

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>2011-2012 Ending Fund Balance Reserve</i>	EARMARKED RESERVES		\$12,000,000	
<p>Establishes a 2011-2012 Ending Fund Balance of \$12.0 million in the General Fund. A total of \$13.0 million in 2011-2012 Ending Fund Balance was assumed as a funding source in the 2012-2013 Preliminary General Fund Forecast. The funding for this action is available from the cumulative result of the various actions described in this section, including savings of \$2.85 million in departmental personal services and non-personal/equipment allocations, \$3.55 million in City-Wide Expenses appropriations, \$1.9 million in Earmarked Reserve liquidations, and \$3.7 million of additional revenues. This action, combined with anticipated liquidations of carryover encumbrances (\$1.0 million), will meet the required \$13.0 million Ending Fund Balance need.</p>				
<i>2012-2013 Future Deficit Reserve</i>	EARMARKED RESERVES		\$10,000,000	
<p>Increases the 2012-2013 Future Deficit Reserve by \$10.0 million. The Convention Center debt service payments were originally anticipated to be funded by the City (\$10.0 million) and the San Jose Redevelopment Agency (SJRA) (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. Corresponding decreases to the Convention Center Lease Payment City-Wide Expenses appropriation (\$15.359 million) and to the estimate for Revenue from Local Agencies (\$5.359 million) are recommended and described elsewhere in this document.</p>				
<i>City-Wide Savings - Sick Leave Payments Upon Retirement</i>	CITY-WIDE EXPENSES		(\$2,300,000)	
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action decreases the Sick Leave Payment Upon Retirement appropriation by \$2,300,000. These savings are primarily due to the timing of employee retirements and the sick leave balances available at the time of payment. Funding for these expenses can be expected to be volatile from year to year.</p>				
<i>City-Wide Savings - TRANs Debt Service</i>	CITY-WIDE EXPENSES		(\$250,000)	
<p>Reduces 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 (\$100.0 million versus \$125.0 million) generated these savings. A technical adjustment to account for the lower TRANs issuance is recommended elsewhere in this report.</p>				
<i>City-Wide Savings - Workers' Compensation Claims - Fire</i>	CITY-WIDE EXPENSES		(\$500,000)	
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Fire Department's Workers' Compensation Claims appropriation by \$500,000 to reflect lower than projected workers' compensation claim expenditures.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>City-Wide Savings - Workers' Compensation Claims - Police</i>	CITY-WIDE EXPENSES		(\$500,000)	
<p>To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Police Department's Workers' Compensation Claims appropriation by \$500,000 to reflect lower than projected workers' compensation claim expenditures.</p>				
<i>Community Re-Use Centers Facilities Maintenance/Custodial Needs</i>	PUBLIC WORKS		\$300,000	
<p>Increases the Public Works Personal Services appropriation by \$136,000 and the Public Works Non-Personal/Equipment appropriation by \$164,000 to provide funding for custodial services and maintenance needs at Parks, Recreation and Neighborhood Services (PRNS) Re-Use Community Centers. As part of the 2010-2011 budget process, the closure of 22 Satellite and Neighborhood Community Centers was approved with a July 2011 implementation date. These sites were made available for community use through the Facility Re-Use Program. For centers on the re-use list, the goal was to negotiate a portion of the responsibility of facility maintenance into the lease agreements for any centers that became re-use centers. As re-use organization negotiations continued in parallel with the budget process, fewer than anticipated tenants were able to bear the full maintenance expense and remain operationally viable. Since the tenants are not obligated to pay the maintenance costs as part of their re-use lease, and the City is contractually obligated to maintain the facilities at the levels they were maintained prior to re-use, Public Works continued providing maintenance services to these facilities. This action restores the funding for these services. The total restoration is \$300,000, of which \$164,000 will be used for contracted custodial services, and \$136,000 will be used for personal services costs (1.0 Electrician) for maintenance duties that have continued at certain re-use locations. An increase to the Public Works 2012-2013 Base Budget, including the addition of 1.0 Electrician position, will be required as well.</p>				
<i>Convention Center Lease Payments/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		(\$15,359,000)	(\$5,359,000)
<p>Eliminates the Convention Center Lease Payments appropriation. The Convention Center debt service payments were originally anticipated to be funded by the City (\$10.0 million) and the San Jose Redevelopment Agency (SJRA) (\$5.4 million). However, the SJRA was able to directly assume the entire debt service payment as a result of higher than estimated tax increment revenue, eliminating the need for the General Fund to assist with the payment. A corresponding reduction to the estimate for Revenue from Local Agencies (\$5.4 million) is also recommended to reflect the elimination of a SJRA reimbursement for a portion of the payment. The resulting \$10.0 million in savings is recommended to be reallocated to the 2012-2013 Future Deficit Reserve as described elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
---------------	-------------------	------------------	---------------------------	-----------------------

