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# 2025-2026 PROPOSED OPERATING BUDGET OVERVIEW

**May 7, 2025**



# PRESENTATION AGENDA

- Opening Remarks
- Proposed Budget Overview
- Budget Balancing Strategy and Recommended Budget Actions
- Next Steps in the Budget Process
- Economic Outlook

# 2025-2026 PROPOSED OPERATING BUDGET

## GENERAL FUND OPERATING MARGIN



### 2026-2030 Revised General Fund Five-Year Forecast (\$ in millions)<sup>1</sup>

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Five-Year Surplus/ (Shortfall)
<b>Incremental Surplus/ (Shortfall)</b>	(\$35.6) <sup>2</sup>	(\$52.9)	(\$3.7)	\$4.0	\$1.2	(\$87.0)
Total Cumulative (Shortfall)	(\$35.6) <sup>2</sup>	(\$88.5)	(\$92.2)	(\$88.2)	(\$87.0)	(\$87.0)

<sup>1</sup> Does not include 1) costs associated with services that were funded on a one-time basis in 2023-2024; 2) costs associated with unmet/deferred infrastructure and maintenance needs; and 3) one-time revenue sources or expenditure needs.

<sup>2</sup> This figure was revised from the \$45.7 million shortfall as presented in the February 2024 Forecast as a result of continued analysis of projected revenues and expenditures.

# 2025-2026 PROPOSED OPERATING BUDGET OVERVIEW



- Balanced all funds (General Fund, Special and Capital Funds)
- General Fund projected shortfall of \$35.6 million fully resolved, with additional actions taken to reduce the \$52.9 million projected shortfall in 2026-2027 to \$25.9 million
- Investment Priorities:
  - Reducing Unsheltered Homelessness
  - Improving Community Safety
  - Cleaning Up Our Neighborhoods
  - Growing Our Economy
  - Building More Housing

Other investment priorities included select areas of important and ongoing Core Service work within other community services, strategic support services, and deferred infrastructure areas

- Budgeted Positions (all funds) grow by 5 positions, from 6,994 to 6,999

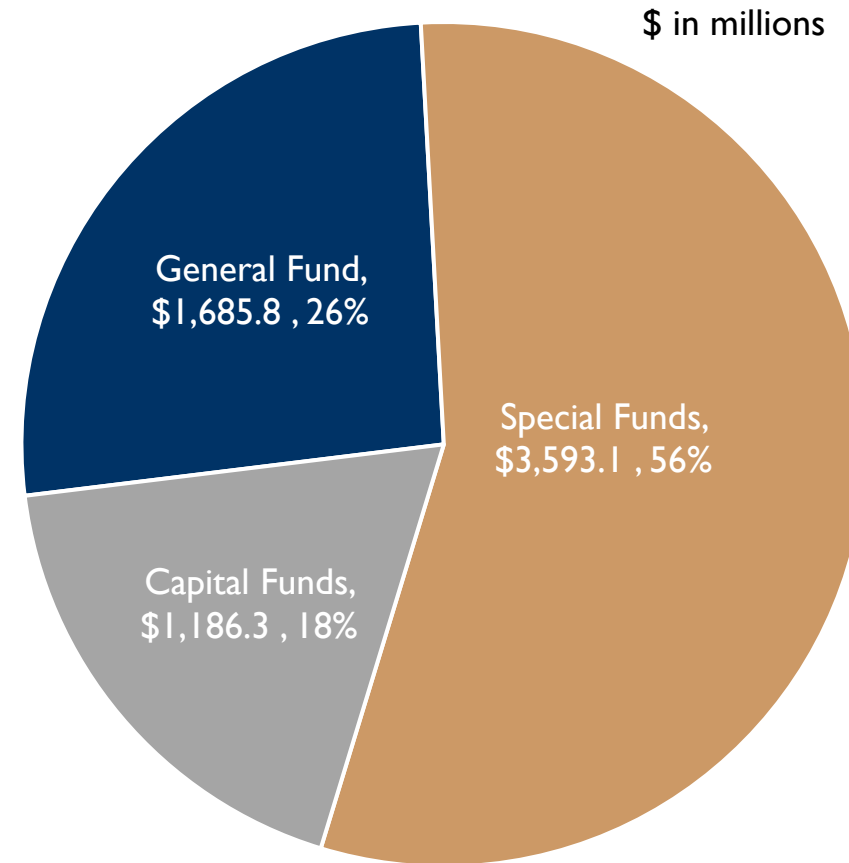
# 2025-2026 PROPOSED OPERATING BUDGET OVERVIEW



**2025-2026 PROPOSED CITY BUDGET <sup>1</sup>: \$5.6 billion**

**TOTAL NUMBER OF FUNDS: 145**

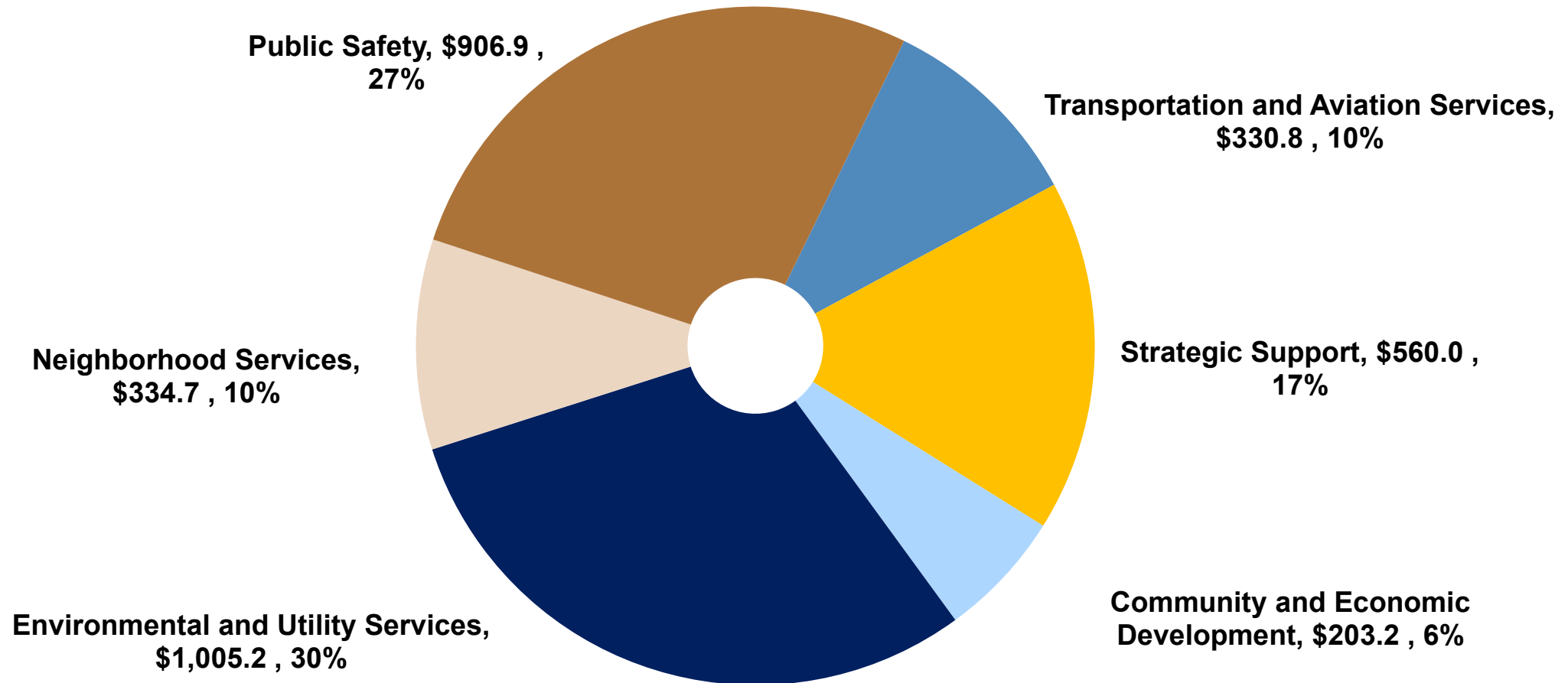
**TOTAL NUMBER OF POSITIONS (FTE): 6,999**



<sup>1</sup> An adjustment of \$891 million is necessary to arrive at the \$5.6 billion net 2025-2026 Proposed City Budget to avoid the double-counting of transfers, loans and contributions between City funds.

# 2025-2026 PROPOSED OPERATING BUDGET

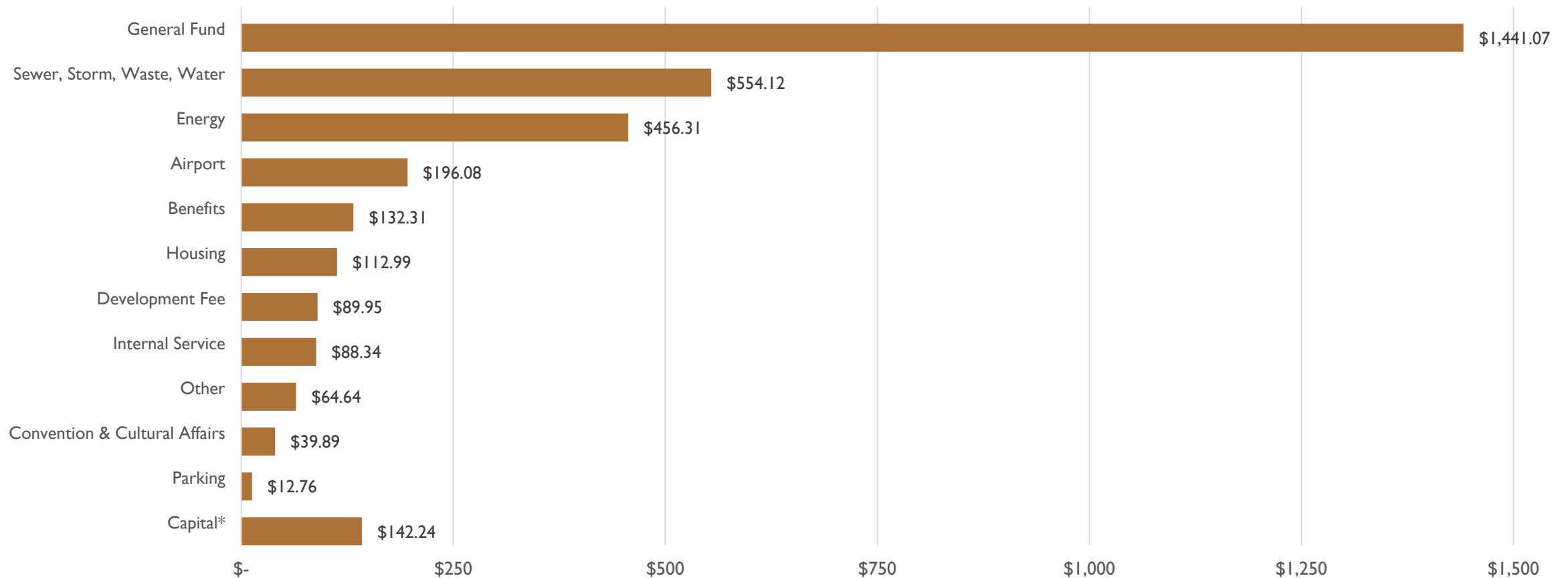
## USES BY CITY SERVICE AREA (ALL FUNDS; \$ IN MILLIONS)



