

City of San José

2021-2022 Mid-Year Budget Review

Jim Shannon
Budget Director

Claudia Chang
Deputy Budget Director

Selena Ubando
Financial Status Coordinator

Bryce Ball
Operating Budget Coordinator

Bonny Duong
Assistant Budget Director

Chris Yi
Capital Budget Coordinator

February 8, 2022

2021-2022 Mid-Year Budget Review Overview

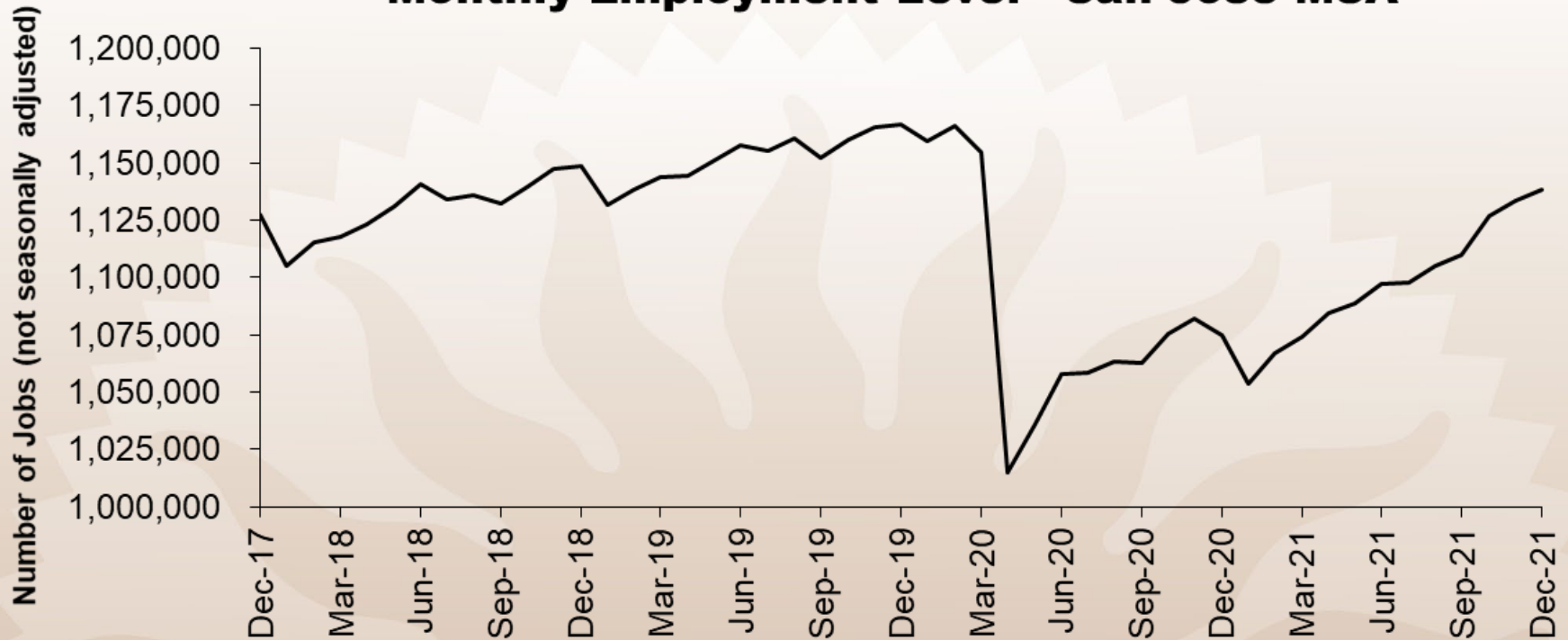
Operating and capital funds are generally performing as expected, with a few significant exceptions

Though the pandemic has had disparate impacts in the community, recovery in many areas has been swift and revenue growth has rebounded more quickly than expected