REQUIRED TECHNICAL/REBALANCING ACTIONS

<i>Department Rebalancing Plan - City Attorney's Office</i>	CITY ATTORNEY		\$200,000	
---	---------------	--	-----------	--

Increases the Personal Services appropriation by \$325,000 to correct a projected City Attorney's Office expenditure overage by year-end. Personal services expenditures are tracking to end the year approximately \$440,000 above budgeted levels due to personal services expenditures related to 2011-2012 approved budget actions that the City Attorney's Office is unable to implement, and therefore, assigned staff to unbudgeted General Fund legal work. The City Attorney's Office plans to carefully monitor and prioritize non-personal/equipment expenditures to achieve savings of \$125,000 which is recommended to be reallocated to the City Attorney's Office Personal Services appropriation to help offset the overage. Combined with the reallocation of non-personal/equipment funding, the City Attorney's Office expects additional vacancy savings of at least \$115,000 to be realized by year end, narrowing the gap between the budget and the estimated expenditures to \$200,000. An action to allocate \$200,000 from the General Fund to the City Attorney's Office Personal Services appropriation is being recommended, thereby bringing the estimated expenditures for the Department in line with their budget.

<i>Department Rebalancing Plan - Public Works</i>	PUBLIC WORKS			
---	--------------	--	--	--

Reallocates \$400,000 from the utilities expenditures to contractual services within the Public Works Non-Personal/Equipment appropriation to provide for critical maintenance and repair impacts required to address basic health and safety concerns. Due to continuous budget reductions in facility maintenance, the City is currently performing maintenance at a level below what is necessary to avoid significant system failures. Currently the City defers 62% of preventative work orders. This type of deferred maintenance can be carried for a short period of time, but carried on from year to year can lead to premature equipment failure and expensive repairs. In the last year, several significant failures have contributed to major expenses and additional funding is required this year to ensure facilities continue to be operational. The contractual services funding will be used to ensure heating and cooling equipment is properly functioning at the 911 Communications Center as well as the City's Community Centers that serve as emergency cooling locations and host the Senior Nutrition Programs. In addition, this funding will be used to proactively maintain roofs, electrical systems, and large mechanical systems at City facilities. Without proper preventative maintenance, equipment will run inefficiently, fail and lead to overall increased maintenance and replacement costs. As part of the 2012-2013 budget process, the Administration will conduct an analysis to identify the ongoing funding needed for preventative maintenance given the state of the City's facilities and will bring forward a budget proposal as appropriate. Lower electricity costs have generated savings and are available to support this funding reallocation.

