

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Neighborhoods
Commission Independent Citizens
Oversight Committee for the
Measure B ¼-cent sales tax

DATE: 4 March 2020

SUBJECT: Neighborhoods Commission Independent Citizens Oversight Committee (ICOC) 2016 Measure B 1/4-Cent Sales Tax ANNUAL Report FOR FISCAL YEAR 2018-2019

1. RECOMMENDATION

Accept this report on the Measure B 1/4-Cent Sales revenues and allocations. Accept the Fiscal Year (FY) 2018-2019 Neighborhoods Commission Independent Citizens Oversight Committee (ICOC) findings and recommendations.

2. OUTCOME

This report to the Mayor and Council provides the ICOC findings and recommendations for the Measure B 1/4-Cent Sales Tax revenues and allocations for FY 2018-2019. The revenues reported for FY 2018-2019 represent the third year of Measure B implementation and were for 12 months.

3. OVERVIEW

This report documents the findings of the Neighborhoods Commission (NC) Independent Citizens Oversight Committee (ICOC) for the Measure B ¼-cent sales tax revenues. The report covers the period from 7/1/2018 to 6/30/2019.

The ICOC was authorized as a result of the San José City's Measure B Sales Tax ballot measure approved by the voters on June 7, 2016 that required Independent Citizens Oversight with public review of spending, and all revenues controlled locally.

San José City Manager provided the Measure B 1/4-Cent Sales Tax revenues, allocations, and expenditures for FY 2018-2019. The findings in this report are based on the Measure B data provided by the San José City Manager.

4. FINDINGS

San José City's 2016 Measure B ¼-Cent Sales Tax revenues received for FY 2018-2019 were \$47,226,344. The revenues were allocated and expended for each of the Measure B categories as detailed in table 4-1. This report provides the methodology used to develop the findings and analyses of the findings.

Table 4-1. FY 2018-2019 Measure B ¼-Cent Sales Tax Allocations

Measure B Category	Measure B Allocation (dollars)	Percent Allocated
Improving Police Response to Reduce Violent Crimes and Burglaries	33,872,000	71.72
Improving 911/Emergency Medical/Fire Response Times	6,008,811	12.72
Repairing Potholes and Streets	982,361	2.08
Expanding Gang Prevention	1,813,467	3.83
Maintaining the City's Long-Term Financial Stability	00	0.0
Other	4,549,705	9.63
Total	47,226,344	99.98

5. CHARTER

City of San José Council Resolution No. 78016, adopted December 13, 2016 designates the Neighborhoods Commission of the City of San José as the local sales tax independent citizens oversight committee, as outlined in the Measure B ¼-Cent Sales Tax Ballot measure.

The resolution further designates the Neighborhoods Commission as the Oversight Committee, to absorb the oversight function required by Measure B within the existing scope of the Neighborhoods Commission, and requires that the Neighborhoods Commission, in its role as the Oversight Committee, review local sales tax revenues annually and report to the City Council on the local ¼-cent sales tax measure during the annual budget process.

Each year, for the life of the Measure B ¼-Cent Sales Tax, the ICOC will review:

- Revenue resulting from Measure B
- Areas of the San José annual budget impacted by Measure B
- Measure B sales tax revenue and expenditure data provided by the San José City Manager's Office.

The ICOC will review and analyze data provided by the City and produce an annual report with a timeline defined by the City, containing an evaluation of the proposed budget allocations with the actual expenditures and submit that report to the City Council.

6. SCOPE OF WORK.

The San José City's Tax ballot measure and the ICOC charter define the scope of work.

San José City's 2016 Measure B Sales Tax ballot measure: *To fund essential City services such as: improving police response to reduce violent crimes and burglaries; improving 911/emergency medical/fire response times; repairing potholes and streets; expanding gang prevention; and maintaining the City's long-term financial stability, shall the City of San José enact a ¼ percent sales tax for 15 years, providing about \$40 million annually, requiring Independent Citizens Oversight with public review of spending, and all revenues controlled locally.*

On August 10, 2016, the City's Rules Committee directed the City Manager to: 1) create a process for appointing citizens to the ICOC, with explicit consideration that the City's NC serve as the Committee by absorbing Measure B's mandated functions within the existing purpose of the NC; 2) establish a schedule for periodic meetings of the ICOC, at least annually; and 3) determine a scope of duties consistent with voter authorization. The use of the NC as the ICOC will conserve City resources and staff time and aligns with past work the NC has done on budget engagement. The City desires to designate the NC as the ICOC, absorb the oversight function required by Measure B within the existing scope of the Neighborhoods Commission, and require that the Neighborhoods Commission, in its role as the ICOC, review local sales tax revenues annually and report to the City Council on the local sales tax measure during the annual budget process.

7. ICOC STANDING COMMITTEE MEMBERSHIP

The ICOC membership is limited to NC commissioners. Members of the public or former commissioners cannot be members. A list of the NC Commissioners serving on the ICOC during 2018/2019 is provided in table 7-1.

Table 7-1. NC ICOC Commissioners Serving During 2018/2019

Commissioner	District
Buchanan, Jewell	5
Carter, Jim	6
Cunningham*, Gary	1
Giammona, Richard	10
Martin, Terry	9
Nguyen, Franklin	1

*Chair

8. ICOC MEETINGS

ICOC meetings were conducted in accordance with SJ City and Brown Act requirements. SJ City Manager staff provided support for meeting venues, agendas, notices, and minutes.

9. OVERSIGHT METHODOLOGY

Measure B requires oversight of the measure's revenue. However, Measure B did not establish a method or system for tracking and reporting the measure's budgeted allocation, actual allocations, and the result of the expenditure.

Measure B Local Sales Tax revenue is sourced to the General Fund. For FY 2018-2019, the City Council approved Manager's Budget Addendum (MBA) #28, Local Sales Tax Budget Adjustments, dated June 1, 2018. The MBA allocated specific uses for Measure B sales tax and identified specific expenditure appropriations that allow for straightforward tracking of expenses. The original allocations in MBA #28 were modified by the City Council with the adoption of the Mayor's June Budget Message for Fiscal Year 2018-2019, and through the memorandum, Approval of Various Budget Actions for Fiscal Year 2018-2019, that was approved by the City Council at its meeting on June 7, 2019.