# 2025-2026 PROPOSED OPERATING BUDGET OVERVIEW – FUND CATEGORIES



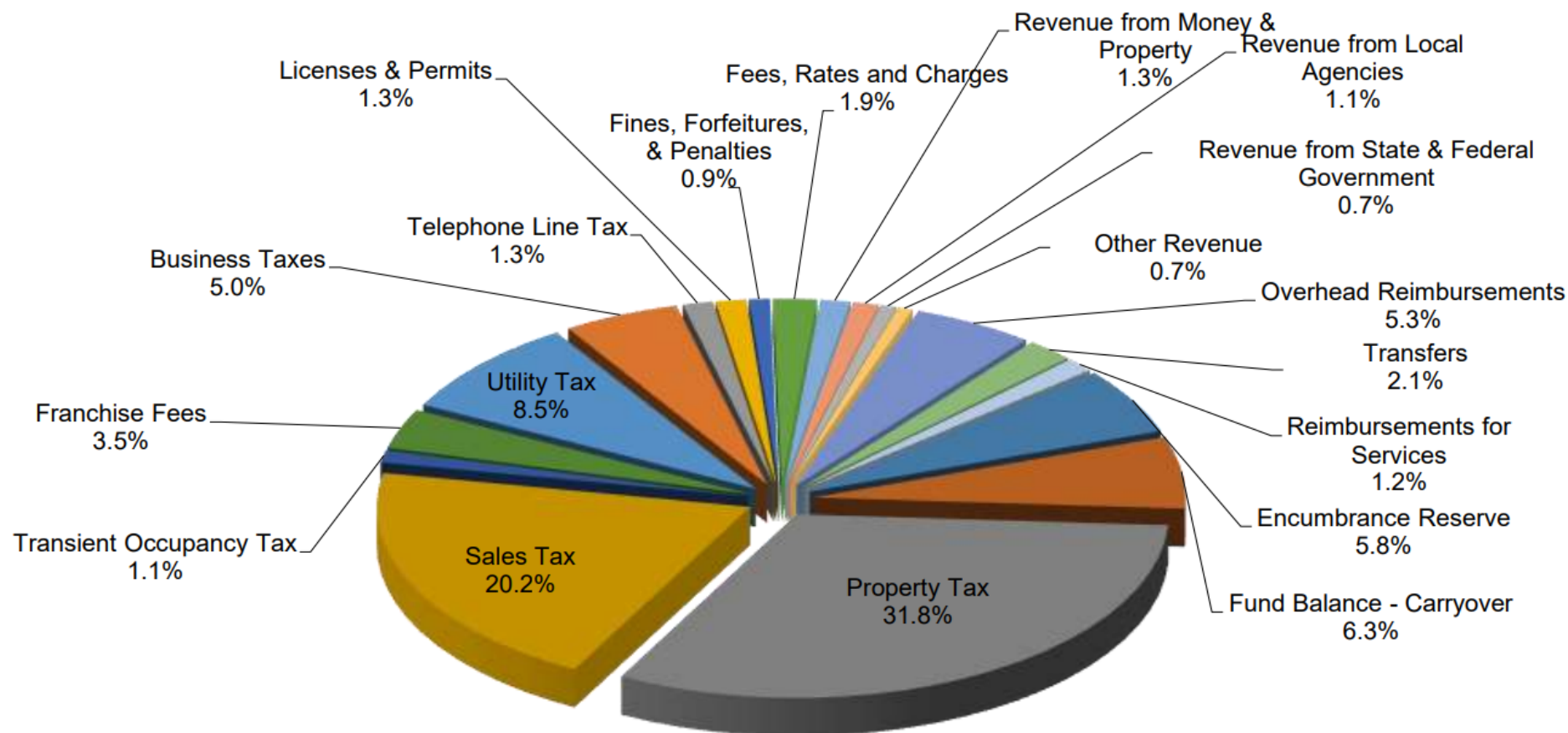
2025-2026 Proposed Operating Budget by Fund Category (exc. Transfers, Reserves, and Fund Balance)



\* Capital Fund expenditures include only personal services and overhead reimbursements.

# 2025-2026 PROPOSED OPERATING BUDGET

## GENERAL FUND SOURCES

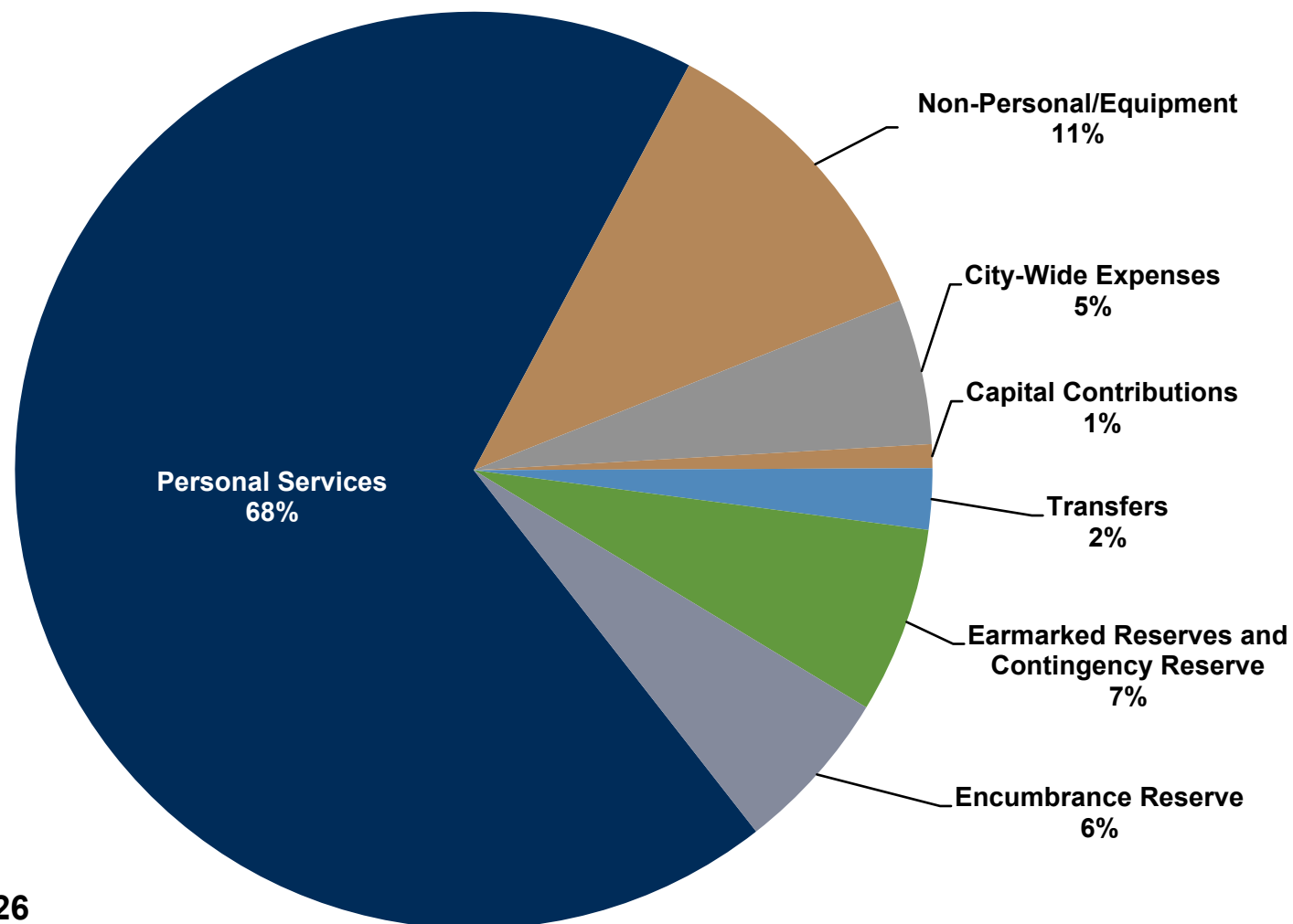


Total General Fund Sources: \$1,685,752,026



# 2025-2026 PROPOSED OPERATING BUDGET

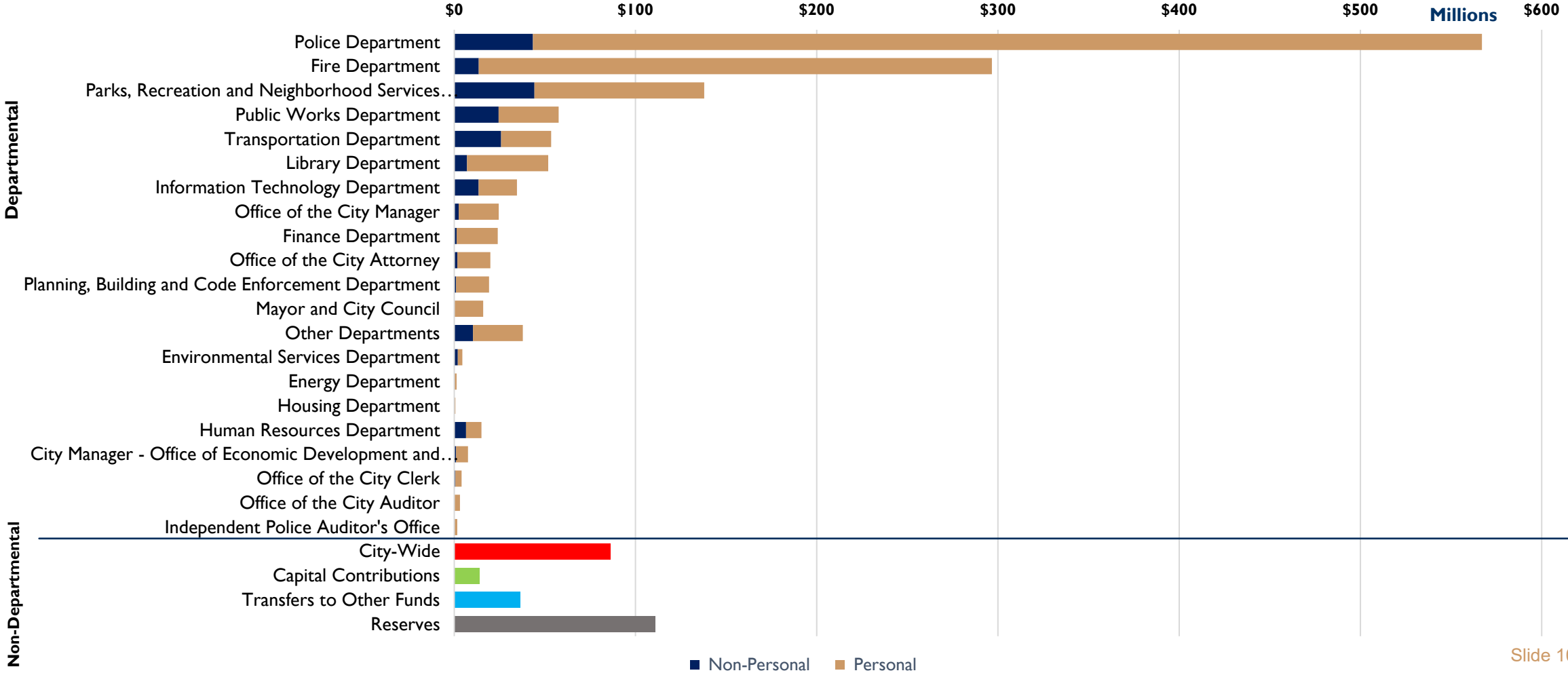
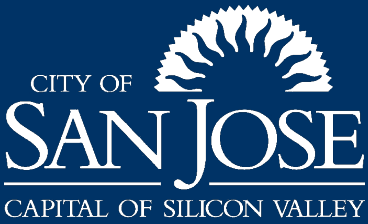
## GENERAL FUND USES BY CATEGORY



Total General Fund Uses: \$1,685,752,026

# 2025-2026 PROPOSED OPERATING BUDGET

## GENERAL FUND BUDGET BY CATEGORY



# 2025-2026 BUDGET BALANCING STRATEGY

## GENERAL FUND



Key strategies to fully resolve the \$35.6 million shortfall on an ongoing basis in 2025-2026 and resolve a portion of the additional \$52.9 million shortfall in 2026-2027, while also minimizing impacts to existing services and allowing for targeted new funding for the City Council's most urgent priorities.