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Departmental Savings - Finance</i>	FINANCE		(\$200,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Finance Department's Personal Service appropriation by \$200,000. The Finance Department is projected to end the year with General Fund personal services savings given higher than anticipated vacancies.				
<i>Departmental Savings - Office of Economic Development</i>	ECONOMIC DEVELOPMENT		(\$300,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Office of Economic Development's Non-Personal/Equipment appropriation by \$300,000 to reflect anticipated savings as a result of a lower need for outside appraisal and broker services.				
<i>Departmental Savings - Planning, Building and Code Enforcement</i>	PLANNING, BLDG, & CODE ENF		(\$350,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Planning, Building and Code Enforcement (PBCE) Department's Personal Services appropriation by \$350,000. The PBCE Department is projected to end the year with General Fund personal services savings given higher than anticipated vacancies.				
<i>Departmental Savings - Police</i>	POLICE		(\$2,000,000)	
To establish a 2011-2012 Ending Fund Balance Reserve, this action reduces the Police Department's Personal Services appropriation by \$1,000,000 and the Non-Personal/Equipment appropriation by \$1,000,000. Based on current personal services tracking and the number of vacancies in the Department, sufficient salary and fringe benefit savings are expected to be generated by year-end to support this action. Non-Personal/Equipment savings will be generated from lower vehicle replacement costs (\$800,000) as a result of fewer Police vehicles meeting the required replacement criteria for mileage and age, and lower gas and electricity costs (\$200,000) than previously anticipated.				
<i>Habitat Conservation Plan</i>	PLANNING, BLDG, & CODE ENF		\$100,000	
Increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation to prepare the Habitat Conservation Plan. As approved by the City Council on October 18, 2011, staff will proceed with the plan and prepare the Final Habitat Conservation Plan for formal review by the U.S. Fish and Wildlife Service and California Department of Fish and Game. Pending City Council approval, funding was approved to be set aside in an earmarked reserve as part of the 2010-2011 Annual Report. A corresponding decrease to the Habitat Conservation Plan Earmarked Reserve is also included elsewhere in this report to offset this action.				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Habitat Conservation Plan Reserve</i>	EARMARKED RESERVES		(\$100,000)	
<p>Eliminates the Habitat Conservation Plan Reserve to provide funding for the preparation of the Habitat Conservation Plan. As approved by the City Council on October 18, 2011, staff will proceed with the plan and prepare the Final Habitat Conservation Plan for formal review by the U.S. Fish and Wildlife Service and California Department of Fish and Game. Pending City Council approval, funding was approved to be set aside in this earmarked reserve as part of the 2010-2011 Annual Report. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is also included elsewhere in this report to offset this action.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	CITY MANAGER		(\$51,000)	
<p>Decreases the Personal Services (\$38,000) and Non-Personal/Equipment (\$13,000) appropriation in the City Manager's Office recognizing vacancy and related Non-Personal/Equipment savings in the Medical Marijuana Regulatory Fee Program staffing (portion of a Deputy City Manager position). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	CITY-WIDE EXPENSES		(\$148,000)	
<p>Decreases the Medical Marijuana Regulatory Fee Program Administration City-Wide Expenses appropriation for law enforcement, regional coordination, and unanticipated need/costs. On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	FINANCE		(\$182,000)	
<p>Decreases the Personal Services appropriation in the Finance Department recognizing vacancy savings in the Medical Marijuana Regulatory Fee Program staffing (two Accountant positions). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions are recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Medical Marijuana Regulatory Fee Program Rebalancing</i>	POLICE		(\$249,000)	
<p>Decreases the Personal Services appropriation in the Police Department to recognize vacancy savings associated with the Medical Marijuana Regulatory Fee Program staffing (two Police Officer positions). On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Rebalancing actions recommended in this document to adjust for this loss in revenue. This action reduces resources associated with the implementation of the Regulatory Ordinance but are not anticipated to have impacts given the current state of the program.</p>				
<i>Property Tax Administration Fee</i>	CITY-WIDE EXPENSES		\$540,000	
<p>Increases the Property Tax Administration Fee appropriation by \$540,000. This fee is assessed by the County of Santa Clara and reflects a new projection recently provided by the County Controller Treasurer. Property Tax Administration Fees are now anticipated to increase by approximately 20% in 2011-2012 due to the cost of a new Tax Collection and Apportionment system implemented by the County. The Finance Department will work with the County to ensure increases to fees are better coordinated with the City in the future.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Reserve Savings - Filled Position Elimination Expenditure Impacts Reserve</i>	EARMARKED RESERVES		(\$700,000)	
<p>Eliminates the Filled Position Elimination Expenditure Impacts Reserve of \$700,000. This reserve was established to address the impacts of employee placements from the 2011-2012 budget process as well as lower than budgeted levels of vacancies in departments. During the employee placement process, a number of employees at higher salary levels were placed into vacant positions budgeted at a lower level or into positions previously held by lower step employees. Because of the higher than anticipated level of vacancies generating sufficient savings in departmental personal services allocations, this reserve is no longer needed. As a result, savings are available and recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve as part of this document.</p>				
<i>Reserve Savings - Salaries and Benefits Reserve</i>	EARMARKED RESERVES		(\$1,222,583)	
<p>Decreases the Salaries and Benefits Reserve to realize savings based on actual health and dental rate increases. During the development of the 2011-2012 Budget, based on actuarial analysis, it was assumed that the City's health rate contribution would increase by 14% and the dental rate would increase by 3.5% on January 1, 2012. The actual rate increases implemented totaled 7.2% for health and no increase to the dental rate. As a result, savings are available and recommended to be allocated to the 2011-2012 Ending Fund Balance Reserve as part of this document.</p>				
<i>Revenue - Business Taxes</i>	REVENUE ADJUSTMENTS			\$1,579,000
<p>Increases the Business Taxes revenue estimate by \$1.6 million from \$38.6 million to \$40.2 million based on stronger than budgeted collection levels in the Cardroom Tax (\$729,000) and Marijuana Business Tax (\$850,000). The increase in the Cardroom Tax is recommended based on actual 2010-2011 performance as well as current year collection trends. The Marijuana Business Tax continues to exceed budgeted year end projections of \$2.5 million and is recommended to be increased as part of a rebalancing plan to partially offset the loss in the Medical Marijuana Regulatory Fees (\$1.4 million) as described else were in this document. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.</p>				