The City Manager's Budget Office provided information regarding Measure B revenues, budgeted spending allocations, and expenditures in 2018-2019 in the format requested by the ICOC. The findings in this report are based on the Measure B data provided by the City Manager's Budget Office.

9.1 Audited Data

Audited sales tax revenue data was provided to the ICOC by the San José City Manager. The data was audited by City's independent financial auditor, Macias, Gini & O'Connell, LLP as part of the audit of the City's 2018-2019 Comprehensive Annual Financial Report (CAFR). Sales tax allocation data was not cited.

The San José City Manager Budget Office provided the ICOC with a FY 2018-2019 Measure B Local Sales Tax Reconciliation memo. The memo is provided as attachment 1 to this report. The memo provided details of the Measure B revenue allocations with respect to the City's 2018-2019 Comprehensive Annual Financial Report data audited by the City's independent financial auditor. The memo notes that the items in the matrix with a "Fiscal Year Initiated" date of 2016-2017 and 2017-2018 represent previous allocations of Measure B funding that are ongoing in nature, and continued into 2018-2019. Those items in the matrix with a "Fiscal Year Initiated" date of 2018-2019 represent an increase in resources above a department's 2018-2019 Base Budget allocation as displayed in the 2018-2019 Proposed Operating Budget. The City Manager's Budget Office and the ICOC collaborated on the development of the explanatory notes contained within the Matrix.

A matrix was developed as a baseline of the budget items and comparing those items with the proposed budget and actual expenditures. The results of the comparisons form the basis of the finding for each of the budget items. The finding includes a description of the expenditures for that budget item. The matrix is provided as attachment 2 to this report. The San José City Manager Budget Office provided the ICOC with the expenditure data and explanatory notes contained within the Matrix.

9.2 Matrix Description

The following is a description of the matrix format and content.

- a. Category. Identifies the budget item associated with each Measure B category
- b. Fiscal Year Initiated. Identifies the fiscal year budget item was originally funded with Measure B revenue

- c. Description. Describes the scope of the budget item
- d. Adopted Budget Allocation. Identifies the funds proposed for that budget item
- e. Modified Budget Allocation. Identifies changes in funding, if any, approved by City Council, made throughout the fiscal year for that budget item
- f. Expenditure Actuals. Identifies the actual amount spent, encumbered, and/or rebudgeted for that budget item
- g. Non-Measure B Supported Expenditure Actuals. Identifies certain expense amounts as being funded from revenues other than Measure B
- h. Total Measure B Actuals. Identifies the total expense amount for Measure B expenditures.
- i. Findings. Contains the evaluation of the proposed allocation with the actual expenditure, and the resultant outcome.

10. FINDINGS ANALYSES

San José City's 2016 Measure B ¼-Cent Sales Tax revenues received for FY 2018-2019 were \$47,226,344. as stated in attachment 1. The revenues were planned to be allocated and expended for each of the following Measure B categories:

- Improving police response to reduce violent crimes and burglaries
- Improving 911/emergency medical/fire response times
- Repairing potholes and streets
- Expanding gang prevention
- Maintaining the City's long-term financial stability

Findings are provided for each of the measure categories detailing how the revenues were allocated and expended. Some budget items may have had their planned funding adjusted. The adjustments are noted in the findings. The findings were based on the following:

- a. The SJ FY 2018-2019 Comprehensive Annual Financial Report (CAFR) cited in attachment 1 did not reference or specifically mention the ¼ Cent Sales Tax measure revenue or allocations. (Page 9 of the linked CAFR displays the audited figure for total sales tax: <https://www.sanjoseca.gov/Home/ShowDocument?id=45618>)
- b. The SJ FY 2018-2019 Annual Report cited in attachment 1 specifically mentions the ¼ Cent Sales Tax measure in the paragraph "Local Sales Tax" and states that the revenue was \$47.2 million. The report did not mention Measure B revenue allocations. (Page II-9 of the linked report: <https://www.sanjoseca.gov/home/showdocument?id=45849>)
- c. The FY 2018-2019 Measure B Local Sales Tax Reconciliation memo (attachment 1) states that individual expenditure appropriations – or spending allocations – were established in 2018-2019 to facilitate the tracking of expenditures directly associated with Measure B revenue. Supplemental documentation and reports from the City's Financial Management System was provided to the ICOC by the City Manager's Budget Office.

Although Measure B requires oversight of the revenue, San José Council Resolution No. 78016, and other related ICOC documents did not establish a method or system for tracking and reporting each item's budgeted

allocation, actual Measure B allocation, and the result of the expenditure. The data resulting from a tracking and reporting system could have been audited and provided to the ICOC.

As a result, the ICOC relied on the San José City Manager Budget Office-provided FY 2018-2019 Measure B Local Sales Tax Reconciliation memo and the Measure B expenditure data and explanatory notes contained within the Matrix to develop the finding for each budget item.

10.1 Improving Police Response to Reduce Violent Crimes and Burglaries.

The total allocation for this category was \$33,872,000. Revenues were distributed among the following subcategories:

10.1.1 Improve Police Response. \$1,593,000 was included in the Police Department's Personal Services and Non-Personal/Equipment budget. The funding adds 1.0 Police Lieutenant, 7.0 Police Sergeant, and 33.0 Police Officer positions, increasing the sworn staffing level from 1,109 to 1,150. The additional positions augment the patrol and investigations functions, to improve response times to calls for service, enhance proactive policing efforts, and improve clearance rates by investigating additional cases and increasing follow-up investigative efforts. These positions were identified in the Sales Tax Measure: 2016-2017 Provision Budget for addition in the future once vacancies were filled. The 2018-2019 Adopted Budget assumed the positions will be filled in June 2019. On an annualized basis, the cost of the 41.0 positions totals \$8.2 million.

