General Fund Balancing Strategy Detail
2018-2019 Proposed Operating Budget

INTRODUCTION

This attachment is intended to provide a more detailed summary of the key actions taken to balance the 2018-2019 Proposed General Fund Budget. Revisions to the February Base Budget Forecast, as well as the key elements of the strategy to bring the General Fund into balance in the Proposed Budget, are described.

In February 2018, the Administration prepared formal projections for the 2018-2019 Proposed General Fund Budget as part of the 2018-2019 City Manager’s Budget Request & 2019-2023 Five-Year Forecast and Revenue Projections document that was released to the City Council. In that document, the 2018-2019 February Base Budget Forecast projections estimated a 2018-2019 General Fund shortfall of approximately $7.3 million (no Development Fee Program impact was assumed given that the four fee programs are designed to be set at 100% cost-recovery levels and will use their corresponding Reserves as necessary to remain in balance). This shortfall represented the difference between projected 2018-2019 General Fund resources and the expected cost of approved 2018-2019 Base Budget services in next year’s dollars, as well as several City Council “committed” additions (e.g., additional operating and maintenance costs for capital projects in the 2018-2022 Capital Improvement Program or for projects approved by the City Council during 2017-2018).

Subsequent to the release of the February Forecast and based on updated information, a number of revisions to both expenditures and revenue estimates were made, which constitutes the “Revised Base Budget Forecast” included in the Proposed Budget.

The revisions to the February Base Budget Forecast included a series of changes that produced an increase in overall General Fund sources and uses. These changes resulted in a decrease of $3.0 million to the estimated General Fund shortfall, for a revised shortfall of $4.3 million. This is the amount that is addressed by the Proposed Budget balancing plan. These adjustments to the February Base Budget Forecast are described in more detail later in this section.

The Proposed Budget contained a set of recommended actions that increased both the General Fund sources (by $52.0 million), and uses (by $47.7 million) from the Revised Base Budget Forecast, bringing the overall General Fund into balance for 2018-2019. The increase in sources of $52.0 million includes several major components, including: liquidation of various earmarked reserves for specific purposes ($27.8 million); a higher Beginning Fund Balance ($9.4 million); increases to the development fee program and other fees, licenses and permits ($7.3 million); increases to transfers, overhead and reimbursement costs ($2.0 million); grants from other government agencies ($1.4 million); and other revenue changes ($4.1 million).

The increase in uses of $47.7 million in 2018-2019 includes additional funding for the following: service level enhancements ($16.1 million); funding for the 2019-2020 Future Deficit Reserve ($15.5 million); earmarked reserves ($7.7 million); continuation of 2017-2018 one-time funded services ($6.7 million); a number of critical unmet/deferred infrastructure and maintenance needs
INTRODUCTION

($3.9 million); development fee program as well as other fees, grants, and reimbursements ($2.7 million); and other positive changes ($619,000).

These increases were partially offset by savings realized from the use of reserves that had been established for specific purposes ($1.8 million) that were included in the February Forecast and miscellaneous cost reductions/service delivery efficiencies/funding shifts to other funds ($3.7 million). The result of these actions was a balanced 2018-2019 Proposed General Fund Budget of $1.2 billion.

Table I below displays the overall projections for the 2018-2019 General Fund as they changed between the February Base Budget Forecast and the Proposed Budget. Table II summarizes the changes from the February Base Budget Forecast to the Revised Base Budget Forecast. The specific elements of the City Manager’s Proposed Budget balancing strategy are summarized in Table III, and final changes from the Proposed Budget to the Adopted Budget are summarized in Table IV.

<table>
<thead>
<tr>
<th>Table I</th>
<th>2018-2019 PROPOSED OPERATING BUDGET</th>
<th>Forecast To Proposed Budget Reconciliation (in $000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Sources</td>
<td>Total Uses</td>
</tr>
<tr>
<td>February Base Budget Forecast</td>
<td>$1,121,665</td>
<td>$1,128,958</td>
</tr>
<tr>
<td>Forecast Revisions</td>
<td>5,366</td>
<td>2,383</td>
</tr>
<tr>
<td>Revised Base Budget Forecast (no fee impact)</td>
<td>1,127,031</td>
<td>1,131,341</td>
</tr>
<tr>
<td>Proposed Revisions</td>
<td>52,027</td>
<td>47,717</td>
</tr>
<tr>
<td>2018-2019 Proposed Budget</td>
<td>1,179,058</td>
<td>1,179,058</td>
</tr>
</tbody>
</table>
REVISED BASE BUDGET FORECAST