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<p>Revenue - Licenses and Permits (Medical Marijuana Regulatory Fees)</p> <p>Decreases the Licenses and Permits revenue estimate by \$1.4 million to reflect the loss in revenue from Medical Marijuana Regulatory Program Fees adopted in the 2011-2012 Budget and other minor adjustments. On January 10, 2012, the City Council accepted the Certificate of Sufficiency issued by the County of Santa Clara Registrar of Voters for the referendum to repeal the Regulatory Ordinance for the Medical Marijuana Regulatory Program. As a result, the \$1.4 million in cost recovery regulatory fees established under the Regulatory Ordinance are not anticipated to be received in 2011-2012. Re-balancing actions are recommended as described elsewhere in this document to fully offset this loss in revenue, including an increase in the Marijuana Business Tax (\$850,000) based on higher actual collections and various expenditure reductions in the Police and Finance Departments, the City Manager's Office, and City-Wide Expenses (\$630,000). Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.</p>	<p>REVENUE ADJUSTMENTS</p>	<p>(\$1,380,000)</p>		
<p>Revenue - Other Revenue</p> <p>Increases the Other Revenue estimate by \$272,000 primarily as a result of higher than anticipated Arena Rental revenue (\$307,000) and SB 90 reimbursements from the State to reimburse the City for State mandates (\$286,000), partially offset by a reduced estimate for the sale of surplus property (-\$300,000). Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.</p>	<p>REVENUE ADJUSTMENTS</p>	<p>\$272,000</p>		
<p>Revenue - Sales Tax</p> <p>Increases the Sales Tax revenue estimate by \$3.32 million from \$147.13 million to \$150.45 million to reflect higher projected General Sales Tax (\$3.05 million) and Proposition 172 Sales Tax (\$217,000). The increase in the General Sales Tax revenue estimate reflects stronger than anticipated actual first quarter 2011-2012 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 General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.</p>	<p>REVENUE ADJUSTMENTS</p>	<p>\$3,321,000</p>		

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Revenue - Transient Occupancy Tax</i>				\$1,098,000
Increases the Transient Occupancy Tax revenue estimate by \$1.1 million from \$7.2 million to \$8.3 million to reflect the actual 2010-2011 performance and current collections, which are tracking well above the prior year. A corresponding increase is recommended in the Transient Occupancy Tax Fund, which receives 60% of this tax. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion 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.				
			REVENUE ADJUSTMENTS	
<i>Revenue - Utility Tax</i>				\$2,210,000
Increases the Utility Tax revenue estimate by \$2.2 million from \$88.0 million to \$90.2 million. The majority of this increase is attributed to a recently received final settlement payment from PG&E in the amount of \$1.56 million that corrected for underpayments and related penalties and interest of Gas and Electric franchise fees, surcharges, and utility user taxes from January 1, 2007 through December 31, 2010 that were not coded as San José properties in PG&E's billing system. The remaining increase of \$650,000 is attributed to higher Gas and Telephone Utility Tax collections based on higher current year collection trends and actual 2010-2011 performance. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	
<i>Revenues - Fines, Forfeitures and Penalties</i>				(\$500,000)
Decreases the Fines, Forfeiture, and Penalties revenue estimate by \$500,000 based on current collection trends. A few areas, such as municipal court fines, are tracking below projected levels. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	
<i>Revenues - Transfers and Reimbursements (Overhead Reimbursements)</i>				(\$1,445,843)
Decreases the Transfers and Reimbursements revenue estimate by \$1.4 million from \$73.3 million to \$71.9 million to reflect lower than budgeted overhead reimbursements. Through December, overhead reimbursements from capital funds are tracking well below the prior year and the budgeted estimate due primarily to staff vacancies in those funds. Please refer to the Status of General Fund Revenues section of this document (Section I.B.) for a more detailed discussion.				
			REVENUE ADJUSTMENTS	