10.1.2 Improve Response to Burglary and Neighborhood Crime. \$1,919,000 of funding was allocated to continue 14.0 Community Service Officer (CSO) I/II, 4.0 Senior Community Service Officer, and 1.0 Supervising Community Service Officer positions as well as non-personal/equipment funding added in 2016-2017 from the Local Sales Tax. The CSO Program increased from 54 to 73 positions to handle low-priority calls for service, freeing time for sworn officers to respond to higher priority calls for service and conduct proactive police work. The CSOs perform non-hazardous and non-emergency police functions, including field report writing, interviewing witnesses, conducting follow-up investigations, and collecting evidence.

10.1.3 Improve Crime Solving. \$454,000 of funding was allocated to continue 5.0 Crime and Intelligence Analyst positions added in 2016-2017 from the Local Sales Tax. These positions support Field Patrol (1.0 position in each of the four Patrol Divisions) and Special Operations (1.0 position) in analyzing and reporting on real time divisional crime trends, allowing for consistency and continuity in this work.

10.1.4 Maintain Police Deployment Levels. \$27,501,000 of funding was allocated to improve sworn Police recruiting and retention and increase the number of sworn officers hired, salary increases were approved in 2017-2018 and 2018-2019 that exceeded the 3% increase assumed in the General Fund Forecast. Since these increases went into effect, the Police Department has successfully hired 132 sworn officers and an additional 60 recruits are anticipated in June 2018. The sworn pay increase over the forecasted amount in 2017-2018 and 2018-2019 totals approximately \$25 million; however, \$14.9 million is supported by the Local Sales T

10.1.5 Police Backgrounding and Recruiting Program. \$825,000 added one-time funding of \$825,000 for recruiting and backgrounding candidates for the upcoming Police Officer Recruit Academies as well as civilian candidates for non-sworn vacancies, such as Public Safety Communications Specialists and Public Safety Dispatchers in the 9-1-1 Emergency Communications Center.

10.1.6 School Crossing Guard Program. \$80,000 was allocated to add 1.0 School Safety Supervisor position ongoing to support the School Crossing Guard Program. This position will assist with additional outreach, recruiting, and retention efforts as well as help with the supervisor span of control.

10.1.7 Operational South San José Substation. \$1,500,000 was allocated to add one-time funding of \$1.5 million to commence the transition of the South San José Substation to be fully operational. The South Substation is heavily used by San Jose Police Department each day, currently supporting operations of its Academy, deployment of Community Services Officers, SJPD Fleet refilling, officer backgrounding and recruiting, report-writing, the School Safety Unit, and the Division of Cannabis Regulation. This funding will start the transition of the substation to be fully activated for the deployment of sworn officers.

10.2 Improving 911/Emergency Medical/Fire Response Times.

The total allocation for this category was \$6,008,811. Revenues were distributed among the following subcategories:

10.2.1 Improve Fire Medical Response. \$2,990,000 was allocated to continue funding ongoing overtime added in 2016-2017 from the Local Sales Tax to maintain Fire Department sworn minimum staffing levels, which prevents the "browning out" (placing out of service) of any fire companies where there are staff absences.

10.2.2 Improving Emergency Medical Response. \$2,371,000 was allocated to continue funding two Fire Squad Units added in 2016-2017 from the Local Sales Tax. The Squads are two-person response units that respond to low level emergency medical services (EMS) requests and provide utility support at larger incidents

10.2.3 Office of Emergency Services – Disaster Preparedness. \$366,811 was allocated to add 1.0 Deputy Director and 1.0 Senior Executive Analyst ongoing, 1.0 Senior Analyst one-time, and \$300,000 in non-personal/equipment funding (\$100,000 ongoing) to support emergency operations planning, training, and the Community Emergency Response Team program.

10.2.4 Emergency Medical Services (EMS) Service Delivery Model Analytical Support. \$150,000 was allocated to rebudget the \$150,000 added in 2017-2018 to assist the Fire Department in identifying and advocating for the most promising EMS service delivery model in the 9-1-1 EMS Provider Agreement contract negotiations between the City of San Jose and the County of Santa Clara. XXXXXXXX

10.2.5 Emergency Medical Services (EMS) Response Time Improvement Technology Staffing. \$131,000 was allocated to continue 1.0 Network Engineer position added permanently in 2017-2018 to provide additional support to implement EMS technology projects, including fire station alert systems and electronic patient care reporting systems.

10.3 Repairing Potholes and Streets. The total allocation for this category was \$982,361.

10.3.1 Pavement Maintenance Program. \$982,361 was added as one-time funding to pave and repair streets throughout the City. In 2018-2019, this amount of pavement funding allowed for approximately 1.4 miles of street resurfacing and 4 miles of street sealing.

10.4 Expanding Gang Prevention. The total allocation for this category was \$1,813,467.

10.4.1 San José Works: Youth Jobs Initiative. \$1,502,467 was added as ongoing funding of \$1.5 million for the San José Works: Youth Jobs Initiative, a partnership between work2future and the Mayor's Gang Prevention Task Force (MGPTF) operated by the Parks, Recreation and Neighborhood Services Department. This program provides youth with employment services and critical life skills instruction, including leadership development, financial literacy, job counseling, job readiness training and other supportive services, such as transportation and clothing. San José Works allows youth to gain work experience, succeed and deter involvement in gangs and crime throughout San José

10.4.2 Project Hope Program. \$311,000 was allocated to add 2.0 Community Coordinator and 1.0 Community Activity Workers positions and \$35,000 in non-personal/equipment funding to establish the Project Hope Program in a new neighborhood and continue to support the community in the program's existing area. Project Hope targets high crime areas and leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, property, and blight

10.5 Maintaining the City's Long-Term Financial Stability.

There were no funds allocated for this category.

10.6 Other.

The total allocation for this category was \$4,549,705. Revenues were distributed among the following subcategories:

10.6.1 My San Jose 2.0 Application. \$1,500,000 was added as one-time funding of \$1.5 million to support a more effective and efficient response to complaints about graffiti, abandoned vehicles, broken streetlights, potholes, and general requests through the My San José application and web portal.

10.6.2 Neighborhood Park Maintenance. \$718,695 was allocated to continue 2.0 Park Maintenance Repair Worker I and 7.0 Groundswoker positions, and non-personal/equipment funding to improve the overall appearance of the City's neighborhood park system. Neighborhood Park Maintenance does not comply with any of the Measure B categories or the intent of the measure.