As discussed previously, following the issuance of the February Base Budget Forecast, detailed analysis of the status of General Fund revenues and expenditures continued. Based on this review, the Proposed Budget incorporated a series of changes to the February Base Budget Forecast estimates for both sources and uses to form a Revised Base Budget Forecast. This Revised Base Budget Forecast resulted in a revised shortfall estimate of $4.3 million, a decrease of $3.0 million from the $7.3 million shortfall in the February Base Budget Forecast. Changes are detailed in Table II below.

Table II
2018-2019 REVISED BASE BUDGET FORECAST
Summary of Changes (in $000s)

<table>
<thead>
<tr>
<th>Sources</th>
<th>Revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers and Reimbursements</td>
<td>$ 2,875</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>1,400</td>
</tr>
<tr>
<td>Fees, Rates, and Charges</td>
<td>1,203</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>680</td>
</tr>
<tr>
<td>Revenue from the State</td>
<td>430</td>
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<tr>
<td>Revenue from Local Agencies</td>
<td>309</td>
</tr>
<tr>
<td>Use of Money/Property</td>
<td>53</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>32</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>(1,616)</td>
</tr>
<tr>
<td><strong>Net Change in Sources</strong></td>
<td><strong>$ 5,366</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers to Other Funds</td>
<td>$ 1,897</td>
</tr>
<tr>
<td>Personal Services – Salaries and Benefits</td>
<td>1,020</td>
</tr>
<tr>
<td>Position and Fund Realignments/Corrections</td>
<td>(297)</td>
</tr>
<tr>
<td>Non-Personal/Equipment and City-Wide Expenses</td>
<td>(237)</td>
</tr>
<tr>
<td><strong>Net Change in Uses</strong></td>
<td><strong>$ 2,383</strong></td>
</tr>
</tbody>
</table>

| **Total Change (Shortfall)/Surplus** | **$ 2,983** |
REVISED BASE BUDGET FORECAST

Following is a description of the Revised Base Budget Forecast changes in General Fund sources:

**Transfers and Reimbursements**

- A net increase of $2.9 million to reflect updated overhead reimbursements from capital funds and operating funds based on the final 2018-2019 base budget and final 2018-2019 overhead rates as approved by the Finance Department.

- A net decrease of $27,000 to the Transfers category to reflect a decrease in the reimbursement from Airport funds for services provided by the Police and Fire Department based on the final reconciliation of the costs to provide these services.

**Sales Tax**

- An increase of $1.4 million to the Sales Tax revenue estimate, including a $1.2 million increase to the Local Sales Tax category (from $41.8 million to $43.0 million) and a $200,000 increase to the General Sales Tax (from $184.1 million to $184.3 million), based on collection trends experienced in 2017-2018.

**Fees, Rates, and Charges**

- An increase of $1.0 million to the Public Works Department Fees, Rates, and Charges revenue estimate (from $10.7 million to $11.7 million) aligns revenues with estimated base activity levels. This increase reflects a $500,000 adjustment to the Utility Fee Program (from $3.5 million to $4.0 million) and $500,000 in the Development Services Fee Program (from $7.2 million to $7.7 million).

- An increase of $400,000 to the Planning Fees revenue estimate (from $6.1 million to $6.5 million) aligns revenues with estimated base activity levels.

- A net increase of $29,000 to the Transportation Department Fees, Rates, and Charges revenue estimate (from $1.65 million to $1.68 million) aligns revenues with estimated base activity levels.