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
 REQUIRED TECHNICAL/REBALANCING ACTIONS				
<i>Transfer to the Municipal Golf Course Fund</i>	TRANSFERS		\$300,000	
<p>Increases the Transfer to the Municipal Golf Course Fund by \$300,000 from \$1.5 million to \$1.8 million. This increase will help to offset the adjustments made to the fund's budgeted revenue and expenditure estimates. While activity levels at the golf courses have slightly increased year-over-year, revenue has not increased sufficiently to meet budget estimates. This adjustment to the transfer will ensure that fund balance in this fund remains stable.</p>				
			(\$971,583)	(\$204,843)
 TOTAL REQUIRED TECHNICAL/REBALANCING ACTIONS				
 GRANTS/REIMBURSEMENTS/FEES				
<i>2009 Urban Areas Security Initiative (UASI) Grant - Fire/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$45,000	\$45,000
<p>Increases Fire Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for the 2009 UASI Grant as a result of the UASI board granting more funding to the San José Fire Department. The additional grant funding will be used to reimburse the City for legal expenses incurred as of August 18, 2011 by the City's lobbyist. The lobbyist worked on a Public Safety Spectrum Trust (PSST) lease corrective action associated with a Bay Area UASI project. The reimbursable expenses include, but are not limited to: drafting, review and transmittal of documents (Waiver Petitions, Resolutions, Notice of Ex Parte), preparation and issuance of correspondence to agencies involved in the PSST such as the Federal Communications Commission and BayRICS, and other legal services as required. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>				
<i>2009 Urban Areas Security Initiative (UASI) Grant - Police/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		\$67,000	\$67,000
<p>Increases Police Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for the 2009 UASI Grant as a result of the UASI board granting more funding to the San José Police Department. The additional grant funding will be used to purchase 11 UHF-R2 and 700-800 Dual Band handpack radios for the MERGE Unit to replace the XTS 3000 model that is outdated and no longer supported by the manufacturer. This purchase will begin the Department's transition to 700-800 Mhz, in order for all public safety jurisdictions to communicate with each other. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>9-1-1 Communications Center Maintenance/Revenue from State of California</p> <p>Increases the Police Department's Non-Personal/Equipment appropriation for maintenance of the Meridian1 (M1) switch, which is the main server that handles the routing of the City's 9-1-1 calls. As a 9-1-1 call enters the system, the M1 queries the Automatic Number Index (ANI) and Automatic Location Information (ALI) databases to obtain the phone number and location of the caller. As the data is being retrieved, the M1 routes the call to the dispatcher and provides the ANI/ALI for every 9-1-1 Call. The M1 also handles 3-1-1 AutoAttendant (Call Pilot/Call Tree) and all of the call taking reporting software (Symposium). The current maintenance agreement expires on March 9, 2012. A corresponding increase to the estimate for Revenue from the State of California is also recommended.</p>	POLICE		\$51,510	\$51,510
<p>Animal Care Services Humane Society of Silicon Valley Grant/Other Revenue</p> <p>Increases the Public Works Department's Non-Personal/Equipment appropriation to reimburse Animal Care and Services (ACS) for Chihuahua spay and neutering services. ACS in partnership with the Humane Society of Silicon Valley (HSSV), is participating in a targeted approach to reduce the number of breeding Chihuahuas in San José. PetSmart Charities has awarded a two year grant for \$200,000 to provide free surgeries to residents who own Chihuahua's in specific San José zip codes. These areas were selected after examining Chihuahua intake at the City's Animal Shelter for the last two years. For each surgery that the City performs under the terms of the grant, the City will be reimbursed approximately \$60. ACS intends to perform approximately 1,000 surgeries per year through the end of the grant period, October 17, 2013. For the period between February 2012 through June 2012, ACS anticipates performing approximately 300 surgeries for reimbursement of \$18,250. A corresponding increase in Other Revenue is also recommended.</p>	PUBLIC WORKS		\$18,250	\$18,250
<p>Bulletproof Vest Partnership Grant/Revenue from Federal Government</p> <p>Appropriates funding to the Police Department for the purchase of bulletproof vests. The United States Department of Justice will reimburse the Police Department for bulletproof vests purchased through August 31, 2013; however, the grant funding is anticipated to be expended by June 30, 2012. A corresponding increase to the estimate for Revenue from the Federal Government is also recommended.</p>	CITY-WIDE EXPENSES		\$18,620	\$18,620