10.6.3 Police Communications Center Elevator Retrofit. \$599,454 was allocated for one-time funding of \$600,000 to replace two elevator controllers at the Police Communications Center, which are approximately 25 years old. Funding of \$595,000 was provided in 2016-2017 for this project. This additional funding is necessary to address enhanced fire code requirements that were not assumed in the original project.

10.6.4 Project Hope Program. Reassigned to 10.4.2

10.6.5 Economic Development and Jobs Growth - Diridon Station Area Development Planning. \$250,000 was allocated to support project planning, development review, and civic engagement and outreach in the Diridon Station Area. The City has the opportunity to build an internationally prominent transportation center and develop a superb destination within the area around the Diridon Station. Diridon Station Area Development Planning does not comply with any of the Measure B categories or the intent of the measure.

10.6.6 Beautify SJ Grants. \$200,000 was allocated for one-time funding of \$200,000 to support additional beautification and community-building efforts in neighborhoods.

10.6.7 Beautify SJ Days. \$163,265 was allocated to continue ongoing funding added in 2017-2018 to provide for approximately six neighborhood-led BeautifySJ Days for each of the City's ten Council districts. Each beautification event averages six to eight 40-cubic yards bins.

10.6.8 Anti-Litter Staffing. \$160,000 was allocated to add 2.0 Community Activity Worker positions and \$25,000 in non-personal/equipment funding to support community clean-up efforts.

10.6.9 Domestic Violence Survivor Assistance. \$150,000 was allocated to implement a pilot program that will offer flexible options for the Housing Department and advocates to offer emergency housing and/or assistance for up to 100 additional families in need.

10.6.10 San Jose Streets Team Litter and Trash Removal. \$135,000 was allocated to add non-personal/equipment funding for litter and trash removal services as part of the larger effort to tackle blight and litter in public spaces.

10.6.11 MANDATORY Transfer of Local Sales Tax Proceeds to the Airport Revenue Fund (Jet Fuel). \$673,291 was transferred to the Airport Revenue Fund for estimated Local Sales Tax revenue generated from jet fuel sales from July 2018 through July 2019. Per Federal Aviation Administration (FAA) policy, beginning December 8, 2017, Sales Tax revenue related to jet fuel sales that are located on Airport properties must be returned to the Airport Department.

11. OBSERVATIONS/COMMENTS

The following Observations/Comments are derived as a result of the operation of the ICOC during the 2018/2019 session:

- General
 - The ICOC met five times during the 2018-2019 session beginning in November 2018
 - Support was provided for the ICOC by CMO staff for meetings
 - A charter, plan, schedule, and draft report were developed by the committee early in the process
 - ICOC was able to establish a line of communications with the San José City Manager Budget Office to determine the type and format of the data that would be provided to the ICOC and when. Additionally, a single point of contact was established with the ICOC and San José City Manager Budget Office
 - CMO staff were not used to perform *liaison* duties in place of having face-to-face meetings with the San José City Manager Budget Office
 - The CMO position on Measure B is that it is a general measure and the wording of the ballot designating specific items is “for guidance only” and is not binding.
 - The San José City Manager Budget Office did not separate expenditures from Measure B revenues and commingled them with other SJ expenditures.
- **FY 2018-2019 Measure B ¼-Cent Sales Tax Allocations for Personnel Funding.** \$8,044,506 was allocated for personnel funding of 84 positions. The positions included 66 in the SJ Police Department, and 12 in other City departments. Table 11-1 provides the distribution of positions and the amount allocated. Paragraph 10.1 provides details of the SJ Police Department positions.

Allocating Measure B revenue for personnel funding to support continued department staffing levels is a concern for the ICOC. In previous years, Measure B revenue for personnel staffing was allocated for one-time or limited use. The funding of positions to increase staffing levels in the SJ Police Department will improve police response to reduce violent crimes and burglaries. In the past, Measure B revenues were used for SJPD recruitment and initial hiring. The concern is whether staffing levels of departments should be part of the annual budget process and not be reliant or dependent on Measure B revenue for continued funding.

- **Neighborhood Park Maintenance.** \$718,695 was allocated to continue 2.0 Park Maintenance Repair Worker I and 7.0 Groundworker positions, and non-personal/equipment funding to improve the overall appearance of the City's neighborhood park system. Neighborhood Park Maintenance does not comply with any of the Measure B categories or the intent of the measure.
- **Economic Development and Jobs Growth - Diridon Station Area Development Planning.** \$250,000 was allocated to support project planning, development review, and civic engagement and outreach in the Diridon Station Area. Diridon Station Area Development Planning does not comply with any of the Measure B categories or the intent of the measure.

Table 11-1. FY 2018-2019 Measure B ¼-Cent Sales Tax Allocations for Personnel Funding

Measure B Category	Personnel Funding Measure B Allocation (dollars)	No. of Positions Funded
Improving Police Response to Reduce Violent Crimes and Burglaries	4,046,000	66
Improving 911/Emergency Medical/Fire Response Times	2,868,811	8
Repairing Potholes and Streets	0	0
Expanding Gang Prevention	276,000	3
Maintaining the City's Long-Term Financial Stability	0	0
Other	853,695	7
Total*	8,044,506	84

*17% of FY 2018-2019 Measure B revenue

12. RECOMMENDATIONS

The recommendations are derived as a result of the operation of the ICOC for the FY 2018/2019 session.

- **Improving Police Response to Reduce Violent Crimes and Burglaries.** The largest portion of FY 2018-2019 Measure B revenues expended were for this category.

Burglaries, porch piracy, and automobile break-ins are a significant concern to residents and a major topic at community meetings. Recommend allocations that specifically target those areas.

Recommend continued funding and resources to support the transition of the South San José Substation to be fully operational.

- **Improving 911/Emergency Medical/Fire Response Times.** San Jose residents still report slow, or no, response to 911 calls. The transition to the new call response system that separates 911 emergency calls from the 311 non-emergency calls and develops a 311 non-emergency call response system will improve response times. Recommend funding to thoroughly develop and test the new call response system before deployment. This would include a pilot program, extensive testing, and personnel training to make certain the system is fully operational before deployment.