- A net decrease of $226,000 to the Miscellaneous Fees, Rates, and Charges category for the following adjustments: an increase of $36,000 to several administrative and collection fees in the Finance Department aligns revenues with estimated base activity levels; a net increase of $32,000 to various Animal Care and Services fees such as Adoption Fees, Board and Impound Fees, and Owner Surrender Fees aligns revenues with estimated base activity levels; a decrease of $237,000 to the Building Code Compliance revenue reflects a technical adjustment to shift the revenue for this program from the Fees, Rates, and Charges category to the Licenses and Permits category, and a decrease of $57,000 to the Solid Waste Enforcement Fee (from $2.2 million to $2.1 million) reflects the final 2018-2019 overhead rates as approved by the Finance Department.
General Fund Balancing Strategy Detail
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REVISED BASE BUDGET FORECAST

Source of Funds

*Licenses and Permits*
- An increase of $306,000 to the Fire Permits category for Non-Development Fees (from $4.9 million to $5.2 million) to reflect higher collection trends experienced in 2017-2018.
- A net increase of $374,000 to the Other Licenses and Permits category for the following adjustments: an increase of $237,000 reflects a technical adjustment to shift the Building Code Compliance revenue from Fees, Rates, and Charges category to the Licenses and Permits category; an increase of $145,000 to Cannabis licenses and permits based on updated base activity levels; a net increase of $700 to the Handbill Permits and Miscellaneous Licenses and Permits revenues in the Finance Department aligns revenues with estimated base activity levels; and a net decrease of $9,000 to various Animal Care and Services licenses and permits such as Animal Licensing and Animal/Fowl Permits aligns revenues with estimated base activity levels.

*Revenue from the State*
- An increase of $400,000 to the Auto Theft reimbursement estimate (from $300,000 to $700,000) based on actual collection trends in this category.
- An increase of $30,000 to reflect the CalRecycle Local Enforcement Agency Grant revenue that was not included in the Forecast, but is anticipated to be received in 2018-2019.

*Revenue from Local Agencies*
- An increase of $309,000 to reflect reimbursement from the County of Santa Clara County to support staffing and programs at Grace Therapeutic Art and Wellness Program at Northside Community Center.

*Use of Money/Property*
- An increase of $53,000 to reflect increased revenue for lease of City-owned spaces to reflect higher collection trends experienced in 2017-2018.

*Other Revenue*
- An increase of $32,000 to the Other Revenue category for the following adjustments: an increase of $18,000 reflects Habitat Conservation reimbursement revenue that was not included in the Forecast, but is anticipated to be received in 2018-2019; an increase of $11,000 for new subdivision traffic control signage and pavement markings revenue reflects higher collection trends experienced in 2017-2018; and an increase of $4,000 for Finance Department revenue for non-sufficient fund fees aligns revenues with estimated base activity levels.
REVISED BASE BUDGET FORECAST

Source of Funds

Beginning Fund Balance

- A net decrease of $1.6 million to the Beginning Fund Balance estimate reflects a net lower carryover amount of the Development Fee Program Reserves (Building Development Fee Program Reserve reduction of $893,000; Planning Development Fee Program Reserve reduction of $567,000; Fire Development Fee Program Reserve reduction of $358,000; and Public Works Development Fee Program Reserve increase of $194,000), which is necessary to bridge the gap between 2018-2019 base revenues and expenditures. The Development Fee Programs are assumed to be 100% cost recovery.

- An increase of $8,000 to reflect anticipated increased salary costs related to the San José Environmental Sustainability Program. Funding that has been set aside in a reserve in 2017-2018 will be liquidated for associated staff costs in 2018-2019.

Following is a description of the Revised Base Budget Forecast changes in General Fund uses:

- An increase of $1.9 million for Transfers to the Community Facilities Revenue Fund to fund the increased subsidy for Hayes Mansion ($1.4 million), Airport Maintenance and Operations Fund to reflect the transfer of revenues for jet fuel sales tax ($300,000), City Hall Debt Service Fund to reflect the revised contribution from the General Fund ($155,000), Downtown Property and Business Improvement District Fund to account for increased assessments on the City-owned property and a cost of living adjustment for contractual services ($42,000), and Business Improvement District Fund to account for increased assessments on the City-owned property within the district ($683).

- An increase of $1.0 million to the Salaries and Benefits Reserve for projected additional costs related to potential issues with the overtime calculation under the Fair Labor Standards Act (FLSA) ($650,000) and adjustments related to life insurance costs that were inadvertently omitted from the February Forecast ($370,000).

- A net decrease of $297,000 in personal services to reflect position and funding realignments to better align with work currently performed and various other funding corrections/adjustments based on updated information.