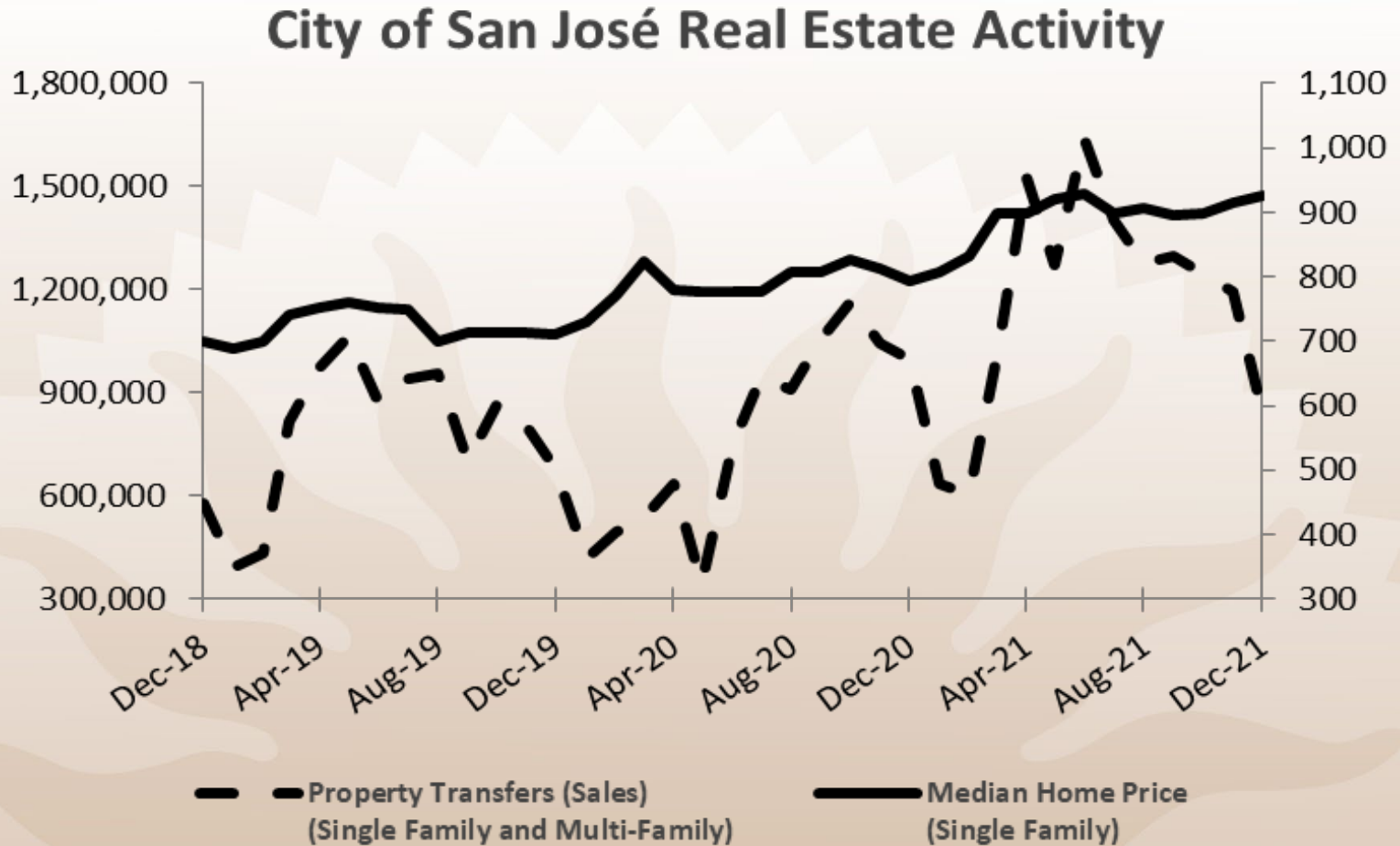
Budget actions recommended in various operating and capital funds