- **Repairing Potholes and Streets.** With the passage of Measure T, that will focus on repairing SJ streets, recommend allocations for repairing potholes and streets that are directed at those areas needing immediate attention until planned street repair is accomplished.
- **Expanding Gang Prevention.** Increased gang activity in neighborhoods has been reported by residents. Tagging and marking as well as gang-related criminal incidents are a concern. The ICOC recommends increasing the Mayor’s Gang Prevention Task Force staffing and resources. This unit performed successfully in the past and had good results in reducing gang violence.
- **Other.** This category includes items that do not easily fit into the five basic Measure B areas. Many of the items that were allocated funding, affect the quality of life of San José residents and have a direct relationship or correlation with Measure B categories. These include funding for dealing with graffiti, abandoned vehicles, broken streetlights, and community-building efforts in neighborhoods.

Effective communication between the City and its residents is a primary requirement in order to foster community-building efforts in neighborhoods and accomplish Citywide outreach efforts. The recent Audit of Development Noticing performed by the San José City Auditor’s Office Finding 2 determined that the City does not have a comprehensive list of contact information for neighborhood associations. The result is that residents are not aware of City outreach efforts. The ICOC recommends providing funding and resources to develop and maintain the comprehensive list and map of SJ neighborhood

- **Continue to Refine a Method or System for Tracking and Reporting Each Item’s Budgeted Allocation.** Continue to refine a method or system for tracking and reporting each item’s budgeted allocation, actual Measure B allocation, and the result of the Measure B expenditure.
- **Create a Long-Term Measure B Local Sales Tax Spending Plan.** The Measure B Local Sales Tax was approved by the voters to be in effect for 15 years, ending in FY 2031. During the life of the measure, tax revenue will be from \$40 million to \$50 million each year based on current estimates. This will provide a constant stream of revenue to allocate to planned Measure B specific projects over the life of the measure.

Currently the Local Sales Tax Spending Plan is developed each year using SJ City Manager Budget Addendums (MBAs). MBA #28: Subject: Sales Tax Ballot Measure: 2018-2019 was the basis for this year’s planning and allocations. This planning works for each year but does not provide the vision needed for future years.

Creating a Long-Term Measure B Local Sales Tax Spending Plan will provide a means of proactively identifying and planning for Measure B specific projects in the out years and integrating them in SJ City MBAs as the projects come up for activation each year.

- **ICOC FY2019/2020 Start Date.** Start the ICOC FY2019/2020 effort in September 2020
- **ICOC, CMO, and SJ City Manager Budget Office Meeting.** Schedule the ICOC, CMO, and SJ City Manager Budget Office to meet in November 2020 to coordinate the FY 2019-2020 ICOC plan, schedule, and draft report. This was done for the FY 2018-2019 ICOC and was productive.
- **ICOC FY2019/2020 Complete Date.** Complete the ICOC FY2019/2020 effort in March 2021 in order to develop recommendations for allocations of Measure B revenues in the FY2021/2022 budget.

Attachment 1. FY 2018-2019 Measure B Local Sales Tax Reconciliation memo (1 of 2)



Memorandum

TO: NEIGHBORHOOD COMMISSION - **FROM:** Jim Shannon
INDEPENDENT CITIZENS
OVERSIGHT COMMITTEE

SUBJECT: 2018-2019 MEASURE B **DATE:** March 2, 2020
LOCAL SALES TAX
RECONCILIATION

This memorandum provides information requested by the Neighborhood Commission, Independent Citizens Oversight Committee (ICOC) related to Measure B Local Sales Tax data for fiscal year 2018-2019.

On June 7, 2016, San Jose voters approved a one-quarter percent Local Sales tax to fund City services. From July 1, 2018 through June 30, 2019, the City collected Measure B Local Sales Tax revenue in the amount of \$47,226,344. This amount was reported in the City's 2018-2019 Annual Report (<https://www.sanjoseca.gov/home/showdocument?id=45849>, p. II-9) prepared by the City Manager's Office. The City's 2018-2019 Comprehensive Annual Financial Report (CAFR) prepared by the Finance Department also incorporated this figure, and that report was audited by the City's independent financial auditor, Macias, Gini & O'Connell, LLP.

The Measure B Local Sales Tax revenue is one of many revenue sources in the General Fund, and Measure B revenue is tracked in a separate revenue accounting code. This separate accounting code enables the identification of the revenue attributed solely to the Local Sales Tax. Based on feedback from the ICOC, separate expenditure appropriations related to the Local Sales Tax were created in 2018-2019 to enable the tracking and reporting of these expenditures, which was approved by the City Council with the inclusion of Manager's Budget Addendum #28 "Local Sales Tax Budget Adjustments" into the Mayor's June Budget Message for Fiscal Year 2018-2019. These allocations were adjusted through City Council action several times during the year, including adjustments to account for revenue increases above the initial 2018-2019 Adopted Budget estimate of \$43.0 million.

The City Manager's Budget Office has prepared the "ICOC Annual Measure B ¼-cent Sales Tax Matrix for FY 2018-2019" in accordance with the format requested by the ICOC, which describes each Measure B expenditure allocation with its corresponding budget and actuals data. The City Manager's Office also provided documentation of City Council actions to establish and

Attachment 1. FY 2018-2019 Measure B Local Sales Tax Reconciliation memo (2 of 2)

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modify the budget allocations, and reports from the City's Financial Management System that provide documentation of actual expenditures.

The items in the matrix with a "Fiscal Year Initiated" date of 2016-2017 and 2017-2018 represent previous allocations of Measure B funding that are ongoing in nature, and continued into 2018-2019. Those items in the matrix with a "Fiscal Year Initiated" date of 2018-2019 represent and increase in resources above a department's 2018-2019 Base Budget allocation as displayed in the 2018-2019 Proposed Operating Budget. The City Manager's Budget Office and the ICOC collaborated on the development of the explanatory notes contained within the Matrix.