### **Reallocation of homeless sheltering and support costs from the General Fund to Measure E**

- Shifts \$39.2 million in 2025-2026 (\$42.8 million ongoing) from General Fund to Real Property Transfer Tax Fund

### **Identification of new revenue**

- \$12.5 million in 2025-2026 (\$9.0 million ongoing)
- Delayed impact of Cardroom Business Tax decline, Fire First Responder Fee, Business Tax Amnesty Program, fees and charges adjustments, new grant revenue

### **Cost and service reductions**

- \$11.7 million in 2025-2026 (\$14.9 million ongoing)

### **Deferring full activation of Fire Station 32 and activation of South San José Police Substation**

- Fire Station 32 opening as a one company station (\$826,000 savings in 2025-2026, \$5.6 million ongoing)
- Open the Police Training Center, but defer the subsequent full activation of Substation previously anticipated in 2026-2027 after opening of the new Police Training Center (\$1.9 million in 2026-2027)

### **Strategic use of limited reserve funding (one-time uses)**

- Community and Economic Recovery Reserve (\$11.5 million), Budget Stabilization Reserve (\$7.0 million)

# 2025-2026 BUDGET BALANCING STRATEGY

## GENERAL FUND



	2025-2026	Ongoing
<b>Total General Fund Shortfall</b>	<b>\$ (35.6)</b>	<b>\$ (35.6)</b>
<b>Recommended Balancing Strategy</b>		
— Changes in Sources	\$ 35.0	\$ 9.0
— Changes in Uses	(0.6)	(26.6)
<b>Total Balancing Strategy</b>	<b>\$ 35.6</b>	<b>\$ 35.6</b>
<b>Amount Remaining</b>	<b>\$ 0</b>	<b>\$ 0</b>

# 2025-2026 PROPOSED BUDGET ACTIONS

## GENERAL FUND USES



Use of Fund	2025-2026 Adjustments	Ongoing Adjustments
2026-2027 Future Deficit Reserve	-	\$27.0 million
Unmet/Deferred Technology, Infrastructure, and Maintenance	\$20.5 million	\$0.9 million
Transfer to the Emergency Reserve Fund (FEMA Non-Reimbursable Expenses)	\$10.0 million	-
Service Level Enhancements	\$10.2 million	\$3.6 million
Earmarked Reserves	\$7.8 million	\$1.4 million
Previously One-Time Funded Services (from 2024-2025)	\$5.9 million	\$2.5 million
Other Fee Programs/Grants/Reimbursements	\$1.5 million	\$1.6 million
New Infrastructure/Equipment Operations and Maintenance	\$1.5 million	\$6.3 million
Cost Shift to the Real Property Transfer Tax Fund (Measure E Reallocation)	(\$39.2 million)	(\$42.8 million)
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(\$11.7 million)	(\$14.9 million)
Use of Reserves (Committed Additions, Deferred Infrastructure, and Police Equipment Sinking Fund)	(\$7.1 million)	(\$12.2 million)
<b>Total</b>	<b>(\$0.6 million)</b>	<b>(\$26.6 million)</b>

# 2025-2026 PROPOSED BUDGET

## MEASURE E FUNDING



### Recommended Allocation of Measure E Revenues (\$ Millions)

	2025-2026	2026-2027
<b>Program Administration (5% of total revenue)</b>	<b>2.75</b>	<b>3.00</b>
<b>Homelessness Prevention (10% of remaining revenue)</b>	<b>5.23</b>	<b>5.70</b>
<b>Homelessness Support and Sheltering (90% of remaining revenue)</b>	<b>47.02</b>	<b>51.30</b>
<b>Original 15%</b>		
Interim Housing Construction and Operations (Base Budget)	7.84	8.55
<b>Reallocated 75%</b>		
Interim Housing Construction and Operations (Additional Contribution)	25.00	39.25
Outreach, Sanitation and Other Support Services	3.50	3.50
Beautify San José Encampment Management Services*	6.68	
Homeless Rapid Rehousing*	4.00	
<b>Total Amount Reallocated</b>	<b>39.18</b>	<b>42.75</b>
<b>Total Estimated Measure E Revenues</b>	<b>55.0</b>	<b>60.0</b>

\*One-time funding shift from the General Fund to the Real Property Transfer Tax Fund; these services will again be funded in the General Fund in 2026-2027 and ongoing.

# 2025-2026 PROPOSED BUDGET AFFORDABLE HOUSING RESOURCES



## Resources for New Affordable Housing Commitments in 2025-2026

- \$60 million prior year Measure E and other Housing funds for Notice of Funding Availability (NOFA)
- \$100 million targeted from a combination of:
  - Issuance of a Housing Bond backed by loan repayments from City's existing permanent housing loan portfolio
  - Asset Refinancing
  - Master Leasing Financing

# 2025-2026 BUDGET BALANCING STRATEGY

## STRATEGIC AND EQUITY-FOCUSED APPROACH TO COST AND SERVICE REDUCTIONS



### **Non-Personal/Equipment Savings**

- Identify efficiencies and cost savings through reductions in consulting services, supplies, materials and other contractual services with minimal service impacts (\$1.0 million)

### **Strategic Support Reductions**

- Implement targeted reductions that minimize disruptions to community-facing departments while still preserving the back-of-house infrastructure necessary for day-to-day service delivery (\$4.1 million)

### **Public Safety Services**

- Achieve meaningful reduction in net General Fund impact within the Police and Fire Departments while still maintaining public safety, especially in historically underserved neighborhoods (e.g. Fire Station 32 single company, Substation activation deferral, and Fire First Responder Fee yields a net General Fund improvement of \$2.8 million in 2025-2026 and \$10.6 million ongoing)



# 2025-2026 BUDGET BALANCING STRATEGY

## STRATEGIC AND EQUITY-FOCUSED APPROACH TO COST AND SERVICE REDUCTIONS



### Community Services

- To the maximum extent possible, preserve the City's basic core services that are vital to low-income communities, communities of color, immigrants, and other historically marginalized residents (\$3.2 million in 2025-2026 and \$4.2 million ongoing)
- Intentional in evaluating budget reductions, informed by data to understand community usage and impacts, and ensuring that reductions do not have unintentional consequences for those who most rely on City services
- Looked at services outside the City's traditional core competency, services with lower levels of participation or impact, services or programs that have shrunk in recent years, and/or services where alternative service providers are identified
- Budget does not cut library hours, parks maintenance, staff-led community center and recreational programming, aquatics, scholarships, or senior nutrition

### 2026-2027 Reductions

- Authorize reductions now that will take effect in 2026-2027 (\$3.0 million)
- Allows impacted service providers and community members to identify alternative services or other mitigation strategies
- Allows time for impacted employees to transition into new assignment to avoid potential layoffs

# COMMUNITY AND ECONOMIC DEVELOPMENT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Growing Our Economy

2026 Sporting Events (\$1.5 million)/City-Wide Expenses	Sports and Entertainment District Preliminary Development (\$250,000)/Office of Economic Development and Cultural Affairs
Energy Customer Development Team (\$1.2 million)/Office of Economic Development and Cultural Affairs and Public Works	Small Business ADA Legal Support (\$120,000)/City-Wide Expenses
Storefront Activation Grant Program (\$350,000)/City-Wide Expenses	Supplemental Arts and Cultural Funding (\$100,000)/City-Wide Expenses
Business Outreach and Development Staffing (\$525,000)/Office of Economic Development and Cultural Affairs	

### Building More Housing

Housing Grants Program Management Staffing (\$310,000)/Housing	CEQA Process Improvement (\$250,000)/Planning, Building and Code Enforcement
ProjectDox Software Upgrade (\$280,000)/ Planning, Building and Code Enforcement	Contracts Monitoring and Compliance Staffing (\$238,000)/Housing

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Public Works Staffing Plan (-\$709,000)/Public Works	Administration and Fiscal Oversight Staffing (-\$327,000)/Planning, Building and Code Enforcement
San José Works – Youth Jobs Initiative (-\$490,000)/City-Wide Expenses	Permit Center – Supervision Staffing (-\$239,000)/Planning, Building and Code Enforcement
Planning Staffing (-\$335,000)/Planning, Building and Code Enforcement	Non-Development Fee Program Realignment (-\$210,000)/Fire

# ENVIRONMENTAL AND UTILITY SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Important and Ongoing Core Service Work

Dewatering Facility Electricity Costs (\$7.5 million)/ Environmental Services

Chemical Costs Increase (\$1.9 million)/ Environmental Services

Regional Wastewater Facility Security Improvements (\$1.8 million)/Environmental Services

Heavy Equipment Purchases (\$1.6 million)/ Environmental Services

Distributed Control System and Windows 11 Upgrades (\$937,500)/Environmental Services

Contamination and Recycling Tagging Project (\$461,000)/Environmental Services

Security Services (\$460,000)/Environmental Services

Retail Recycled Water Distribution Facilities (\$350,000)/Environmental Services

Energy Regulatory Policy & Compliance Staffing (\$283,000)/Energy

Environmental Inspection Vehicles (\$283,000)/Environmental Services

Pump Station Site Improvement (\$250,000)/Environmental Services Department

New Green Stormwater Infrastructure Maintenance (\$186,000)/Transportation

Storm Drain Inlet Markings (\$145,000)/Transportation Department; (\$102,000)/Environmental Services Department

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Staffing Consolidation and Realignment (-\$1.1 million)/Environmental Services

Climate Smart Program Fund Shift (-\$453,000 in the General Fund)/Energy

# NEIGHBORHOOD SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cleaning Up Our Neighborhoods

Code Enforcement Re-Engineering Implementation Reserve  
(\$400,000)/General Fund Capital, Transfers and Reserves

Gateway Maintenance (\$250,000)/City-Wide Expenses

Neighborhood Blight Enforcement (\$250,000)/City-Wide Expenses

BeautifySJ Grant Program (\$150,000)/City-Wide Expenses

Enhanced Vacant/Dangerous Downtown Building Inspection  
(\$150,000)/Planning, Building and Code Enforcement

Non-Profit Creek Clean-up Partnerships (\$75,000)/Parks, Recreation  
and Neighborhood Services

### Reducing Unsheltered Homelessness

Homeless Outreach and Support Services Staffing (\$1.5 million)/  
Housing

Eviction Prevention Staffing (\$654,000)/Housing

Facilities Management – Interim Housing Maintenance Staffing  
(\$166,000)/Public Works

Housing Grants Program Management Staffing (\$357,000)/Housing

Homeward Bound (\$200,000)/Housing

### Other Important and Ongoing Core Service Work

Acquisition of Materials (\$500,000)/Library

Veterinary Contract Services (\$200,000)/Public Works

City-Wide Sports Fields Staffing (\$181,000)/Parks, Recreation and  
Neighborhood Services

Digital Communications Staffing (\$150,000)/Public Works

Animal Adoption Pop-Up Events (\$125,000)/Public Works

Staff and Volunteer Workforce Management Software (\$75,000)/Public  
Works

# NEIGHBORHOOD SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Action Sports Park Service Delivery Change (Effective 2026-2027, -\$879,000)/Parks, Recreation and Neighborhood Services

Hybrid Community Center Drop-In Program Reduction (-\$841,000)/Parks, Recreation and Neighborhood Services

Senior Health and Wellness Grant Program Providers (-\$526,000)/Parks, Recreation and Neighborhood Services

SJSU/City of San José Joint Agreement for Dr. Martin Luther King, Jr. Library Operating Cost Savings (-\$500,000)/Library

Family, Friends and Neighborhoods (FFN) Caregiver Support Network Program Staffing (Effective 2026-2027, -\$498,000)/Library

College and Career Pathways and Workforce Development Staffing (-\$439,000, Shift to SJ Library Foundation Funding)/Library

Out of School Time Program School Consolidation (-\$277,000)/Parks, Recreation and Neighborhood Services

MLK Access Services/Materials Processing Staffing (Effective 2026-2027, -\$259,000)/Library

Family Camp 2025 Season Closure (-\$240,000)/ Parks, Recreation and Neighborhood Services

Neighborhood Engagement Model Staffing Realignment (-\$180,000)/Parks, Recreation and Neighborhood Services

Placemaking Fundraising Efforts (-\$165,000)/Parks, Recreation and Neighborhood Services

# PUBLIC SAFETY CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Increasing Community Safety

Mobile Data Computer Replacement (\$5.2 million)/ City-Wide Expenses	Coyote and Guadalupe River Trail Patrol (\$650,000)/Police
Police Department Sworn Backfill Reserve (\$5.0 million)/General Fund Capital, Transfers and Reserves	Disaster Preparedness and Emergency Response Modeling Software (\$580,000)/City Manager's Office
2026 Sporting Events – Police Department (\$3.0 million)/Police	Real Time Intelligence Center Technologies (\$485,000)/Police
Police Training Center Fixtures, Furniture and Equipment (\$3.0 million)/General Fund Capital, Transfers and Reserves	Controlled Substance Security Devices (\$200,000)/Fire
Police Department Neighborhood Quality of Life Unit (\$2.1 million)/Police	Police Officer Lateral Incentive Program (\$200,000)/Police
Police Department Equipment Replacement (\$985,000)/Police	Community Evacuation Notification Software (\$167,000)/Fire
Fire Station 32 (Single Company) (\$673,000)/Fire	Automatic License Plate Readers (\$120,000)/Police
	Fire Communications Staffing (\$72,000)/Fire

