacious and Ujima Projects/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$45,200	\$45,200
<p>Recognizes and appropriates grant funding of \$45,200 from the County of Santa Clara Probation Department to the San José BEST Program to fund programs that continue the efforts of the Mayor's Gang Prevention Task Force. This funding provides support to the following organizations: Fresh Lifelines for Youth (FLY) (\$21,200), The Tenacious Group (\$8,000), and Ujima Family Services (\$16,000).</p>				
<i>Selective Traffic Enforcement Grant Program 2012-2013/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$180,000	\$180,000
<p>Recognizes and appropriates funds from the State of California Office of Traffic Safety to the Police Department to fund overtime for Police Officers to conduct targeted driving under the influence (DUI) patrols and distracted driving enforcement during the term of the grant (October 1, 2012 through September 30, 2013).</p>				

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GRANTS/REIMBURSEMENTS/FEES				
<i>Senior Nutrition Program/Revenue from Local Agencies</i>	PARKS, REC, & NEIGH SVCS		\$904,606	\$904,606
Recognizes and appropriates funding of \$904,606 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. This funding will be used to reimburse the City's vendor for the cost of meals for seniors at all 13 senior nutrition sites for 2012-2013.				
<i>Sobriety Checkpoint Grant Program 2012-2013/Revenue from State of California</i>	CITY-WIDE EXPENSES		\$120,660	\$120,660
Recognizes and appropriates funds from the State of California Office of Traffic Safety to the Police Department to fund overtime for Police Officers to staff driving under the influence (DUI) checkpoints during the term of the grant (October 1, 2012 through September 30, 2013).				
<i>State Homeland Security Grant Program/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$26,105	\$26,105
Recognizes and appropriates federal grant funding to the Police Department through the Santa Clara County Office of Emergency Services to fund training to enhance capabilities in the field of terrorism prevention, mitigation, and deterrance. San José Police Department personnel will attend a suicide bomber counter terrorism class and the Urban Shield 2012 first responder tactical exercise, both in October 2012.				
<i>Summer Youth Nutrition Program/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$40,000	\$40,000
Recognizes and appropriates federal grant funding to the Parks, Recreation and Neighborhood Services Department for the 2012 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.				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$2,490,726	\$2,490,726

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URGENT FISCAL/PROGRAM NEEDS

Successor Agency City Legal Obligations Reserve

EARMARKED RESERVES	\$7,500,000
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Establish a Successor Agency City Legal Obligations Earmarked Reserve of \$7.5 million to provide for the payment of the obligations described below in the event that the County continues to withhold certain redevelopment tax revenues. The 2012-2013 Adopted Budget included funding of \$16.3 million all funds (\$11 million in the General Fund) to ensure payment of Successor Agency obligations which the City would be contractually obligated to pay (Convention Center Debt Service, 4th Street Parking Garage Debt Service, HUD 108 Loan payments, and ERAF Loan Payments) as well as administrative costs due to the forecasted insufficiency in redevelopment tax increment revenues to pay for all obligations. However, since the adoption of the budget, it has become apparent that received and forecasted revenues may fall below prior estimates used to develop the 2012-2013 Adopted Budget reflecting an additional potential shortfall of \$7.5 million that would necessitate additional General Fund support. This is because, inconsistent with past practice, the County of Santa Clara is withholding a percentage of former tax increment to fund the County employee's retirement plan (the PERS levy), as well as two other tax overrides related to Water District projects. The annual impact is projected to be approximately \$7.5 million in lost revenue.

The City, in its capacity as the Successor Agency, has commenced a lawsuit challenging the County's actions of withholding funds required to meet the Successor Agency's enforceable obligations. This recommendation to establish a reserve is being made because the timing and outcome of the litigation are uncertain. If the matter is resolved such that the \$7.5 million reserve is not needed, the Administration intends to recommend that the City Council distribute these funds as part of the 2013-2014 budget process.

Workers' Compensation/General Liability Catastrophic Reserve

EARMARKED RESERVES	\$3,000,000
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Increases the Workers' Compensation/General Liability Catastrophic Earmarked Reserve by \$3.0 million (from \$10.0 million to \$13.0 million) as directed in the Mayor's 2012-2013 June Budget Message, as approved by the City Council. This increase provides sufficient funding to cover 50% of a \$6 million verdict that was recently rendered against the City for a case currently in post trial motions. The remaining portion of the verdict would be funded by the General Liability Claims appropriation. This appropriation has funding of \$10.0 million in 2012-2013; however, only \$2.0 million is ongoing funding, so it is prudent to set aside additional funds for potential claim awards and litigation settlements. As documented in the 2012-2013 Adopted Budget, after a review of cases requiring substantial legal attention, ten cases alone amounted to claims by the plaintiffs in excess of \$48 million, which does not take into account any potential workers' compensation litigation. Despite this level of potential liability, the City has historically paid considerably less for claims and litigation settlements than other large cities; therefore, the Administration believes that the recommended level of funding for these potential expenditures is sufficient at this time.

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URGENT FISCAL/PROGRAM NEEDS				
TOTAL URGENT FISCAL/PROGRAM NEEDS			\$10,500,000	\$0

General Fund Recommended Budget Adjustments Totals

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
(1.00)	\$18,457,726	\$10,310,938