The City Manager's Budget Office greatly appreciates the time and effort expended by the ICOC to perform their oversight duties on behalf of the San José community.

JIM SHANNON
Budget Director

Attachment: ICOC Annual Measure B ¼-cent Sales Tax Matrix

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (1 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

The table below displays information related to the allocation and expenditure of Measure B Sales Tax funding for Fiscal Year 2018-2019. The actual Measure B Local Sales Tax revenues in 2018-2019 totaled \$47,226,344. It is important to note that the sum of the "Expenditure Actuals" column is \$47,413,969, which exceeds Measure B revenue of \$47,226,344 in the amount of \$187,625. As other General Fund revenues sources were available to cover this difference, for oversight board reporting purposes, specific items below are identified as being partially supported by revenues other than Measure B. For the purposes of ICOC reporting, the table below displays the following for each allocation:

- 1) The Adopted Budget at the start of the fiscal year, which aligns with MBA #28: Local Sales Tax Budget Adjustments;
- 2) The Modified Budget to reflect changes approved by City Council, made throughout the fiscal year;
- 3) The "Expenditure Actuals" column, which represents the actual amount spent, encumbered, and/or rebudgeted;
- 4) For ICOC reporting purposes, the "Non-Measure B Supported Expenditure Actuals" designates certain expense amounts as being funded from revenues other than Measure B;
- 5) The "Total Measure B Actuals" column subtracts "Non-Measure B Supported Expenditure Actuals" from "Expenditure Actuals" to arrive at a total expense amount for Measure B; and
- 6) Any notes, as necessary, regarding certain allocations.

Category	Fiscal Year Initiated	Description	FY 2018-2019				Notes	Commission Findings
			Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals		
1. IMPROVING POLICE RESPONSE TO REDUCE VIOLENT CRIMES & BURGLARIES								
1.1 Improve Police Response	2018-2019	<p>Adds 1.0 Police Lieutenant, 7.0 Police Sergeant, and 33.0 Police Officer positions, increasing the sworn staffing level from 1,109 to 1,150. These additional positions will augment the patrol and investigations functions, which will improve response times to calls for service, enhance proactive policing efforts, and improve clearance rates by investigating additional cases and increasing follow-up investigative efforts. These positions were identified in the Sales Tax Measure: 2016-2017 Provision Budget for addition in the future once vacancies were filled. The 2018-2019 Adopted Budget assumes the positions will be filled in June 2019. On an annualized basis, the cost of the 41.0 positions totals \$8.2 million.</p>	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000		Concur
1.2 Improve Response to Burglary and Neighborhood Crime	2016-2017	<p>Continues 14.0 Community Service Officer (II), 4.0 Senior Community Service Officer, and 1.0 Supervising Community Service Officer positions as well as non-personal/equipment funding added in 2016-2017 from the Local Sales Tax. The CSO Program increased from 54 to 73 positions to handle low-priority calls for service, freeing time for sworn officers to respond to higher priority calls for service and conduct proactive police work. The CSOs perform non-hazardous and non-emergency police functions, including field report writing, interviewing witnesses, conducting follow-up investigations, and collecting evidence.</p>	\$ 1,919,000	\$ 1,919,000	\$ 1,919,000	\$ 1,919,000		Concur
1.3 Improve Crime Solving	2016-2017	<p>Continues 5.0 Crime and Intelligence Analyst positions added in 2016-2017 from the Local Sales Tax. These positions support Field Patrol (1.0 position in each of the four Patrol Divisions) and Special Operations (1.0 position) in analyzing and reporting on real time divisional crime trends, allowing for consistency and continuity in this work.</p>	\$ 454,000	\$ 454,000	\$ 454,000	\$ 454,000		Concur

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (2 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

		FY 2018-2019					FY 2018-2019		
Category	Fiscal Year Initiated	Description	Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals	Total Measure B Actuals	Notes	Commission Findings
1.4 Maintain Police Deployment Levels	2017-2018	To improve sworn Police recruiting and retention and increase the number of sworn officers hired, salary increases were approved in 2017-2018 and 2018-2019 that exceeded the 3% increase assumed in the General Fund Forecast. Since these increases went into effect, the Police Department has successfully hired 132 sworn officers and an additional 60 recruits are anticipated in June 2018. The sworn pay increase over the forecasted amount in 2017-2018 and 2018-2019 totals approximately \$25 million; however, \$14.9 million is supported by the Local Sales Tax.	\$ 14,869,000	\$ 27,501,000	\$ 27,501,000		\$ 27,501,000	The Modified Budget includes: - an increase of \$8.632 million in funding that was reallocated from the 2019-2020 Future Deficit Reserve as approved as part of the 2018-2019 Year-End Budget Adjustments memorandum - an increase of \$4.0 million in funding for additional Police staff expenditures as approved as part of the 2018-2019 Year-End Budget Adjustments memorandum	Concur
1.5 Police Backgrounding and Recruiting Program	2018-2019	Adds one-time funding of \$825,000 for recruiting and backgrounding candidates for the upcoming Police Officer Recruit Academies as well as civilian candidates for non-sworn vacancies, such as Public Safety Communications Specialists and Public Safety Dispatchers in the 9-1-1 Emergency Communications Center.	\$ 825,000	\$ 825,000	\$ 825,000		\$ 825,000		Concur
1.6 School Crossing Guard Program	2018-2019	Adds 1.0 School Safety Supervisor position ongoing to support the School Crossing Guard Program. This position will assist with additional outreach, recruiting, and retention efforts as well as help with the supervisor span of control.	\$ 80,000	\$ 80,000	\$ 80,000		\$ 80,000		Concur
1.7 Operational South San José Substation	2018-2019	Adds one-time funding of \$1.5 million to commence the transition of the South San José Substation to be fully operational. The South Substation is heavily used by San Jose Police Department each day, currently supporting operations of its Academy, deployment of Community Services Officers, SJPD Fleet refilling, officer backgrounding and recruiting, report-writing, the School Safety Unit, and the Division of Cannabis Regulation. This funding will start the transition of the substation to be fully activated for the deployment of sworn officers.	\$ -	\$ 1,500,000	\$ 1,500,000		\$ 1,500,000	The Modified Budget includes \$1.5 million reallocated from the Essential Services Reserve and the Actuals reflect \$1.5 million that was rebudgeted to 2019-2020 as approved as part of MBA #36.	Concur