- A net decrease of $237,000 reflects non-personal/equipment, City-Wide Expenses, and General Fund Capital adjustments: increases non-personal/equipment funding to the Parks, Recreation and Neighborhood Services Department for anti-graffiti services at the Berryessa BART Station ($86,400), the Information Technology Department for open data portal services ($70,000), the Transportation Department for technology licenses ($19,800); increases in City-Wide Expenses for the maintenance and operations costs associated with the 4th Street Garage Banquet Facility
REVISED BASE BUDGET FORECAST

($50,000) and Tree Planting and Trimming costs ($9,000); and decreases to reflect revised costs to the General Fund Capital Fire Apparatus Replacement appropriation ($250,000), the Human Resources Department’s non-personal/equipment funding ($218,000) for workers’ compensation administration, and the City-Wide Expenses for the 1970, 1980, 1990 COLA Federated, Police & Fire Retirees appropriation ($4,000).

As summarized in Table III, the Administration’s budget balancing strategy resolved a $4.3 million (with the Development Fee Program Impact) General Fund shortfall and resulted in a balanced 2018-2019 Proposed General Fund Budget totaling $1.2 billion.
## General Fund Balancing Strategy Detail
### 2018-2019 Proposed Operating Budget

### PROPOSED BUDGET BALANCING STRATEGY

**Table III**

**2018-2019 PROPOSED OPERATING BUDGET**

General Fund Balancing Strategy (in $000s)

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>2018-2019</th>
<th>Ongoing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balancing Strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-2019 Future Deficit Reserve</td>
<td>$20,250</td>
<td>$0</td>
</tr>
<tr>
<td>Successor Agency to RDA – Refunding Property Tax</td>
<td>$9,350</td>
<td>0</td>
</tr>
<tr>
<td>Retiree Healthcare Solutions Reserve</td>
<td>$4,320</td>
<td>0</td>
</tr>
<tr>
<td>Airport West (FMC) Debt Service</td>
<td>$2,450</td>
<td>0</td>
</tr>
<tr>
<td>Cultural Facilities Capital Maintenance Reserve</td>
<td>$1,025</td>
<td>0</td>
</tr>
<tr>
<td>Other Revenue/Expenditure Savings/Rebudgets/Reserve Liquidations</td>
<td>$(234)</td>
<td>$(3,517)</td>
</tr>
<tr>
<td><strong>Grants/Reimbursements/Fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development Fee Programs</td>
<td>$4,844</td>
<td>5,301</td>
</tr>
<tr>
<td>Diridon Station Area Planning and Development Reimbursement</td>
<td>$1,330</td>
<td>0</td>
</tr>
<tr>
<td>Placemaking and Parks Activation Grants</td>
<td>$520</td>
<td>0</td>
</tr>
<tr>
<td>Other Fee Programs/Reimbursements/Grants</td>
<td>$4,121</td>
<td>3,660</td>
</tr>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of San José Business Tax Amnesty Program</td>
<td>$1,500</td>
<td>1,200</td>
</tr>
<tr>
<td>Parking Fines</td>
<td>$700</td>
<td>700</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$744</td>
<td>691</td>
</tr>
<tr>
<td><strong>Overhead Reimbursements/Transfers from Other Funds</strong></td>
<td>$1,106</td>
<td>995</td>
</tr>
<tr>
<td><strong>Subtotal Source of Funds</strong></td>
<td>$52,026</td>
<td>$9,030</td>
</tr>
<tr>
<td><strong>Use of Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Level Enhancements</td>
<td>$16,067</td>
<td>$3,138</td>
</tr>
<tr>
<td>2019-2020 Future Deficit Reserve</td>
<td>$15,500</td>
<td>0</td>
</tr>
<tr>
<td>Earmarked Reserves (e.g. City Health Care Restruct., Essential Services, etc.)</td>
<td>$7,700</td>
<td>0</td>
</tr>
<tr>
<td>2017-2018 One-Time Funded Services</td>
<td>$6,736</td>
<td>2,831</td>
</tr>
<tr>
<td>Unmet/Deferred Technology, Infrastructure, and Maintenance</td>
<td>$3,933</td>
<td>93</td>
</tr>
<tr>
<td>Development Fee Programs</td>
<td>$2,571</td>
<td>1,358</td>
</tr>
<tr>
<td>New Infrastructure/Equipment Operations and Maintenance</td>
<td>$619</td>
<td>1,573</td>
</tr>
<tr>
<td>Other Fee Programs/Grants/Reimbursements</td>
<td>$130</td>
<td>0</td>
</tr>
<tr>
<td>Use of Reserves (e.g. Cultural Facilities, Committed Add., Deferred Maint.)</td>
<td>$(1,869)</td>
<td>$(1,068)</td>
</tr>
<tr>
<td>Cost Reductions/Service Delivery Efficiencies/Fund Shifts</td>
<td>$(3,671)</td>
<td>$(3,205)</td>
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<tr>
<td><strong>Subtotal Use of Funds</strong></td>
<td>$47,716</td>
<td>$4,720</td>
</tr>
<tr>
<td><strong>Total Balancing Strategy</strong></td>
<td>$4,310</td>
<td>$4,310</td>
</tr>
<tr>
<td><strong>Remaining Balance</strong></td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
General Fund Balancing Strategy Detail
2018-2019 Proposed Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Specific City Council direction regarding the preparation of the Proposed Budget was provided in the Mayor’s March Budget Message for Fiscal Year 2018-2019, as approved by the City Council (see Appendices Section of this document). The details of the specific direction of that Message and the corresponding responses contained in this budget are provided in Attachment B following this section in the City Manager’s Message. Attachment C contains information regarding the status of City Auditor recommendations with funding impacts.

