

2011-2012

MID-YEAR
BUDGET
REVIEW

SECTION

III

RECOMMENDED
BUDGET ADJUSTMENTS AND
CLEAN-UP ACTIONS

**2011-2012
MID-YEAR BUDGET REVIEW
Section III**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS**

Recommended Budget Adjustments

This section of the Mid-Year Budget Review describes recommended budget adjustments and is broken down by General Fund and Special/Capital Funds. This section includes the following types of changes:

General Fund

Required Technical/Rebalancing Actions – This section recommends adjustments to revenues and expenditures that are necessary for General Fund revenue or departmental rebalancing, to realign expenditure line-items, set aside funding for a 2011-2012 Ending Fund Balance Reserve, and reserve additional funding in the 2012-2013 Future Deficit Reserve.

- 2011-2012 Ending Fund Balance – In order to set aside funding for the 2011-2012 Ending Fund Balance level assumed in the 2012-2013 Preliminary General Fund Forecast, recommendations are included in this document to increase revenues (\$3.7 million) and realize savings in departmental personal services and non-personal/equipment allocations (\$2.85 million), City-Wide Expenses appropriations (\$3.55 million), and Earmarked Reserves (\$1.9 million).
- 2012-2013 Future Deficit Reserve – As described in further detail later in this section, an increase to the 2012-2013 Future Deficit Reserve by \$10 million will bring this reserve to \$22 million. The San Jose Redevelopment Agency has assumed the full payment of the Convention Center lease payment that was originally anticipated to be primarily funded by the City.
- Other Expenditure Adjustments – Actions to rebalance the Medical Marijuana Regulatory Fee Program and provide resources to rebalance the Municipal Golf Course Fund are recommended. Augmentations for property tax administrative fees and for facilities maintenance and custodial needs are required to fully fund the anticipated costs.
- Net-Zero Funding Transfers/Reallocations – Several net-zero expenditure adjustments are recommended to align the budget with actual expenditure patterns. These adjustments include departmental shifts between Personal Services and Non-Personal/Equipment appropriations to address projected cost overruns, as well as net-zero shifts between non-departmental appropriations. Net-zero adjustments recommended include funding shifts to address City Attorney's Office personal services costs and the augmentation of funding for the Habitat Conservation Plan from an earmarked reserve.

Grants/Reimbursements/Fees – This section recognizes new or updated grant, reimbursement, or fee activity revenue and appropriates the funds for these purposes (\$2.3 million).

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Recommended Budget Adjustments

General Fund

Urgent Program/Fiscal Needs – This section recommends expenditure adjustments totaling \$1.1 million based on an evaluation of urgent program or fiscal needs. These include the following actions:

- **Fiscal Reform Plan Implementation/Elections and Ballot Measures** – A reallocation of \$3.4 million from the Retirement Reform Election appropriation to a new Fiscal Reform Plan Implementation Reserve (\$2.1 million) and an Elections and Ballot Measures City-Wide Expenses appropriation (\$1.3 million) is recommended. 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 instead approved placing the Retirement Reform measure on the June 5, 2012 ballot for voter consideration at a significant reduction in costs. The \$2.1 million Fiscal Reform Plan Implementation Reserve will fund future ballot measures, polling, studies, and/or potential litigation related to the implementation of the City Council approved Fiscal Reform Plan. The remaining funding of \$1.3 million (combined with City Clerk election funding of \$500,000) is recommended to be allocated to a new City-Wide Expenses appropriation for Elections and Ballot Measures to provide for City Council District elections, a June Retirement Reform Ballot Measure, and up to two additional ballot measures.
- **Other Expenditure Adjustments** – Additional funding for Labor/Employee Relations Consultant Funding (\$400,000), Unanticipated/Emergency Maintenance (\$400,000), Police Officer Recruiting Support (\$150,000), Retirement Actuarial Services (\$50,000), Lake Cunningham Skate Park Operations (\$57,500) and Reserves (\$3,000), and support for the Police Department Horse Mounted Unit (\$10,000 shift from Personal Services to Non-Personal/Expenditures).

Special/Capital Funds

Special/Capital Fund Adjustments – These actions adjust revenues based on actual performance; recognize revenues from fees, grants, and reimbursements; adjust project and program allocations based on revised cost estimates and project timing; reallocate project funding from reserves; and establish a limited number of new projects and programs.

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Clean-Up Actions

General Fund & Special/Capital Funds

This section consists of clean-up actions for the General Fund and Special/Capital Funds based on ongoing review and monitoring of the budget through the first six months of the current fiscal year. Revisions are required to technically correct existing appropriations or to implement benefit changes that have been approved by the City Council in 2011-2012. The following types of adjustments are included:

Benefits Program – The 2011-2012 Benefits Program includes net-zero appropriation adjustments to various departments and funds to reflect new health plan contribution rates, effective January 1, 2012. The General Fund increase was anticipated and is funded from the Salaries and Benefits Earmarked Reserve. It should be noted that the actual health rate increase of 7.2% is lower than the forecasted rate of 14%. Dental rates were anticipated to increase 3.5%, however, no increase to this rate was necessary. In the Special and Capital funds, sufficient funding is available in the Ending Fund Balance and/or Contingency Reserve to offset the higher Benefits Program costs.

Fund Balance Reconciliation – These actions revise the Beginning Fund Balance estimates in the 2011-2012 budget based on a reconciliation to the final audited Comprehensive Annual Financial Report.

Voluntary Furlough/Reduced Work Week Program – These net-zero adjustments to various departments reflect implementation of the Voluntary Furlough/Reduced Work Week Program. Savings (\$119,000 in the General Fund) are generated from employees taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. Savings of \$100,000 was assumed in the development of the 2011-2012 Adopted Operating Budget and was temporarily funded from the Salaries and Benefits Earmarked Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and restore the funding to the Salaries and Benefits Earmarked Reserve.

Technical Adjustments – These actions correct errors or align revenues and/or expenditures among appropriations and funds for previously approved budget actions:

- Net-Zero Funding Transfers/Reallocations – These actions include net-zero transfers between appropriations and funds, redistributing funding allocations. Revenue reclassifications are also included in this category.

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Clean-Up Actions

General Fund & Special/Capital Funds

- Public Works Facilities Maintenance/Custodial Funding – Included in this report are funding adjustments in the General Fund and various Special and Capital Funds to reallocate ongoing funding for facilities maintenance, including custodial costs, to the Public Works Department to more appropriately align and track these costs with the oversight and management of these services.
- Technical Corrections – These actions revise Beginning Fund Balance and/or project appropriations in the 2011-2012 budget to correct inadvertent rebudget, interest earnings, or allocation errors, offset by Ending Fund Balance or corresponding project appropriation actions.
- Title Corrections – This adjustment corrects an appropriation title.