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (3 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

		FY 2018-2019					FY 2018-2019			
Category	Fiscal Year Initiated	Description	Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals	Total Measure B Actuals	Notes	Commission Findings	
2. IMPROVING 911/EMERGENCY MEDICAL/FIRE RESPONSE TIMES										
Continuous ongoing overtime added in 2016-2017 from the Local Sales Tax to maintain Fire Department sworn minimum staffing levels, which prevents the "browning out" (placing out of service) of any fire companies where there are staff absences.										
2.1 Improve Fire, Medical Response	2016-2017		\$ 2,990,000	\$ 2,990,000	\$ 2,990,000		\$ 2,990,000		Concur	
2.2 Improving Emergency/Medical Response	2016-2017	Continues two Fire Squad Units added in 2016-2017 from the Local Sales Tax. The Squads are two-person response units that respond to low level emergency medical services (EMS) requests and provide utility support at larger incidents.	\$ 2,371,000	\$ 2,371,000	\$ 2,371,000		\$ 2,371,000		Concur	
2.3 Office of Emergency Services/Disaster Preparedness	2018-2019	Adds 1.0 Deputy Director and 1.0 Senior Executive Analyst ongoing, 1.0 Senior Analyst one-time, and \$300,000 in non-personal/equipment funding (\$100,000 ongoing) to support emergency operations planning, training, and the Community Emergency Response Team program.	\$ 773,000	\$ 773,000	\$ 536,811	\$ 170,000	\$ 366,811	The Actuals include: -\$238,811 spent -\$128,000 rebudgeted to 2019-2020 as approved as part of MBA #96 -\$170,000 rebudgeted to 2019-2020 as approved as part of the 2018-2019 Annual Report -The amount of \$170,000 rebudgeted into 2019-2020 is identified as revenue other than Measure B	Concur	
2.4 Emergency Medical Services (EMS) Service Delivery Model Analytical Support	2018-2019	Rebudgets \$150,000 added in 2017-2018 to assist the Fire Department in identifying and advocating for the most promising EMS service delivery model in the 9-1-1 EMS Provider Agreement contract negotiations between the City of San Jose and the County of Santa Clara.	\$ 150,000	\$ 150,000	\$ 150,000		\$ 150,000	The Actuals include a rebudget of \$150,000 to 2019-2020 as approved as part of MBA #96.	Concur	
2.5 Emergency Medical Services (EMS) Response Time Improvement Technology Staffing	2017-2018	Continues 1.0 Network Engineer position added permanently in 2017-2018 to provide additional support to implement EMS technology projects, including fire station alert systems and electronic patient care reporting systems.	\$ 131,000	\$ 131,000	\$ 131,000		\$ 131,000		Concur	
3. REPAIRING POTHOLES & STREETS										
Adds one-time funding to pave and repair streets throughout the City. In 2018-2019, this amount of pavement funding allowed for approximately 1.4 miles of street resurfacing and 4 miles of street sealing.										
3.1 Pavement Maintenance Program	2018-2019		\$ -	\$ 1,000,000	\$ 999,986	\$ 17,625	\$ 982,361	The Modified Budget includes \$1.0 million reallocated from the Essential Services Reserve and the Actuals reflect \$723,986 spent and \$276,000 that was rebudgeted into 2019-2020 as approved as part of the 2018-2019 Annual Report. -The amount of \$17,625 rebudgeted into 2019-2020 is identified as revenue other than Measure B	Concur	

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (4 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

		FY 2018-2019					FY 2018-2019			
Category	Fiscal Year Initiated	Description	Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals	Total Measure B Actuals	Notes	Commission Findings	
4. EXPANDING GANG PREVENTION										
4.1 San José Works: Youth Jobs Initiative	2018-2019	Adds ongoing funding of \$1.5 million for the San José Works: Youth Jobs Initiative, a partnership between work2future and the Mayor's Gang Prevention Task Force (MGPTF) operated by the Parks, Recreation and Neighborhood Services Department. This program provides youth with employment services and critical life-skills instruction, including leadership development, financial literacy, job counseling, job readiness training and other supportive services, such as transportation and clothing. San José Works allows youth to gain work experience, succeed and deter involvement in gangs and crime throughout San José.	\$ 1,500,000	\$ 1,500,000	\$ 1,502,467		\$ 1,502,467	The Actuals include: -\$1,321,467 spent -\$181,000 rebudgeted to 2019-2020 as approved as part of the 2018-2019 Annual Report	Concur	
4.2 Project Hope Program	2018-2019	Adds 2.0 Community Coordinator and 1.0 Community Activity Workers positions and \$35,000 in non-personal/equipment funding to establish the Project Hope Program in a new neighborhood and continue to support the community in the program's existing area. Project Hope targets high crime areas and leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, property, and blight.	\$ 311,000	\$ 311,000	\$ 311,000		\$ 311,000		Concur	
5. MAINTAINING THE CITY'S LONG-TERM FINANCIAL STABILITY										
5.1 2019-2020 Future Deficit Reserve	2018-2019	Funds \$8.6 million of the \$15.5 million allocated to the 2019-2020 Future Deficit Reserve. This amount is equivalent to the full value of two items from the original 2016-2017 Sales Tax spending plan that are not fully reflected in 2018-2019 but will be added in 2019-2020. This includes the \$6.6 million that will be factored into the 2019-2020 Base Budget to annualize the cost of the 41.0 sworn Police positions added in 2018-2019 (this amount is in addition to the \$1.6 million added in 2018-2019 for these positions) as well as the \$2.0 million that will be added in the 2019-2020 Base Budget for the Rapid Rehousing Program (this program was temporarily funded by the Housing Authority Litigation Award in 2017-2018 and 2018-2019).	\$ 8,632,000	\$ -	\$ -		\$ -	This funding was reallocated to fund additional Police staffing expenditures (\$8.632 million) as approved as part of the 2018-2019 Year-End Budget Adjustments memorandum.	Concur	
5.2 Essential Services Reserve	2018-2019	This funding will be allocated as part of the 2018-2019 budget process to address essential services identified by the Mayor and City Council and brought forward in the Mayor's June Budget Message in areas such as public safety, crime prevention, traffic safety, pavement, parks maintenance and other neighborhood services priorities. This figure includes \$2.5 million set aside in the 2018-2019 Proposed Budget.	\$ 2,500,000	\$ -	\$ -		\$ -	This funding was reallocated to fund the South San José Substation (\$1.5 million) and the Pavement Maintenance Program (\$1.0 million) as approved as part of the Mayor's June Budget Message for Fiscal Year 2018-2019.	Concur	