General Fund Recommended Budget Adjustments Summary

2011-2012 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		\$104,987	\$104,987
Recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services Department from the County of Santa Clara Public Health Department as part of the Communities Putting Prevention to Work - Obesity Prevention Initiative. This grant will expand county-wide obesity prevention efforts and focus on high-impact nutrition and physical activity interventions.				
<i>Enhance Fitness and Matter of Balance Programs Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$50,000	\$50,000
Recognizes and appropriates year one of a two year grant from the Valley Medical Center Foundation to the Parks, Recreation and Neighborhood Services Department. These funds will be used to administer the Enhance Fitness and Matter of Balance wellness programs for seniors ages 55 and older. Enhance Fitness is a low-cost group exercise program that helps older adults become more active and empowered to sustain independent lives. The Matter of Balance program promotes practical strategies to reduce fear of falling and increase activity levels within this same community.				
<i>Fee Supported Reserve - Building</i>	EARMARKED RESERVES		(\$200,000)	
Decreases the Fee Supported Reserve - Building to provide funding for peak staffing agreements. Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is recommended elsewhere in this report.				
<i>Fee Supported Reserve - Planning</i>	EARMARKED RESERVES		(\$100,000)	
Decreases the Fee Supported Reserve - Planning to provide funding for peak staffing agreements. Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. A corresponding increase to the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation is recommended elsewhere in this report.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Grace Community Center Electronic Health Records Grant/Revenue from Local Agencies</i>	CITY-WIDE EXPENSES		\$59,000	\$59,000
<p>Recognizes and appropriates year one of a three year grant from Santa Clara County to the Parks, Recreation and Neighborhood Services Department. These funds will be used to implement a new Electronic Health Records (EHR) system at Grace Community Center to coincide with the County's efforts to migrate to a new EHR system. Santa Clara County provided this grant to support this transition at all of their contracted mental health provided sites including Grace Community Center. These funds will support the use of an outside vendor to transition to this new system while meeting all County standards.</p>				
<i>Local Enforcement Agency Grant/Revenue from State of California</i>	PLANNING, BLDG, & CODE ENF		\$29,229	\$29,229
<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>				
<i>N. California Regional Intelligence Center (NCRIC) SUASI-Police/Revenue from Federal Government</i>	CITY-WIDE EXPENSES		(\$42,121)	(\$42,121)
<p>Decreases Police Department grant funding from the Bay Area Urban Area Security Initiative (UASI) for salary, benefits, overtime, and travel costs for one Police Lieutenant position as a member of the NCRIC. This action aligns the grant appropriation with the revised award amount from the UASI. A corresponding decrease to the estimate for Revenue from the Federal Government is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEEES				
<i>PRNS Fee Activities/Departmental Charges</i>	PARKS, REC, & NEIGH SVCS		\$600,000	\$600,000
<p>Increases the Parks, Recreation and Neighborhood Services Department (PRNS) Fee Activity appropriation and the PRNS Departmental Charges revenue estimate by \$600,000. The Fee Activity appropriation is tracking to exceed the budget by approximately \$600,000 due to increased participation levels in recreational and after school fee classes. In 2010-2011, PRNS expanded the Recreation of City Kids (ROCK) program for the delivery of after-school programs at nine elementary school sites. This program is fee-based and provides standardized activities that include homework assistance and innovative recreation and play. The total annual revenue goal for this program was projected at approximately \$350,000, and year-to-date, the program has already exceeded the annual target and is expected to end the year at levels approximately \$350,000 above budgeted. In addition, the fitness and Group X Exercise programs are also tracking at twice their estimated activity projections. The increase in the Fee Activity appropriation will provide for additional staff hours needed to support the increased participation in the ROCK program and additional vendor hours for the fitness and Group X exercise programs.</p>				
<i>Parent Project Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$27,823	\$27,823
<p>Increases the San José BEST Program appropriation by \$27,823. Parents who attended anti-gang seminars reimbursed the program for training materials received. A corresponding increase to the estimate for Other Revenue is also recommended.</p>				
<i>Peak Staffing Agreement</i>	PLANNING, BLDG, & CODE ENF		\$300,000	
<p>Increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation to provide funding for peak staffing agreements, which will be funded by the Fee Supported Reserve - Building (\$200,000) and the Fee Supported Reserve - Planning (\$100,000). Development services have seen a steady increase in inspection services, plan checks, and plan reviews. In order to meet unanticipated demand during peak times, on a temporary as-needed basis, this funding will augment current staffing with contractual services. Staff has been in ongoing discussions with the bargaining units which are scheduled to continue on January 31, 2012. Corresponding decreases to the Fee Supported Reserve - Building and the Fee Supported Reserve - Planning are also included in this report to offset this action.</p>				
<i>Rapid Enforcement Allied Computer Team (REACT) Task Force/Revenue from State of California</i>	POLICE		\$3,000	\$3,000
<p>Increases the Police Department's Personal Services appropriation for support of the REACT Tack Force. San José Police Officers on overtime assist the task force with high technology crime related investigations, operations, and prosecutions. A corresponding increase to the estimate for Revenue from the State of California is also recommended.</p>				

General Fund Recommended Budget Adjustments Summary 2011-2012 Mid-Year Budget Review