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

First Responders Fee Program (\$2.0 million)/General Fund Revenues	Megan's Law Enforcement Reorganization (-\$586,000)/Police
Fire Station 32 Truck Deferral (-\$5.6 million)/Fire	Front Lobby Hours – Saturday and Sunday Closure (-\$492,000)/Police
Police Substation Activation Deferral (Effective 2026-2027, -\$1.0 million)/Police	Auto Theft Unit Reduction (-\$250,000)/Police
Unstaffed Unit Reduction (-\$1.3 million)/Police	

# TRANSPORTATION AND AVIATION SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Growing Our Economy

2026 Sporting Events Destination Marketing and Support  
(\$300,000)/Airport

### Cleaning Up Our Neighborhoods

Earmarked Reserves: Oversized Lived-In Vehicles Enforcement  
Reserve (\$1.0 million)/General Fund Capital, Transfers and Reserves

### Other Important and Ongoing Core Service Work

Measure T Bridge Maintenance Program Staffing  
(\$427,766)/Transportation

Airport FAA Mandate Safety Management System Staffing  
(\$189,819)/Airport

Airport Deferred Preventative Maintenance Staffing (\$332,337)/Airport

Fire Sprinkler Testing (\$180,000)/Airport

Sidewalk Repairs at City-Owned Properties (\$250,000)/Transportation

Sustainability Program Initiatives (\$100,000)/Airport

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Our City Forest Office Space  
(Effective 2026-2027, -\$175,000)/Transportation

Oversized and Lived-In Vehicle Enforcement (OLIVE) Program and  
Elimination of Extended Parking Stay (EPS) Contractual Enforcement  
Program (-\$27,878)/Transportation

Invasive Shot Hole Borer Beetle Management and Community Forest  
Management Plan (-\$250,000)/Transportation

# STRATEGIC SUPPORT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cleaning Up Our Neighborhoods

San José 311 Program Support and Staffing (\$801,000)/Information Technology

Legal Representation Staffing (\$241,000)/City Attorney's Office

### Other Important and Ongoing Core Service Work

9-1-1 Dispatch Backup Generator Replacement (\$5.0 million)/General Fund Capital, Transfers, Reserves

Hyperconverged Infrastructure Refresh (\$2.3 million)/Information Technology

Tech Museum Corroded HVAC Pipes Remediation (\$1.0 million)/General Fund Capital, Transfers, Reserves

Essential Services Reserve (\$1.25 million)/General Fund Capital, Transfers, Reserves

Cybersecurity Staffing and Services (\$612,000)/Information Technology

Center for Performing Arts Chiller Replacement (\$600,000)/ General Fund Capital, Transfers, Reserves

Equity Through Data Lead (\$302,000)/Information Technology

Public Information Manager (\$274,000)/Information Technology

Performance Measure Management Staffing (\$255,000)/City Manager's Office

Animal Care and Services – Various Improvements (\$250,000)/General Fund Capital, Transfers, Reserves

Facility Lighting Replacement (\$250,000)/General Fund Capital, Transfers, Reserves

Immigrant Community Support Services (\$250,000)/City Manager's Office

Fleet Vehicle Acquisition and Build Up Staffing (\$164,000)/Public Works



# STRATEGIC SUPPORT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Public Works Department Staffing Plan – Capital Improvement Plan  
(-\$939,000)/Public Works

Transfer to the Vehicle Maintenance and Operations Fund  
(-\$500,000)/General Fund Capital, Transfers, Reserves

Legal Transaction Staffing (-\$446,000)/ City Attorney's Office

Electrical Maintenance Staffing (-\$416,000)/Public Works

SharePoint Project Support Staffing  
(-\$264,000)/Information Technology

Project Management Staffing  
(-\$260,000)/Information Technology

Recruitment & Development Staffing  
(-\$253,000)/Human Resources

Enterprise Resource Planning Project Staffing  
(-\$241,000)/Information Technology

Disaster Recovery and Grants Management Reorganization  
(-\$237,000)/Finance

Transfer to the Communications Construction and Conveyance Tax  
Fund (-\$200,000)/General Fund Capital, Transfers, Reserves

Unanticipated/Emergency Repair and Maintenance (-\$200,000)/General  
Fund Capital, Transfers, Reserves

Mayor and City Council Offices (-\$179,000)/Mayor and City Council

Program Performance Audit Staffing (Effective 2026-2027,  
-\$141,000)/City Auditor

# RECOMMENDED BUDGET ACTIONS

## FEES AND CHARGES ADJUSTMENTS



- **Utilities:**
  - Storm Sewer Service Fee: No fee increase
  - Sewer Service and Use Charge Fee: 4% overall revenue increase
  - Recycle Plus Rates: 2% increase for single-family and 2% for multi-family dwellings
  - Municipal Water System Rates: revenue increase of 3% increase (rates will vary by user)
- **Development Fee Programs:** fee increases of approximately 10% recommended for Fire, Planning, and Public Works. Building Development fees will not increase.

# RECOMMENDED BUDGET ACTIONS

## INVESTMENTS NOT MADE AND OTHER RISKS



While the 2025-2026 Proposed Budget contains some very modest investments in deferred capital maintenance and rehabilitation, and only modestly dips into reserve funds, there are risks on the near-term horizon:

- \$100s of millions of unfunded capital projects at City facilities
- Parks and libraries deferred infrastructure maintenance
- Potential revenue loss
  - Property Tax ERAF (\$9.5 million ongoing at risk, up to \$35 million claw back)
  - Outstanding COVID-19 era FEMA reimbursements (\$30 million)
  - Pullback in federal funding (TBD)
  - Unfolding economic impacts (TBD)
- Potential retirement system investment loss (TBD)

# RECOMMENDED BUDGET ACTIONS LIMITED GENERAL PURPOSE RESERVES



General Purpose Reserves	2024-2025 Modified Budget	Potential 2024-2025 Year-End Action	2025-2026 Proposed Budget Action	2025-2026 Remaining Amount
Budget Stabilization	\$53.0 million	(\$20.0 million)*	(\$7.0 million)	\$26.0 million
Workers' Compensation/ General Liability Catastrophic Loss	\$15.0 million	TBD		\$15.0 million
Contingency	\$53.0 million			\$53.0 million
<b>Total</b>	<b>\$121.0 million</b>			<b>\$94.0 million</b>
% of General Fund Operating Expenditure Budget	<b>6.6%</b>			<b>~5.2%</b> (estimate after Adopted Budget process)
<i>Target per City Council Policy</i>	<i>10%</i> <i>(\$183.0 million)</i>			<i>10%</i> <i>(\$183.0 million; an additional \$89 million needed to reach 10%)</i>

\*This number will vary based on actual year-end performance

# BUDGET STUDY SESSIONS



## **Wednesday, May 7 - 9:00am – 12:00pm**

Overview, Community and Economic Development CSA

## **Thursday, May 8 - 9:30am – 12:00pm**

Transportation & Aviation Services CSA, Environmental & Utility Services CSA

## **Monday, May 12 - 9:30am – 5:00pm**

Neighborhood Services CSA (*incl. Lived-In Vehicles*), Public Safety CSA (*incl. Responsibility to Shelter*), Strategic Support CSA/Appointees (*incl. Pay for Performance and City Council Referral Recommendations*), Fees and Charges, Capital Program Overview

## **Wednesday, May 14 & Thursday, May 15 - 9:00am – 12pm**

Held should additional discussion be required

# NEXT STEPS FOR REVIEW, INPUT, AND APPROVAL



May 7 <sup>th</sup> through 15 <sup>th</sup>	City Council Budget Study Sessions
May 7 <sup>th</sup> through 28 <sup>th</sup>	Budget Town Halls
May 13 <sup>th</sup> /June 9 <sup>th</sup>	Public Budget Hearings
June 2 <sup>nd</sup>	Mayor's June Budget Message Released
June 10 <sup>th</sup>	Council Review/Approval of Mayor's June Budget Message, Proposed Budget, and Measure E Spending Allocations
June 17 <sup>th</sup>	Adoption of the 2025-2026 Budget and Fees and Charges

# 2025-2026 PROPOSED OPERATING BUDGET OVERVIEW

Jim Shannon  
*Budget Director*

Bonny Duong  
*Assistant Budget Director*

Claudia Chang  
*Deputy Budget Director*

Selena Ubando  
*Financial Status Coordinator*

Bryce Ball  
*Operating Budget Coordinator*

William Yu  
*Operating Budget Coordinator*

Jennifer Tell  
*Capital Budget Coordinator*





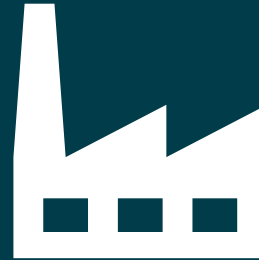
# FY25/26 Economic Context

**May 7, 2025**

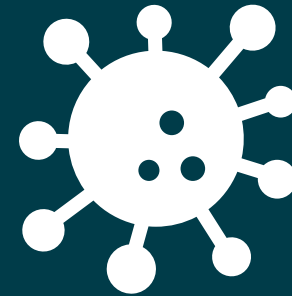
**Blage Zelalich, Deputy Director  
Office of Economic Development + Cultural Affairs**