Following is a brief discussion of the key elements of the budget balancing actions that were included in the Proposed Budget.

Source of Funds

From the Revised Forecast of $1.13 billion, a net increase of $52.0 million to the General Fund revenue estimates is recommended, bringing the 2018-2019 Proposed Budget revenue estimate to $1.18 billion. The components of this increase include an increase to the estimate for 2017-2018 Ending Fund Balance/2018-2019 Beginning Fund Balance ($37.2 million) and an increase to various revenue categories ($14.8 million).

Beginning Fund Balance

- An increase of $37.2 million from the Revised Forecast is included, bringing the estimated 2018-2019 Beginning Fund Balance from $64.0 million to $101.2 million. This increase includes the following:
  - Liquidation of various reserves totaling $27.8 million, including the 2018-2019 Future Deficit Reserve ($20.3 million), Retiree Healthcare Reserve ($4.3 million), Cultural Facilities Capital Maintenance Reserve ($1.0 million), Sick Leave Payments Upon Retirement Reserve ($1.0 million), Public Works Development Fee Program Reserve ($450,000), Building Development Fee Program Reserve ($544,000), and the Fire Development Fee Program Reserve ($189,000).
  - Additional anticipated fund balance of $9.6 million from additional revenue that is anticipated to be received in 2017-2018 and be available for use in 2018-2019. Of this amount, $9.35 million is anticipated to be received in 2017-2018 from Santa Clara County related to residual property tax revenue as a result of the Successor Agency to the Redevelopment Agency (SARA) bond refunding that occurred in December 2017. In addition, $250,000 is anticipated to be received from the Federal Emergency Management Agency (FEMA) for reimbursement costs associated with the 2017 Coyote Creek Flood.
PROPOSED BUDGET BALANCING STRATEGY

Source of Funds

*Beginning Fund Balance (Cont'd.)*

- Expenditure Savings of $2.6 million is anticipated in 2017-2018 and be available for use in 2018-2019. With the recent sale of the Airport West (FMC) property, net sale proceeds of $625,000 and debt service savings of $1.8 million is available for use in 2018-2019. Additionally, grant funding of $100,000 for the Citywide Open Data Environment and Architecture has been received in 2017-2018, but the expenditure funding is not needed until 2018-2019. Therefore, the funding will be carried over as 2018-2019 Beginning Fund Balance and appropriated accordingly.

- Rebudget of funds for the San José Works expenditure-related item in the amount of $500,000, which is not anticipated to occur until 2018-2019.

- A reduction of $3.3 million due to the use of Development Fee Program reserves being assumed in the 2018-2019 Forecast, however, the Proposed Budget recommends several fee increases, resulting in less reserve funding being needed for Public Works Development Fee Program ($1.2 million) and the Planning Development Fee Program ($2.1 million). The Planning Development Fee Program Reserve restoration ($2.1 million) reflects increases in fee revenue restoring $2.5 million of reserve funding, partially offset by expenditure changes requiring use of the reserve totaling $392,000.