<u>Action</u>	<u>Department</u>	<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
GRANTS/REIMBURSEMENTS/FEEES				
<i>Senior Nutrition Program/Revenue from Local Agencies</i>	PARKS, REC, & NEIGH SVCS		\$664,985	\$664,985
Recognizes revenue from the County of Santa Clara (\$664,985) and appropriates Non-Personal/Equipment funding (\$664,985) to reimburse for the cost of meals provided to seniors as part of the Senior Nutrition Program at a total of 14 sites in four regions.				
<i>Sidewalk Repair Program/Other Revenue</i>	CITY-WIDE EXPENSES		\$500,000	\$500,000
Increases the Sidewalk Repair appropriation and the estimate for Other Revenue by \$500,000. This increase will allow for completion, through a contractor, of sidewalk repairs on behalf of residents in 2011-2012. The costs for these repairs, along with an administrative fee, are then passed on to the property owner.				
<i>Southbay Shakedown Task Force/Revenue from Federal Government</i>	POLICE		\$13,101	\$13,101
Increases the Police Department's Personal Services appropriation to support overtime staffing while working on the Organized Crime Drug Enforcement Task Force (OCDETF), which is known locally as the Southbay Shakedown Task Force. The funding award of \$13,101 reimburses the Department for work done with the Task Force beginning in July 2011. San José Police Officers on overtime assist the task force with narcotics related investigations, operations, and prosecutions. A corresponding increase to the estimate for Revenue from Federal Government is also recommended.				
<i>Target Youth Intervention Services Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$10,000	\$10,000
Increases the San José BEST Program appropriation and recognizes revenue of \$10,000 from Target Corporation for the Target Youth Intervention Services Grant. As a participating member of the National Forum on Youth Violence, the City will sub-grant this allocation to a local community based organization that will develop a youth based media program and a youth leadership structure. A corresponding increase to the estimate for Other Revenue is also recommended.				
<i>The Health Trust Communities Putting Prevention to Work Grant/Other Revenue</i>	CITY-WIDE EXPENSES		\$25,000	\$25,000
Recognizes and appropriates grant funding to the Parks, Recreation and Neighborhood Services Department from The Health Trust to develop and implement a policy education plan to support environmental and policy changes to encourage healthy eating and increase physical activity with the goal of obesity prevention. A corresponding increase to the estimate for Other Revenue is also recommended.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Urban Village Plans/Other Revenue</i>	PLANNING, BLDG, & CODE ENF		\$50,000	\$50,000
<p>This action increases the Planning, Building and Code Enforcement Department's Non-Personal/Equipment appropriation and recognizes grant funding from The Health Trust for consulting services associated with the urban village plans for the Five Wounds/Brookwood Terrace project. A corresponding increase to the estimate for Other Revenue is also recommended.</p>				
TOTAL GRANTS/REIMBURSEMENTS/FEES			\$2,295,384	\$2,295,384
URGENT FISCAL/PROGRAM NEEDS				
<i>Elections and Ballot Measures</i>	CITY-WIDE EXPENSES		\$1,300,000	
<p>Establishes an appropriation for election and ballot measure costs for \$1.3 million, bringing the total amount allocated in this report for the Elections and Ballot Measures appropriation to \$1.8 million. This allocation will fund five Council District elections in June 2012 for approximately \$270,000 and fund potentially three ballot measures (Retirement Reform and two additional measures) including signature verification for the Petition for Referendum filed by the Medical Marijuana Advocates for approximately \$1.53 million which is based on estimates from the County Registrar of Voters. The \$1.3 million recommended to be allocated as part of this action is funded from the elimination of the Retirement Reform Election appropriation as discussed elsewhere in this report. This report includes an additional action to shift \$500,000 from the City Clerk Non-Personal/Equipment appropriation that was set aside for potential elections costs as part of the 2011-2012 Adopted Budget, to this Elections and Ballot Measures appropriation in order to consolidate the budget and all related costs.</p>				
<i>Fiscal Reform Plan Implementation Reserve</i>	EARMARKED RESERVES		\$2,100,000	
<p>Establishes the Fiscal Reform Plan Implementation Reserve for \$2.1 million in the General Fund to fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. In May 2011, the City Council approved a Fiscal Reform Plan, as amended, to achieve savings and/or new revenues to eliminate the General Fund structural deficit, restore services to the January 2011 level, and open facilities built or under construction within five years. The funding for this action is available through the elimination of the Retirement Reform Election appropriation, which is recommended elsewhere in this report.</p>				

General Fund Recommended Budget Adjustments Summary

2011-2012 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>Horse Mounted Unit</i>	POLICE			
As part of the 2010-2011 Annual Report, the Mayor and City Council approved an increase to the Police Department's budget of \$102,000 to continue the Horse Mounted Unit (HMU) through mid-February 2012 as a collateral assignment as described in the 2011-2012 Adopted Operating Budget. This increase was recommended and approved to provide time for the Administration to explore having the San José Police Foundation (Foundation) fundraise matching funds of \$102,000 to continue the HMU through the end of 2011-2012. The Foundation has indicated a willingness to pursue fundraising for the HMU, but because those efforts will not be occurring until late Spring 2012, uncertainty still remains regarding the amount of financial support that will be realized to provide for the HMU for the remainder of 2011-2012. Therefore, in order to provide additional time for fundraising and certainty regarding HMU operations, the Administration is recommending that the HMU be funded with City funding through June 30, 2012. To provide funding for the HMU operations, the Police Department has canceled the horse trainer contract which will provide \$30,000 in non-personal/equipment savings and will utilize \$75,000 in non-sworn vacancy savings. In order to align Police Department savings with the remaining 2011-2012 costs for the HMU, \$10,000 is recommended to be shifted from the Department's Personal Services appropriation to the Non-Personal/Equipment appropriation. The Administration will revisit HMU funding needs beyond 2011-2012 as part of the 2012-2013 Proposed Operating Budget.				
<i>Labor/Employee Relations Consultant Funding</i>	CITY-WIDE EXPENSES		\$400,000	
Increases the Labor/Employee Relations Consultant Funding appropriation for ongoing assistance with implementation of the City's Fiscal Reform Plan, specifically labor negotiations related to Retirement Reform, and the negotiations for a successor memorandum of agreement with 5 bargaining units in 2012-2013. The Fiscal Reform efforts, including the related retirement reform ballot measure, are expected to achieve savings in the range of \$75 million in the General Fund.				
<i>Lake Cunningham Skate Park Reserve/Other Revenue</i>	EARMARKED RESERVES		\$3,000	\$10,000
Establishes a Lake Cunningham Skate Park Reserve appropriation and recognizes revenue from donations collected to help fund the continued operations of the Lake Cunningham Skate Park. To-date, donations total \$10,000, of which \$5,000 was received from the Health Trust and another \$5,000 commitment has been made by First Five. This action recognizes \$10,000 of donation revenue and places \$3,000 of it into a reserve. The remaining \$7,000 will be used to augment the appropriation increases that support operations at the Skate Park. A corresponding increase to the estimate for Other Revenue is also recommended.				