**A Look at the National Economy**



**California's Economic Landscape**



**What's Happening at the Local Level**

**The Road Ahead**



# | A Look at the National Economy

 **GDP and Consumer Spending**

 **Trade Policies**

 **Jobs and Unemployment**

 **Inflation and Interest Rates**

# **A Look at the National Economy**

 **Trickle Down Concern of Uncertainty**

 **Strained Foreign Relations**

 **Consumer Confidence**

 **“Vibecession” Phenomenon**

# | California's Economic Landscape



**Housing Affordability/Cost of Living**



**Trade and Tariffs**



**Tech Sector Volatility**



**Population and  
Labor Market**



**Climate Risks**

# | What's Happening at the Local Level



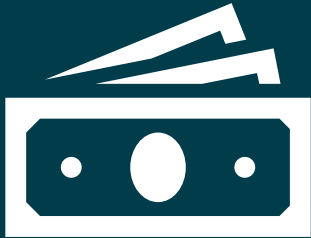
**Real Estate**



**Access to Capital**



**Unemployment**



**Sales Tax**



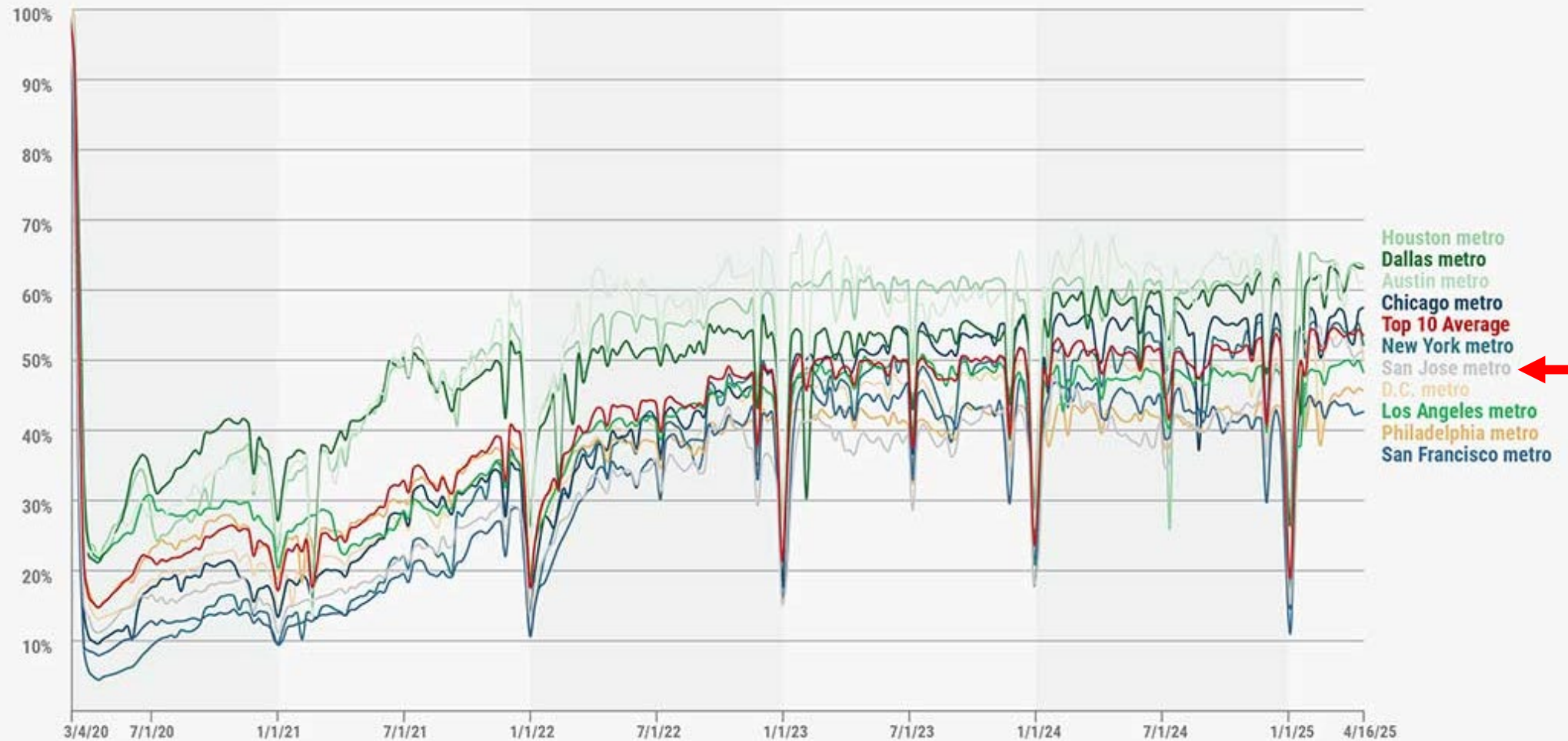
**Cost of Doing Business**



**Supply Chain**

# Back-to-Office Barometer

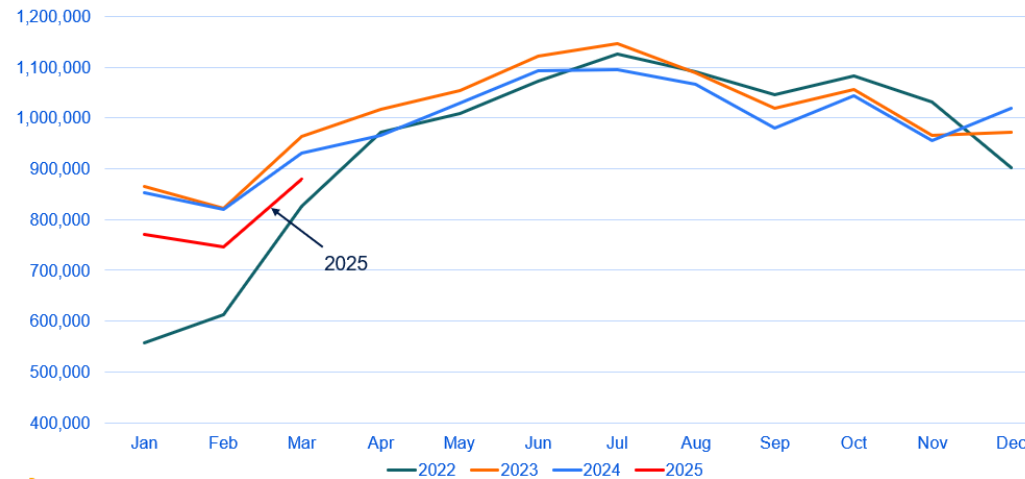
OCCUPANCY OVER TIME - MARCH 4, 2020 TO APRIL 16, 2025



# Passenger Volume @ Mineta San José International

## SJC Passengers

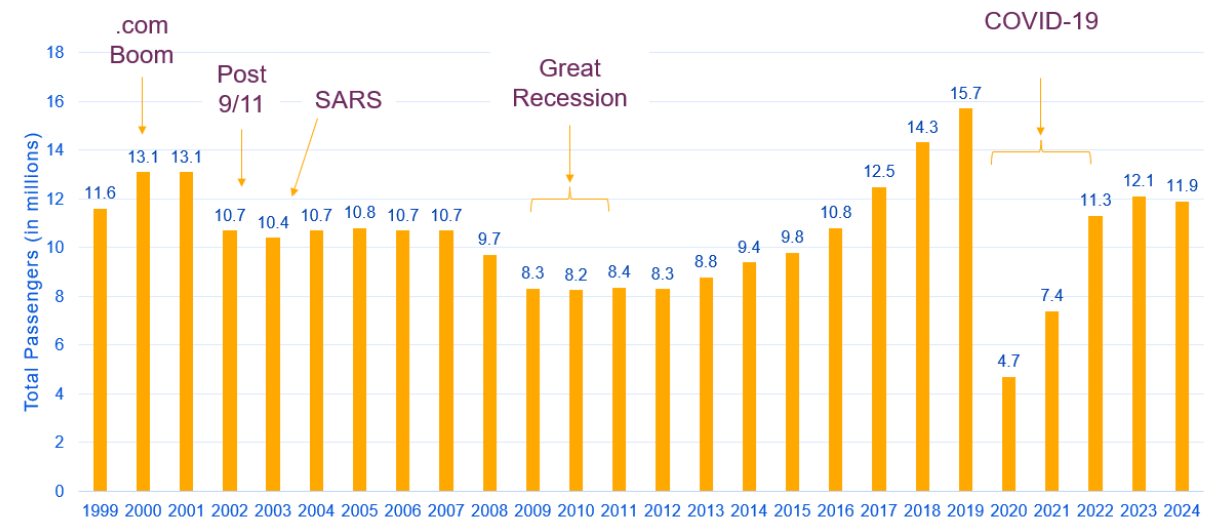
Total SJC Monthly Passengers  
2022 - 2025



### Annual Totals

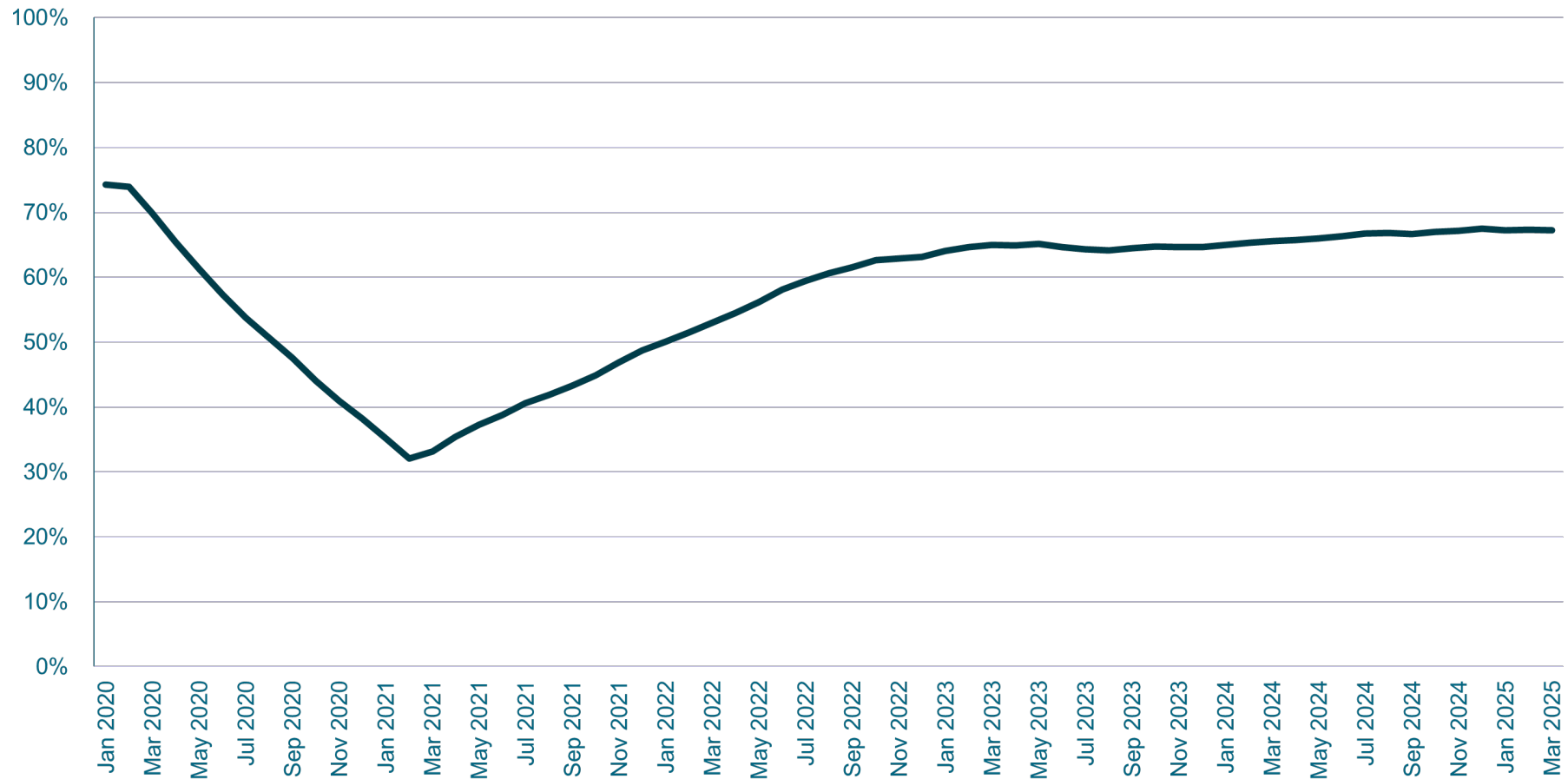
11.9m (2024)  
12.1m (2023)  
11.3m (2022)