*Fees, Rates, and Charges*

- An increase of $2.6 million in the Public Works Development Fee Program (from $11.7 million to $14.3 million), which is primarily due to the following: proposed fee increases to bring ongoing revenues and expenditures into closer alignment with less reliance on the Development Fee Program Reserves ($1.2 million); increased activity for small cell utility permits that is anticipated as a result of the implementation of the City’s Broadband and Digital Inclusion Strategy ($1.2 million); and a reallocation of resources to support the Development Fee Program ($213,000).

- An increase of $2.5 million in the Planning Development Fee Program (from $6.5 million to $9.0 million) to bring ongoing revenues and expenditures into closer alignment with less reliance on the Development Fee Program Reserves. Average fee increases of 34% and a restructuring of the tree permits are proposed to generate the additional revenue.

- An increase of $577,000 in other Department Charges categories aligns revenues with estimated activity levels, reflects fee revisions, and maintains cost recovery levels. Changes included in the Proposed Budget include Parks, Recreation and Neighborhood Services Department Fees and Charges ($297,000; from $21.7 million to $22.0 million), Police Department Fees and Charges ($138,000; from $1.2 million to $1.4 million), Miscellaneous Fees and Charges ($112,000; from $3.5 million to $3.7 million), and Transportation Department Fees and Charges ($30,000; from $1.68 million to $1.71 million).
General Fund Balancing Strategy Detail
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PROPOSED BUDGET BALANCING STRATEGY

Source of Funds

Transfers and Reimbursements

- An increase of $638,000 to reimburse the General Fund for 4.0 Fire Fighters that are recommended to be added to the Aircraft Rescue and Fire Fighting Services (ARFF) at the Mineta San José International Airport, the cost of which is partially offset by a reduction in overtime.

- An increase of $194,000 to reimburse the General Fund for the cost of 1.5 positions that are recommended to be added in the Human Resources Department to support the Voluntary Employee Beneficiary Association (VEBA) program, which will be reimbursed by the Voluntary Employee Beneficiary Association Fund.

- As directed in the Mayor’s March Budget Message for Fiscal Year 2018-2019, the Proposed Budget includes a one-time transfer of $100,000 from the General Purpose Parking Fund to support capital infrastructure improvements at the Downtown Ice Rink.

- A net increase of $1.1 million in anticipated overhead reimbursements to reflect the impact of various budget actions recommended in the 2018-2019 Budget that change the staffing levels funded by special funds and capital funds.

Licenses and Permits

- An increase of $1.1 million to reflect increased Code Enforcement Fees to align anticipated costs with revenues. This figure includes fee adjustments that increases the revenue estimate by $967,000 in the Multiple Housing Code Fee Program.

- A net increase of $629,000 to align anticipated costs and revenues for the Cannabis Regulation Program and other various Police permits ($365,000), to reflect an increase in Animal Care and Services revenue associated with the proposed $5.00 increase for cat and dog licenses ($260,000), and minor changes to Department of Transportation permits ($6,000) and Finance Department permits (-$2,000).

Other Revenue

- An increase of $1.3 million to reflect revenue anticipated to be received in 2018-2019 from Google, in accordance with the Service Reimbursement Agreement that was approved by the City Council on February 13, 2018. This funding is allocated to the Diridon Station Area Development Planning budget for planning support and civic engagement in the Diridon Station Area.
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PROPOSED BUDGET BALANCING STRATEGY

Source of Funds

Other Revenue (Cont'd.)

- A one-time increase of $200,000 to reflect anticipated revenue from the escheatment of unclaimed property due to the disposition of unclaimed funds and stale-dated checks.

- A one-time increase of $10,000 to reflect funding to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling $520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California ($221,500), Revenue from Local Agencies ($289,000), and Other Revenue ($10,000).

- A net decrease of $3,000 for Finance fee revenue ($2,000) and Transportation fee revenue (-$5,000) to align revenues with estimated costs in 2018-2019.

Business Taxes

- An increase of $1.5 million to the General Business Tax revenue estimate (from $24.2 million to $25.7 million) to reflect anticipated revenue to be generated as a result of the proposed Business Tax Amnesty Program. This program waives penalties, providing an incentive for businesses to register with the City and comply with the newly modernized business tax rates and structures.