General Fund Recommended Budget Adjustments Summary 2011-2012 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>Lake Cunningham Skate Park/Departmental Charges</i>	PARKS, REC. & NEIGH SVCS		\$57,500	\$50,500
Increases the Department's revenue and expenditure appropriations to continue operations at the Lake Cunningham Skate Park through June 2012. Actions to increase Personal Services (\$38,750) and Non-personal/equipment (\$18,750) appropriations are primarily offset by an increase to the Departmental Charges estimate of \$50,500. The balance of \$7,000 will be covered by donations from the Health Trust (\$5,000) and First Five (\$2,000). A corresponding increase to the estimate for Departmental Charges is also recommended.				
<i>Police Officer Recruit Academy Support</i>	POLICE		\$150,000	
Increases the Police Department's Non-Personal/Equipment appropriation to fund backgrounding and marketing costs related to the Police Officer Recruit Academy. As of January 1, 2012, the Police Officer reinstatement list was exhausted. Therefore, in order to fill sworn vacancies the Department will need to hire lateral transfers from other law enforcement agencies and begin recruiting efforts for an Academy in 2012-2013. In order to maximize the potential of obtaining highly qualified candidates for the Recruit Academy, it is more cost effective and efficient to conduct the backgrounding on a contractual basis rather than reassigning a sworn staff from patrol or performing the duties on overtime. In addition, funding will be used for targeted marketing and outreach in publications and at job fairs, community colleges, and military agencies.				
<i>Retirement Actuarial Services</i>	CITY-WIDE EXPENSES		\$50,000	
Increases the Retirement Actuarial Services appropriation to provide additional funding for actuarial services to assist with costing and estimates related to Retirement Reform, and to provide assistance to the City in evaluating and understanding City retirement costs, as determined by the Retirement Boards.				
<i>Retirement Reform Election</i>	CITY-WIDE EXPENSES		(\$3,400,000)	
Eliminates the Retirement Reform Election allocation of \$3.4 million. As part of the 2011-2012 Mayor's June Budget Message, the City Council allocated \$3.4 million for a potential Retirement Reform ballot measure to be considered by the voters in March 2012. On December 6, 2011, the City Council approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration. The cost for the Retirement Reform Ballot Measure for the June election is estimated to be approximately \$600,000. This report includes recommendations to re-allocate the \$3.4 million previously allocated in the Retirement Reform Election allocation towards anticipated election and ballot measure costs for June 2012 (\$1.3 million) and the Fiscal Reform Plan Implementation Reserve (\$2.1 million) as recommended elsewhere in this report.				

**General Fund Recommended Budget Adjustments Summary
2011-2012 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>Unanticipated/Emergency Maintenance - City Hall Boilers, Lightning Rods, Pavers, Light Replacement</i>	CAPITAL PROJECTS		\$400,000	

Increases the Unanticipated/Emergency Maintenance capital improvement appropriation by \$400,000. Public Works facility management continues to experience high levels of unanticipated failures in large systems. The exact timing of these needs is difficult to predict, but failures tend to occur where preventative maintenance has been deferred. Currently approximately 62% of preventative maintenance is deferred. This increase in deferred maintenance is typical of a situation where budgets are shrinking and in the short term, deferring individual work items is manageable; however, in the long term, deferring maintenance increases the incidences of corrective maintenance. Often times corrective work is more costly and comes with longer equipment or facility down time. In 2011-2012, \$250,000 was budgeted for Unanticipated/Emergency Maintenance; however, this funding has already been used to repair the chiller and boiler tube at City Hall, replace the Uninterrupted Power Supply battery at the Communications Center, and address miscellaneous lighting and door failures at City facilities. In order to address the most severe issues, additional funding is recommended to replace the boiler tubes at City Hall to ensure proper heating, replace stolen lightning rods on the City Hall roof, replace damaged exterior lighting at City Hall due to vandalism, remove and replace the pavers around City Hall, and set aside funding for future unexpected failures. As part of the 2012-2013 budget process, the Administration will conduct an analysis to identify the funding needed for preventative maintenance and will bring forward a proposal to properly fund this need.

TOTAL URGENT FISCAL/PROGRAM NEEDS

\$1,060,500 \$60,500

General Fund Recommended Budget Adjustments Totals

<u>Positions</u>	<u>Expenditure Change</u>	<u>Revenue Change</u>
	\$2,384,301	\$2,151,041