## SJC's Annual Passenger Trends (by Calendar Year 1999-2024)



# San José Hotel Market: Still in Recovery

Occupancy Rate, San José Hotels, 2020-2025 YTD

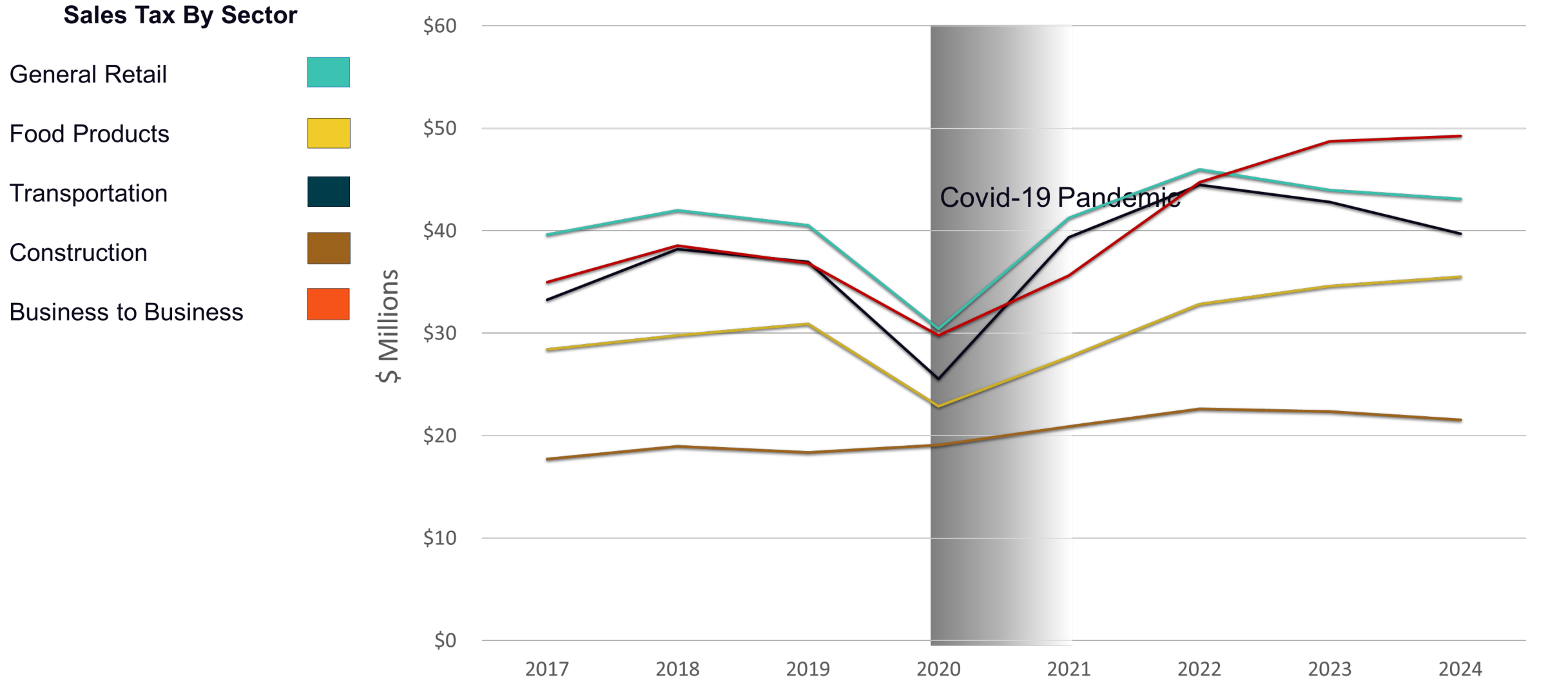




# | City Budget Drivers: Sales Tax



# Sales Tax: Facing Headwinds

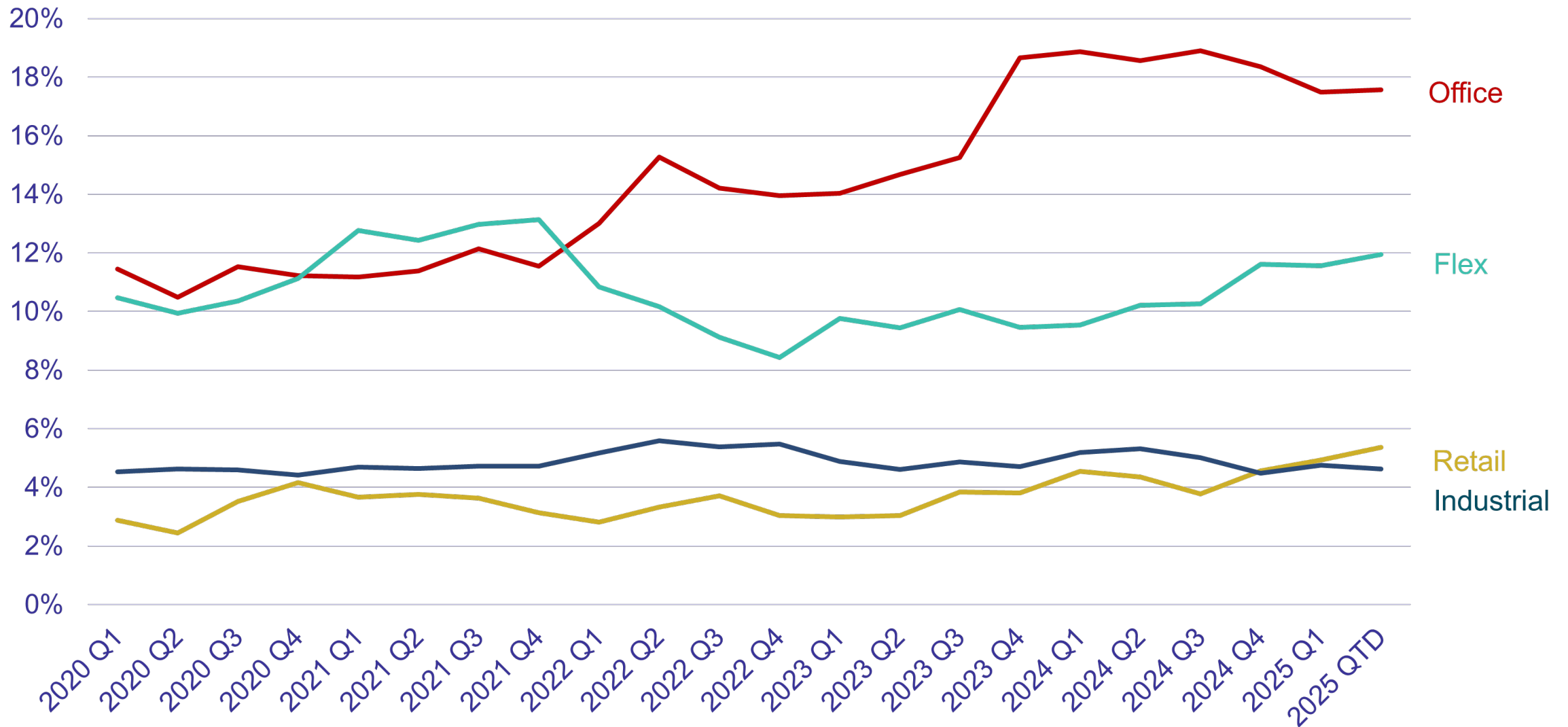


# | City Budget Drivers: Commercial Real Estate, Development, Investment and Housing



# Commercial Market: Office Sluggish, Industrial Strongest

San José Vacancy Rates for Office, Flex, Retail, Industrial, 2020-2025

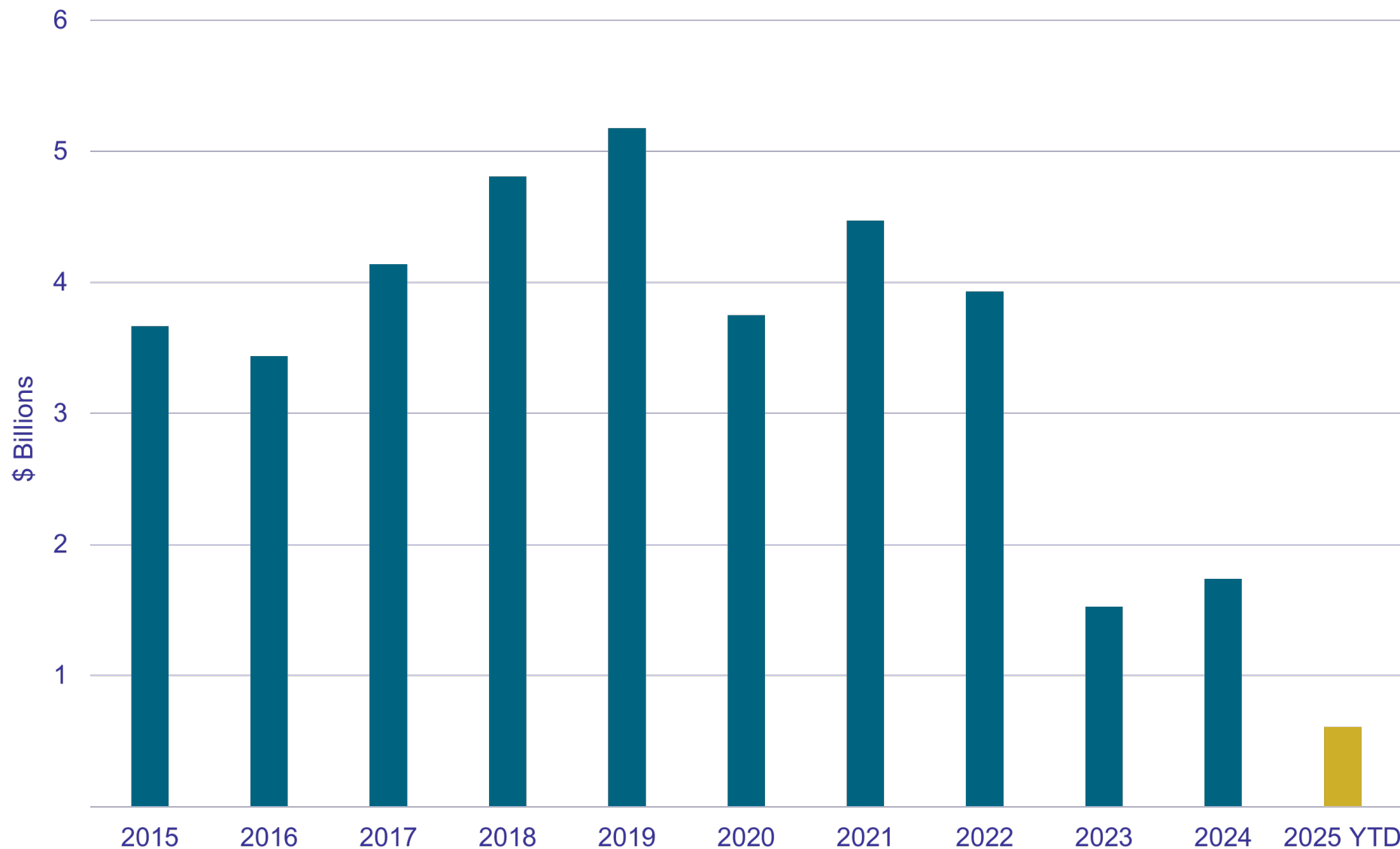


# | Growing Business in San José



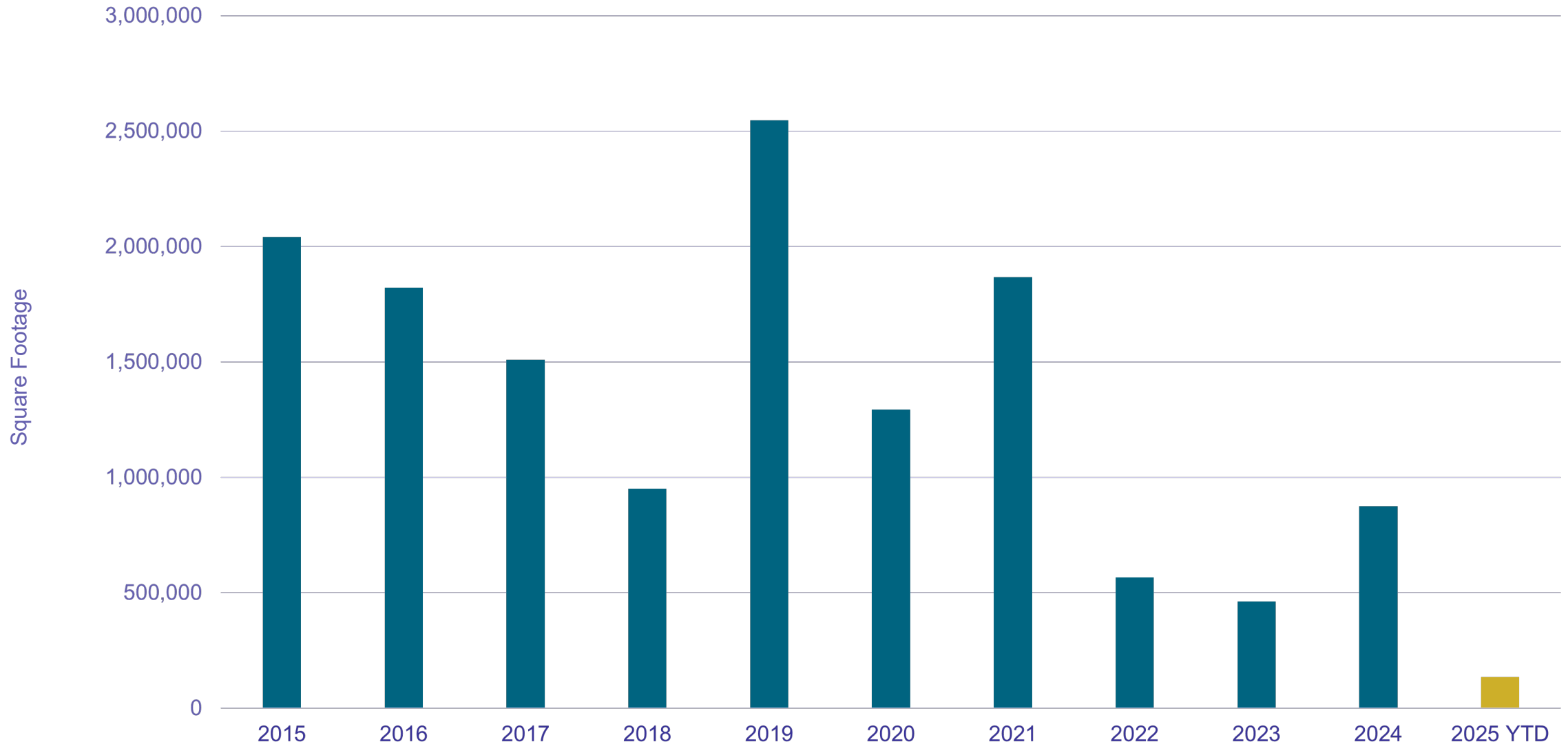
# CRE Property Sales have Declined Dramatically since 2022