Fines, Forfeitures, and Penalties

- An increase of $700,000 to the Parking Fines revenue estimate (from $10.4 million to $11.1 million) reflects the expansion of the Vehicle Abatement Service Pilot program, which would provide additional staffing to conduct all first visits for vehicle service requests, enabling Parking and Traffic Control Officers to focus on parking enforcement and vehicle abatement follow-up. In addition, higher Parking Fines revenue is anticipated resulting in the proposed addition of analytical and operational support to the Transportation Operations and Parking Services Section that will be used to identify efficiencies, focusing on vehicle abatement, Indigent Persons Payment Plan requirements, deployment of Parking Compliance Unit staff, citation issuance and collection, and revenue forecasting.

Revenue from State of California

- A one-time increase of $368,000 to reflect grant funding from the Metropolitan Transportation Commission for urban village planning. The concept of urban villages was established in the Envision San José 2040 General Plan that was adopted in 2011. The policy intends to create a framework that directs sustainable job and housing growth within walkable and bike-friendly areas that have good access to transit and other infrastructure and facilities.
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PROPOSED BUDGET BALANCING STRATEGY

Source of Funds

Revenue from State of California (Cont’d.)

- A one-time increase of $221,500 to reflect funding to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling $520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California ($221,500), Revenue from Local Agencies ($289,000), and Other Revenue ($10,000).

- An increase of $100,000 to reflect increased Auto Theft Reimbursement revenue (from $700,000 to $800,000) in 2018-2019. Increased funding of $100,000 is included in the Proposed Budget to provide equipment to support the Regional Auto Theft Task Force, including trackers and surveillance equipment.

Revenue from Federal Government

- A one-time increase of $425,000 to reflect Urban Areas Security Initiative (UASI) grant funding, which will be allocated to the Office of Emergency Management (OEM). This funding will be offset by the creation of limited dated positions in OEM, which will assist in strategic planning and development efforts and manage recruitment in the projected phased growth of OEM.

Revenue from Local Agencies

- A one-time increase of $289,000 to reflect funding from the County of Santa Clara ($145,000) and the Valley Transportation Authority ($144,000) to support Viva CalleSJ and ¡Viva Parks! placemaking events. The Proposed Budget includes funding totaling $520,500 for Viva CalleSJ and ¡Viva Parks!, which is reflected in Revenue from the State of California ($221,500), Revenue from Local Agencies ($289,000), and Other Revenue ($10,000).

Franchise Fees

- An increase of $245,000 reflects an increase in the Commercial Solid Waste (CSW) fees by 2.13% based on the change in the consumer price index (CPI). In October 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure started with a base of $5.0 million per year for each of the two geographic collection districts plus a supplemental fee of $1.0 million for the right to conduct CSW services in both the North District and South District. The revised structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years.
PROPOSED BUDGET BALANCING STRATEGY

**Transient Occupancy Tax**

- An increase of $100,000 reflects higher Transient Occupancy Tax revenues anticipated to be received in 2018-2019. During the College Football Playoff (CFP) National Championship that will take place in January 2019, thousands of visitors are anticipated in Downtown San José, which will significantly increase hotel occupancy rates. As a result, General Fund TOT receipts are recommended to increase from $19.6 million to $19.7 million in 2018-2019.

**Use of Funds**

From the Revised Base Budget Forecast of $1.13 billion, a net increase of $47.7 million to the General Fund expenditures was brought forward, bringing the 2018-2019 Proposed Budget Use of Funds estimate to $1.18 billion. A listing of the Proposed Budget modifications is provided by specific categories in Table III and briefly discussed in the following pages. Further detail is incorporated into the CSA and departmental sections of this document.

**Service Level Enhancements**

Total funding of $16.1 million is included in the Proposed Budget for service level enhancements. The largest investments include a transfer to the Self-Insured Medical Fund to address a projected negative fund balance ($3.0 million), Diridon Station Area Planning and Development ($1.6 million, partially offset by a reimbursement agreement of $1.3 million), My San José 2.0 ($1.5 million), Office of Emergency Management Staffing ($1.2 million), police overtime funding to staff the NCAA College Football Championship and the NHL All-Star Weekend special events ($1.0 million), City Hall Security ($636,000), and Citywide Open Data Environment and Architecture ($600,000). Other service level enhancements are included and described in the Department Section of this document.

**2019-2020 Future Deficit Reserve**

This action establishes the 2019-2020 Future Deficit Reserve of $15.5 million to fully address the anticipated 2019-2020 General Fund shortfall as projected in the 2019-2023 General Fund Forecast.