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (5 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

		FY 2018-2019					FY 2018-2019			
Category	Fiscal Year Initiated	Description	Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals	Total Measure B Actuals	Notes	Commission Findings	
6. OTHER										
6.1 My San Jose 2.0 Application	2018-2019	Adds one-time funding of \$1.5 million to support a more effective and efficient response to complaints about graffiti, abandoned vehicles, broken streetlights, potholes, and general requests through the My San Jose application and web portal.	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000		\$ 1,500,000	The Actuals include: -\$181,196 spent -\$1,384,000 rebudgeted to 2019-2020 as approved as part of MBA #36 -\$655,196 negative rebudget in 2019-2020 as approved as part of the 2018-2019 Annual Report	Concur	
6.2 Neighborhood Park Maintenance	2017-2018	Continues 2.0 Park Maintenance Repair Worker 1 and 7.0 Groundworker positions, and non-personal/equipment funding to improve the overall appearance of the City's neighborhood park system.	\$ 727,000	\$ 727,000	\$ 718,695		\$ 718,695		Do not concur. Neighborhood Park Maintenance does not comply with any of the Measure B categories or the intent of the measure.	
6.3 Police Communications Center Elevator Retrofit	2018-2019	Adds one-time funding of \$600,000 to replace two elevator controllers at the Police Communications Center, which are approximately 25 years old. Funding of \$595,000 was provided in 2016-2017 for this project. This additional funding is necessary to address enhanced fire code requirements that were not assumed in the original project.	\$ 600,000	\$ 600,000	\$ 599,454		\$ 599,454	The Actuals include: -\$3,454 spent -\$596,000 rebudgeted to 2019-2020 as approved as part of MBA #36	Concur	
6.4 Project Hope Program	2018-2019	Adds 2.0 Community Coordinator and 1.0 Community Activity Workers positions and \$35,000 in non-personal/equipment funding to establish the Project Hope Program in a new neighborhood and continue to support the community in the program's existing area. Project Hope targets high crime areas and leverages community partnerships, community empowerment, and coordination of a broad range of City services to address challenges of crime, property, and blight.					\$ -	Reassigned to 4.2	Concur	
6.5 Economic Development and Jobs Growth - Diridon Station Area Development Planning	2018-2019	Adds a net \$250,000 to support project planning, development review, and civic engagement and outreach in the Diridon Station Area. The City has the opportunity to build an internationally prominent transportation center and develop a superb destination within the area around the Diridon Station.	\$ 250,000	\$ 250,000	\$ 250,000		\$ 250,000		Do not concur. Diridon Station Area Development Planning does not comply with any of the Measure B categories or the intent of the measure.	
6.6 Beautify SJ Grants	2018-2019	Adds one-time funding of \$200,000 to support additional beautification and community-building efforts in neighborhoods.	\$ 200,000	\$ 200,000	\$ 200,000		\$ 200,000		Concur	
6.7 Beautify SJ Days	2017-2018	Continues ongoing funding added in 2017-2018 to provide for approximately six neighborhood-led Beautify SJ Days for each of the City's ten Council districts. Each beautification event averages six to eight 40-cubic yards bins.	\$ 180,000	\$ 180,000	\$ 163,265		\$ 163,265		Concur	

Attachment 2. ICOC Annual Measure B ¼-Cent Sales Tax Matrix for FY 2018-2019 (6 of 6)

ICOC Annual Measure B 1/4-cent Sales Tax Matrix for FY 2018-2019

FY 2018-2019		FY 2018-2019							
Category	Fiscal Year Initiated	Description	Adopted Budget Allocation	Modified Budget Allocation	Expenditure Actuals	Non-Measure B Supported Expenditure Actuals	Total Measure B Actuals	Notes	Commission Findings
6.8 Anti-Litter Staffing	2018-2019	Adds 2.0 Community Activity Worker positions and \$25,000 in non-personal/equipment funding to support community clean-up efforts.	\$ 160,000	\$ 160,000	\$ 160,000		\$ 160,000		Concur
6.9 Domestic Violence Survivor Assistance	2018-2019	Adds \$150,000 to implement a pilot program that will offer flexible options for the Housing Department and advocates to offer emergency housing and/or assistance for up to 100 additional families in need.	\$ 150,000	\$ 150,000	\$ 150,000		\$ 150,000		Concur
6.10 San Jose Streets Team Litter and Trash Removal	2018-2019	Adds non-personal/equipment funding of \$135,000 to fund litter and trash removal services as part of the larger effort to tackle blight and litter in public spaces.	\$ 135,000	\$ 135,000	\$ 135,000		\$ 135,000	The Actuals include a rebudget of \$135,000 into 2019-2020 as approved as part of the 2018-2019 Annual Report.	Concur
6.11 MANDATORY Transfer of Local Sales Tax Proceeds to the Airport Revenue Fund (Jet Fuel)	2018-2019	Transfers funds from the General Fund to the Airport Revenue Fund for estimated Local Sales Tax revenue generated from jet fuel sales from July 2018 through July 2019. Per Federal Aviation Administration (FAA) policy, beginning December 8, 2017, Sales Tax revenue related to jet fuel sales that are located on Airport properties must be returned to the Airport Department.	\$ -	\$ 673,291	\$ 673,291		\$ 673,291	All funding was transferred to the Airport Revenue Fund.	Concur
			\$ 43,000,000	\$ 47,673,291	\$ 47,413,969	\$ 187,625	\$ 47,226,344		