Commercial Property Sales Volume, San José, 2015-2025 YTD



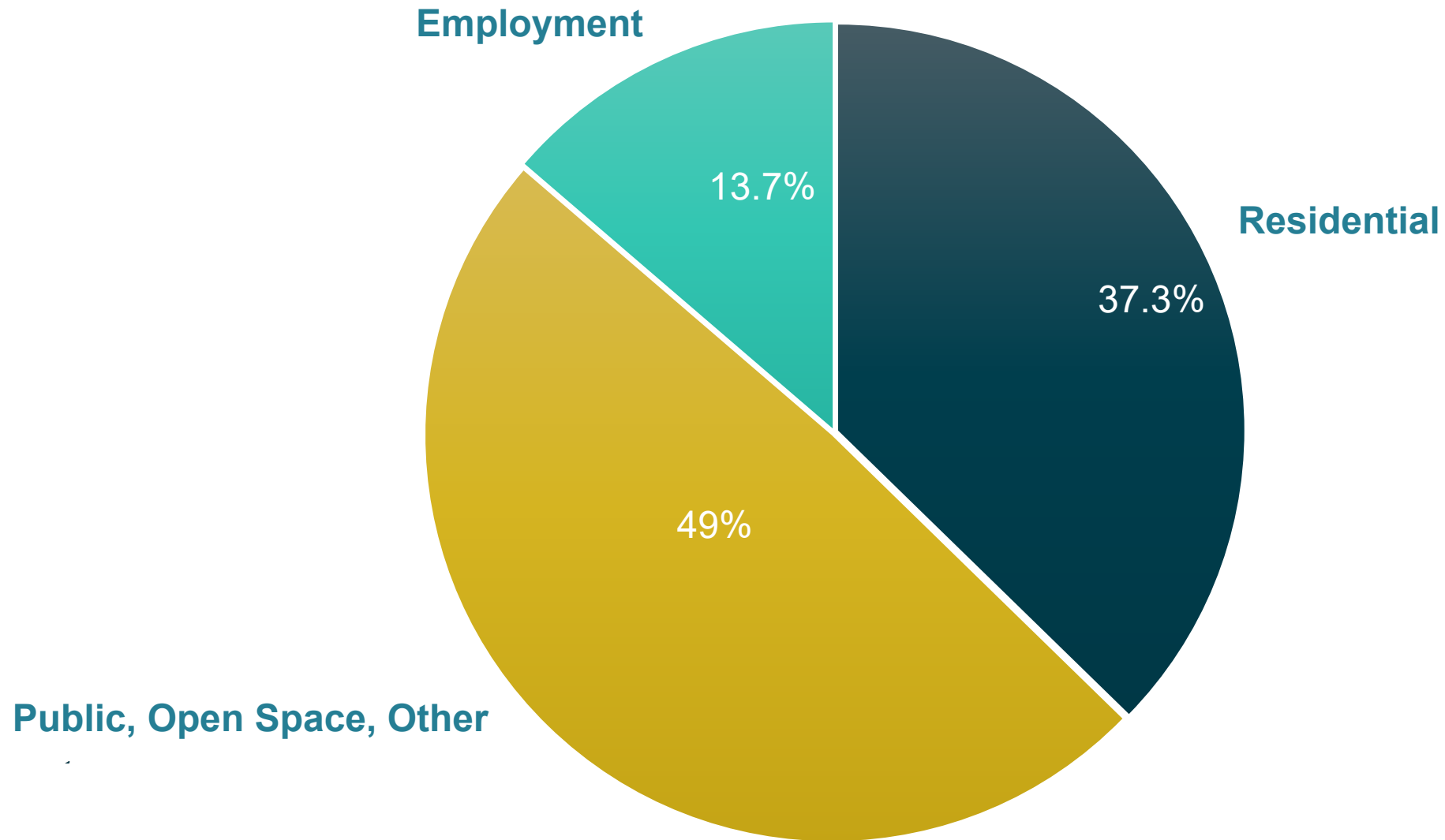
# San José Development: Slowing Starts Following 2021