**Earmarked Reserves**

One-time Earmarked Reserves, totaling $7.7 million, are included in the Proposed Budget. This includes funding for the following: City Health Plan Restructuring Reserve ($3.0 million); Essential Services Reserve ($2.5 million); and Salaries and Benefits Reserve ($2.2 million).
PROPOSED BUDGET BALANCING STRATEGY

Use of Funds

**2017-2018 One-Time Funded Services**

Funding is included to continue services that were funded on a one-time basis in the 2017-2018 Adopted Budget. This primarily includes funding for San José Works ($1.5 million), San José Learns ($1.0 million), Police Department recruitment efforts ($825,000), Police Department Downtown Foot Patrol Program ($600,000), Workers’ Compensation Program Temporary Staffing ($401,000), Sports Authority ($350,000), Project Hope Program ($311,000), Vietnamese American Community Center ($262,000), Baykeeper Consent Decree Compliance Program ($168,000), Policy and Ordinance support ($150,000), Economic Development Pre-Development Activities ($150,000), and San Jose Streets Team Litter and Trash Removal ($135,000).

**Unmet/Deferred Technology, Infrastructure and Maintenance**

To address a small portion of the backlog for unmet and deferred infrastructure and maintenance needs, funding of $3.9 million is included in the Proposed Budget for the City’s most urgent repair needs, including: City Hall Network Operations Center – Electrical Switch Board Replacement ($1.5 million); Police Communications Center Elevator Retrofit ($600,000); Children’s Discovery Museum HVAC ($500,000); improvements to Hammer Theatre Center ($375,000); San José Museum of Art HVAC ($300,000); infrastructure upgrades at the African American Community Services Agency ($250,000); ESRI Database Enterprise Agreement ($200,000); Miscellaneous Cultural Facility Repairs ($200,000); History San José – Automatic Parking Lot Gate ($50,000); Mexican Heritage Plaza Concrete Repair ($50,000); and non-personal/equipment funding to activate the Calsense smart controllers and purchase smart phones for parks maintenance staff to implement irrigation technology ($82,000, offset by estimated water savings of $173,000).

**Development Fee Programs**

The Proposed Budget includes approximately 14 positions and $2.6 million of new resources in the Development Fee Programs (Building, Planning, Public Works, and Fire) for small cell permitting to support the City’s Broadband and Digital Inclusion Strategy and to continue to support the implementation of the Integrated Permitting System as described in detail in the Community and Economic Development City Service Area and respective department sections.

**New Infrastructure/Equipment Operations and Maintenance**

The Proposed Budget includes 9 positions and $619,000 to operate and maintain new parks and recreation facilities ($597,000) and new transportation infrastructure ($22,000).
General Fund Balancing Strategy Detail
2018-2019 Proposed Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Use of Funds

*Other Fee Programs/Grants/Reimbursements*

The actions in this category are offset by revenue from fees, grants, or reimbursements and included Placemaking and Parks Activation ($824,000, partially offset by $520,500 in grant funding), staff support for Urban Village Planning ($315,000, fully offset by grant funding), and temporary police staffing for the Northern California Regional Intelligence Center ($130,000, partially offset by grant funding).

*Use of Reserves*

The Proposed Budget includes the elimination of the Cultural Facilities Capital Maintenance Reserve ($450,000) as a source of ongoing funding for infrastructure improvements and repairs at the City’s cultural facilities. Other reserves established in the February Forecast that were eliminated as planned in the Proposed Budget included a reserve to cover additional costs to operate and maintain new technology or facilities that are scheduled to become operational in 2018-2019 ($619,000) and a reserve to fund critical capital maintenance or address urgent technology ($800,000).

*Cost Reductions/Service Delivery Efficiencies/Fund Shifts*

Savings in this category ($3.7 million) primarily includes the elimination of the FMC Debt Service (Airport West) payment ($2.9 million), elimination of funding for one-half of the second of two Firefighter Recruit Academy ($523,500), decommissioning of the horse stables that once supported the Horse Mounted Unit ($272,000), funding shift from the General Fund to Special Funds for legal staffing for Municipal Water Litigation ($101,000), and anticipated printing savings from the implementation of a city-wide print management solution ($55,000).