## San José Office, R&D, and Industrial Starts 2015-2025 YTD



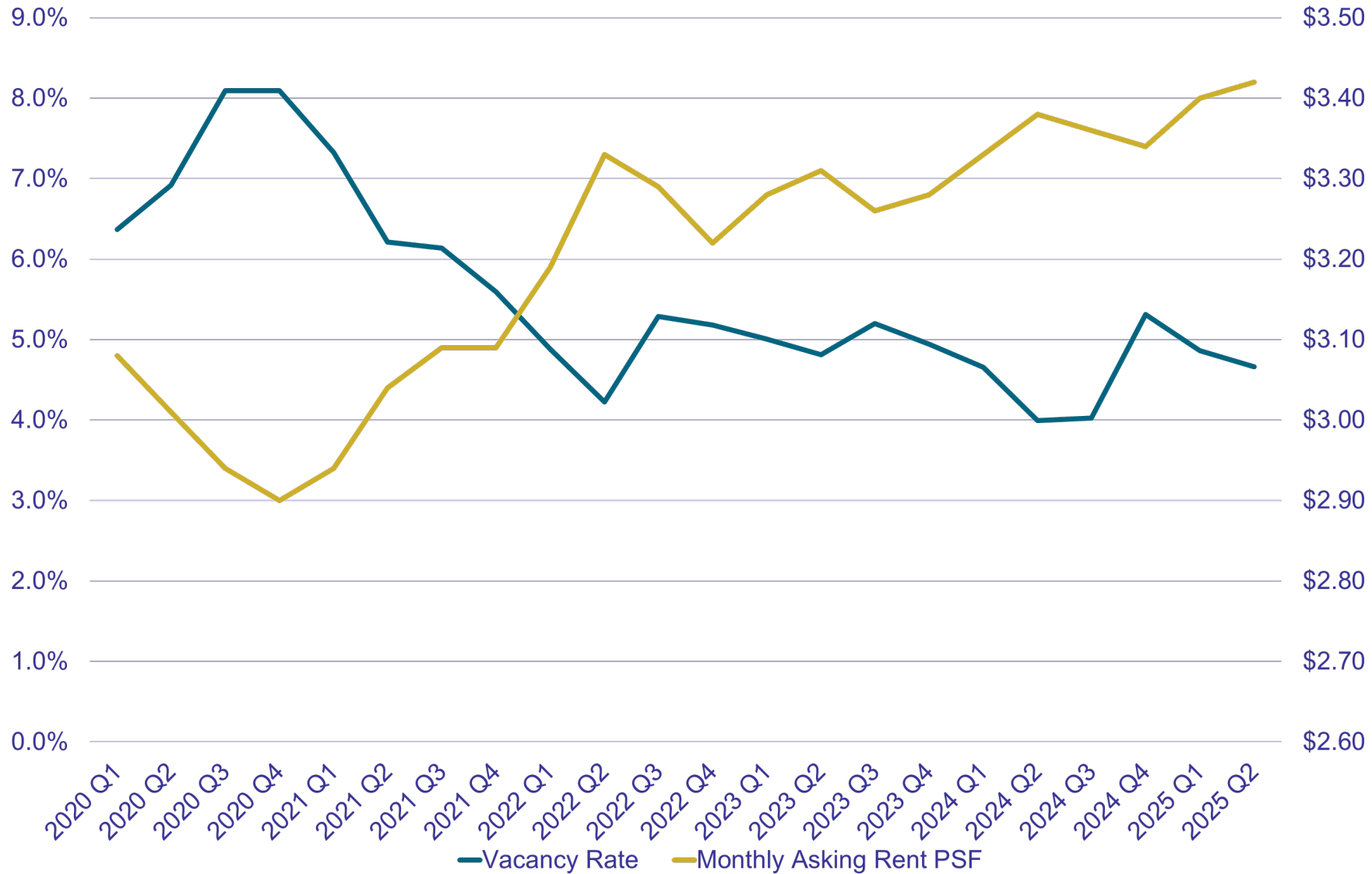


## Incorporated City Land Area



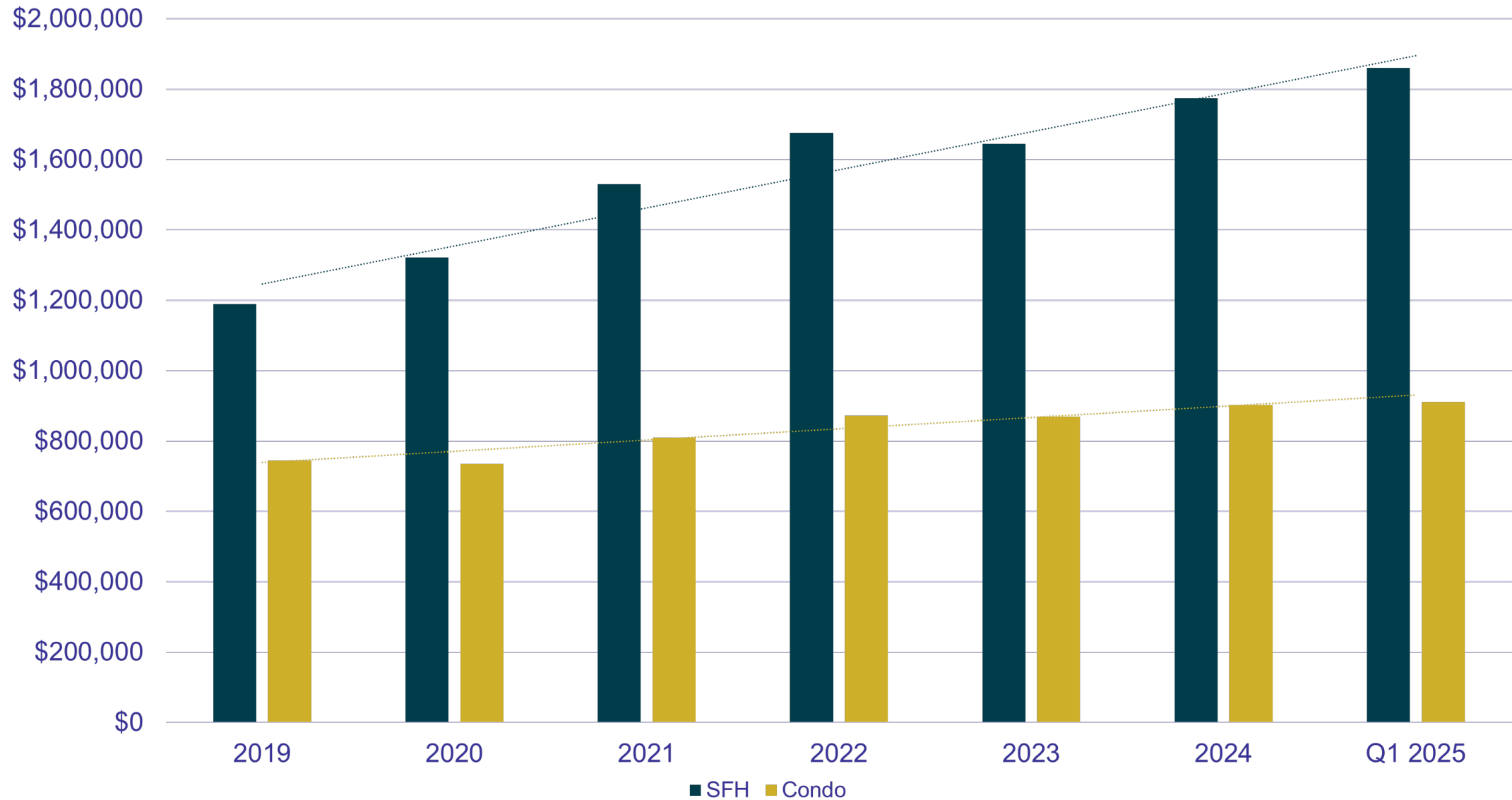


# Apartment Availability and Asking Rents



# Residential Sale Values

## Single Family Home and Condo Unit Sales 2019 - 2025



Source: Santa Clara County Association of Realtors

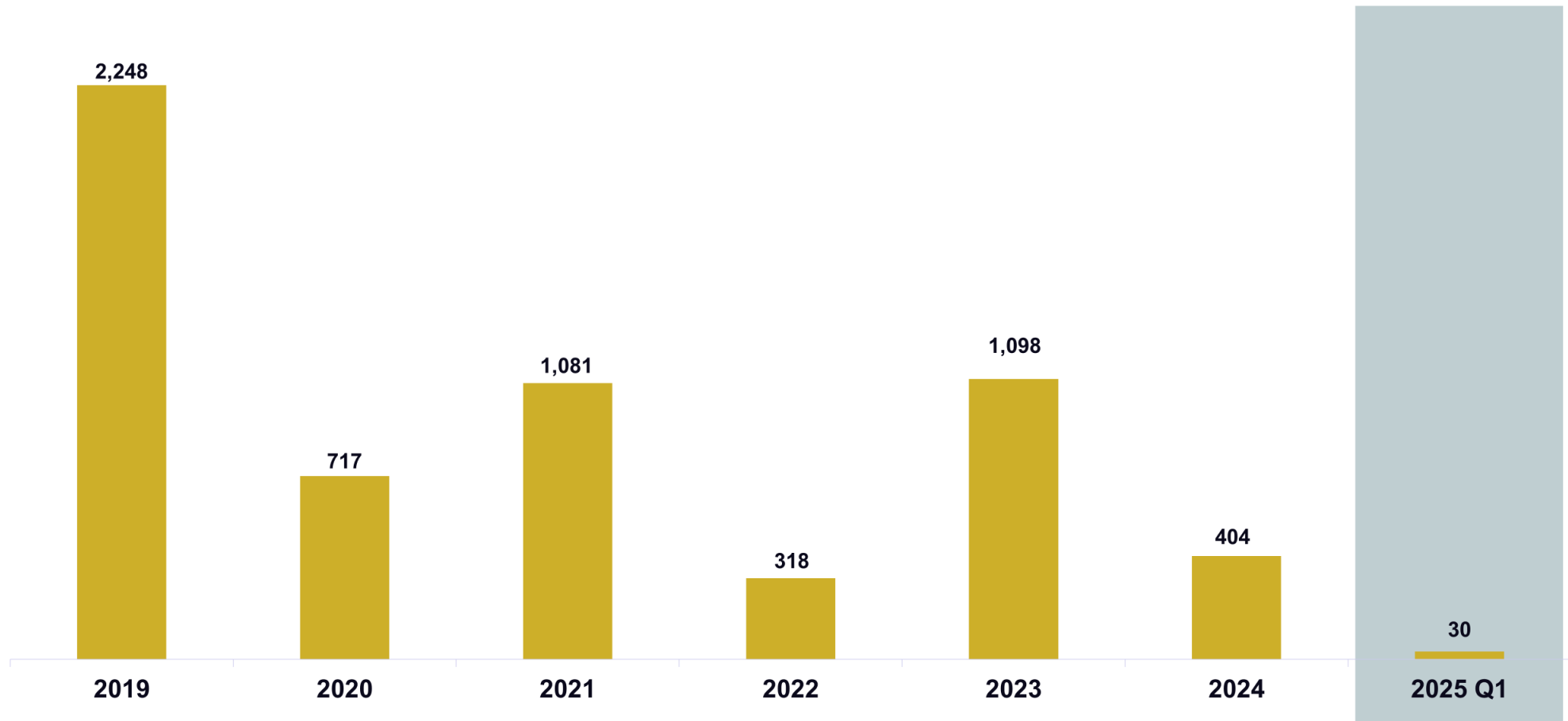
# Affordable residential construction surged

Affordable Residential Building Permits (units)



# Market-rate residential construction faces headwinds

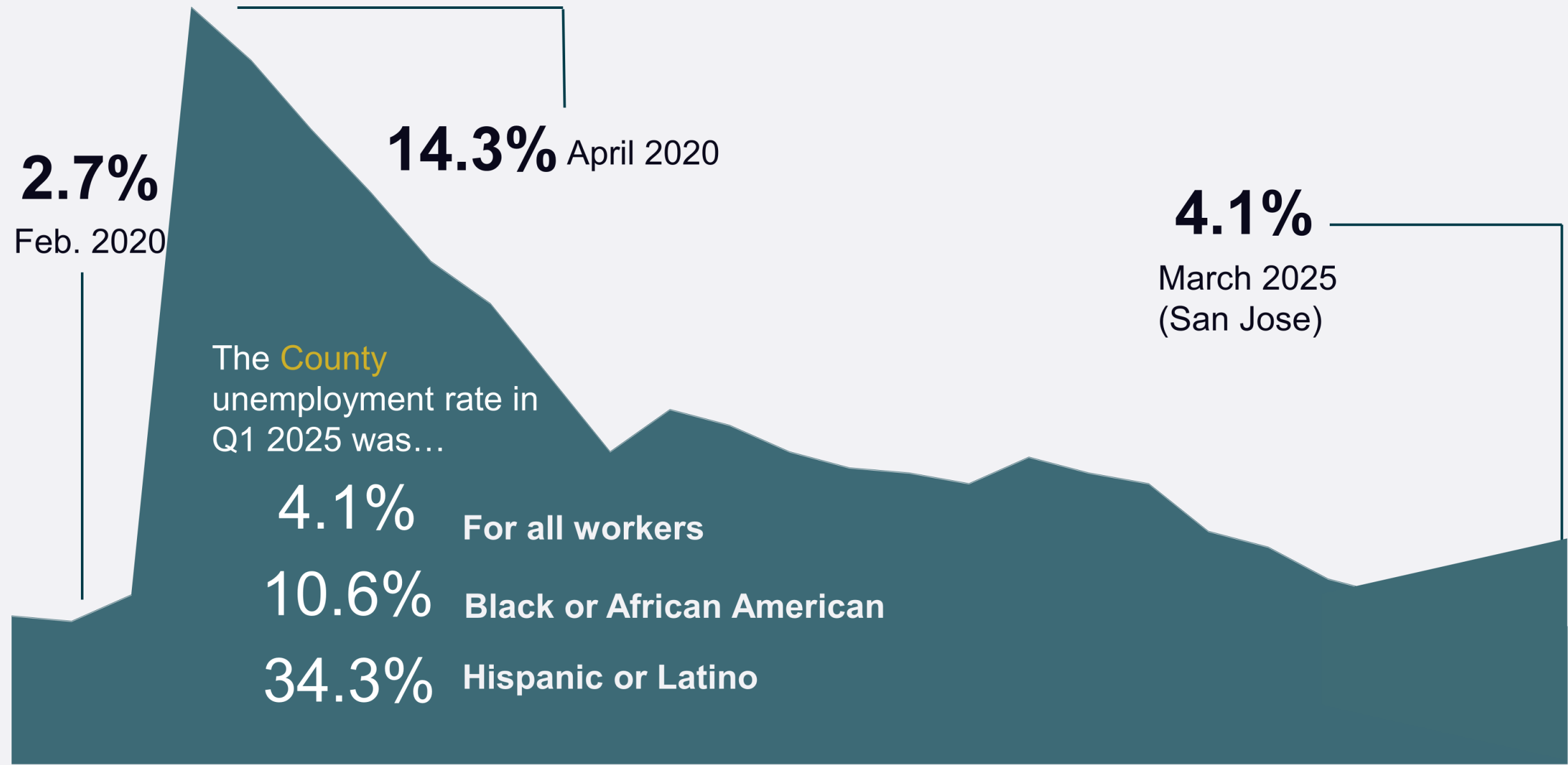
Market Rate Residential Building Permits (units)



# | Economic Context: Employment and Occupations



# San José's Unemployment Rate Remains Low



# | Year-over-Year Jobs

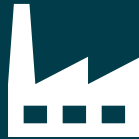
Some  
sectors have  
gained  
jobs...



Health care &  
Social Assistance  
**+7,700**



Government  
**+1,800**



Private Education  
Services  
**+ 1,300**

...but others  
have lost



Construction  
**- 2,400**



Information  
**-1,900**



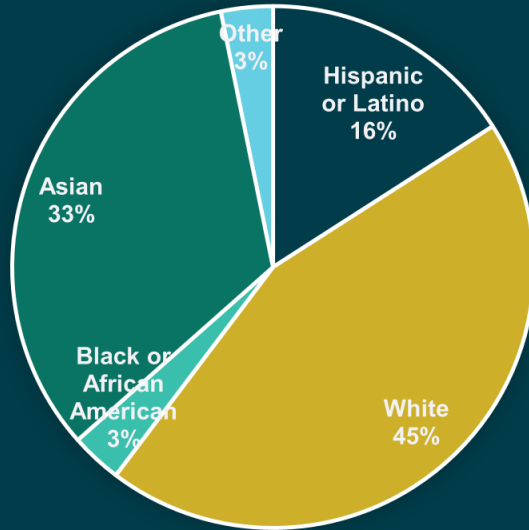
Professional and  
Business Services  
**- 6,200**



Manufacturing  
**- 4,200**

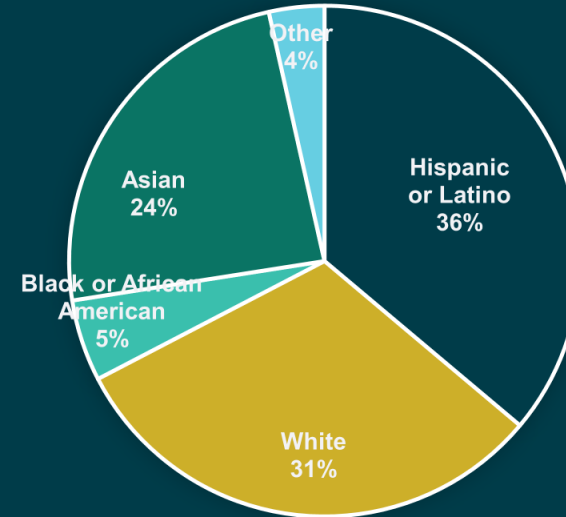
# Sample Occupations by Race

## Management Occupations



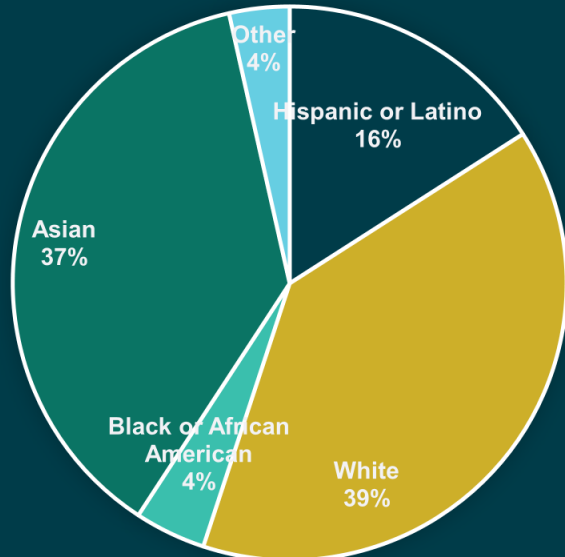
**Median  
Hourly  
Earnings:  
\$96.31**

## Food Preparation and Serving Related



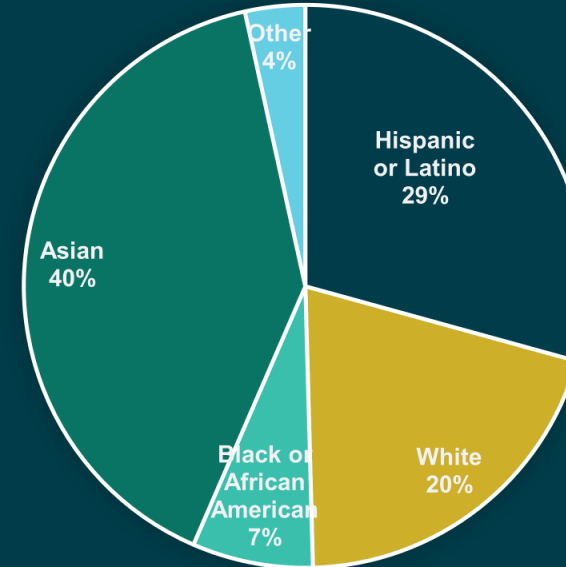
**Median  
Hourly  
Earnings:  
\$19.60**

## Business and Financial Operations



**Median  
Hourly  
Earnings:  
\$56.73**

## Healthcare Support Operations



**Median  
Hourly  
Earnings:  
\$17.93**



# The Road Ahead

- Managing the effects of uncertainty
- More difficult to facilitate economic prosperity for all
- Job and revenue creation are key
- Responding to population change
- Increased importance of public-private partnerships



# Acknowledgements

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