Economic Conditions: Employment Levels

Monthly Employment Level - San Jose MSA



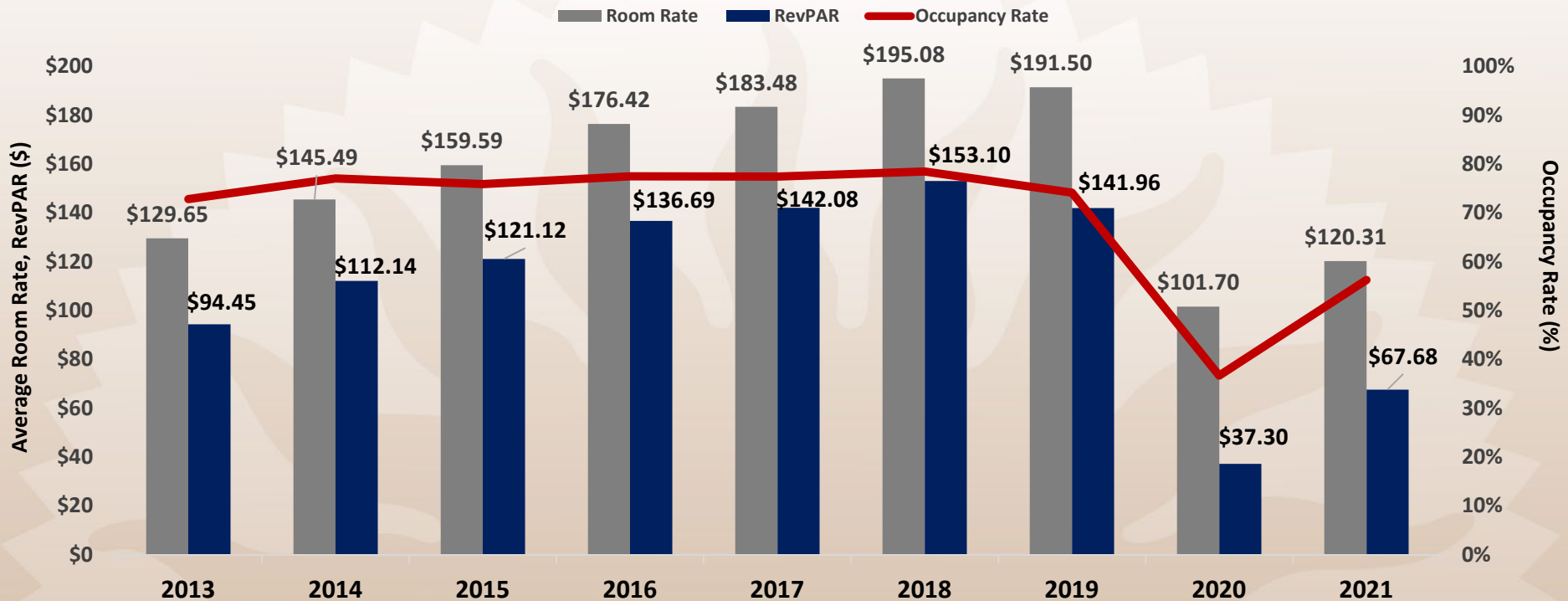
Economic Conditions: Real Estate



Economic Conditions: Hotel Activity

- Hotel activity continues to rebound from historic lows, but not as quickly as anticipated in the 2021-2022 forecast.

Average Hotel Room Rate & Occupancy (as of December)



Economic Conditions: General Sales Tax

General Sales Tax Revenue Economic Performance Comparing First Quarter Payment between 2020-2021 and 2021-2022

Category	% Change of Revenue Received by Category
General Retail	34.3%
Transportation	31.2%
Food Products	28.2%
Business-to-Business	19.8%
Construction	4.2%
Miscellaneous	21.0%
County Pool	7.9%
Total	20.2%

General Fund Assessment

Revenue growth in the first six months of the fiscal year is strong; anticipated to exceed budgeted levels by approximately \$100 million by year-end. Of this amount:

- \$50 million is due to growth of Real Property Transfer Tax (Measure E) revenues and is allocated to corresponding Measure E reserves
- \$30 million is allocated to a Revenue Loss Reserve

Expenditures currently tracking to end the year with savings of approximately \$5 - \$7 million

Establishing a 2021-2022 Ending Fund Balance Reserve of \$12 million, which will be used as a funding source for the 2023-2027 Five-Year Forecast and 2022-2023 Proposed Budget

Summary of General Fund Adjustments

Category	Source of Funds	Use of Funds
Urgent Fiscal/Program Needs (Net-Zero) <ul style="list-style-type: none"> Recruitment and Retention Budgeting Software Upgrade 	\$0	\$0
Required Technical/Rebalancing Actions	\$98,304,000	\$98,261,000
Grants/Reimbursements/Fees	\$11,297,000	\$11,297,000
Clean-Up Adjustments	(\$83,000)	(\$40,000)
Total Recommended Adjustments	\$109,518,000	\$109,518,000

Major General Fund Adjustments - Revenue

Category	Source of Funds	Use of Funds
Required Technical/Rebalancing Actions		
Real Property Transfer Tax/Measure E Reserves	\$50,000,000	\$50,000,000
Sales Tax	\$20,000,000	
Property Tax (ERAF and General Secured)	\$11,000,000	
Business Taxes (Cardroom, Cannabis, and DFT)	\$8,000,000	
Fees, Rates, and Charges (PRNS Fee Activity)	\$4,000,000	
Transfers and Reimbursements (C&C, ARP, Jet Fuel)	\$4,900,000	
Transient Occupancy Tax Revenue	(\$1,000,000)	

Major General Fund Adjustments - Expenses

Category	Source of Funds	Use of Funds
Required Technical/Rebalancing Actions		
Revenue Loss Reserve	\$0	\$30,000,000
2021-2022 Ending Fund Balance Reserve	\$0	\$12,000,000
Community and Economic Recovery Reserve	\$0	\$8,762,000
Workers' Compensation Adjustments	\$0	\$2,040,000
Hazard Mitigation Grant Program/Revenue from Federal Government	\$1,050,000	\$1,400,000
Office of Equality Assurance Labor Compliance System	\$0	\$1,400,000
Janitorial Services Adjustments	\$0	\$384,000
Consulting and Planning Support (Pandemic Response and Recovery)	\$0	\$300,000
Property Leases	\$0	\$246,000
Human Resources Department (Employee Health Services Contract)	\$0	\$173,000
City Manager's Office (Redistricting Communications)	\$0	\$100,000
Fire Department (Reallocation of EMS Costs to Coronavirus Relief Fund)	\$0	(\$9,062,000)
Other Miscellaneous Adjustments	\$195,000	\$405,000
Other Net-Zero Adjustments	\$113,000	\$113,000

Status of Selected Capital Funds

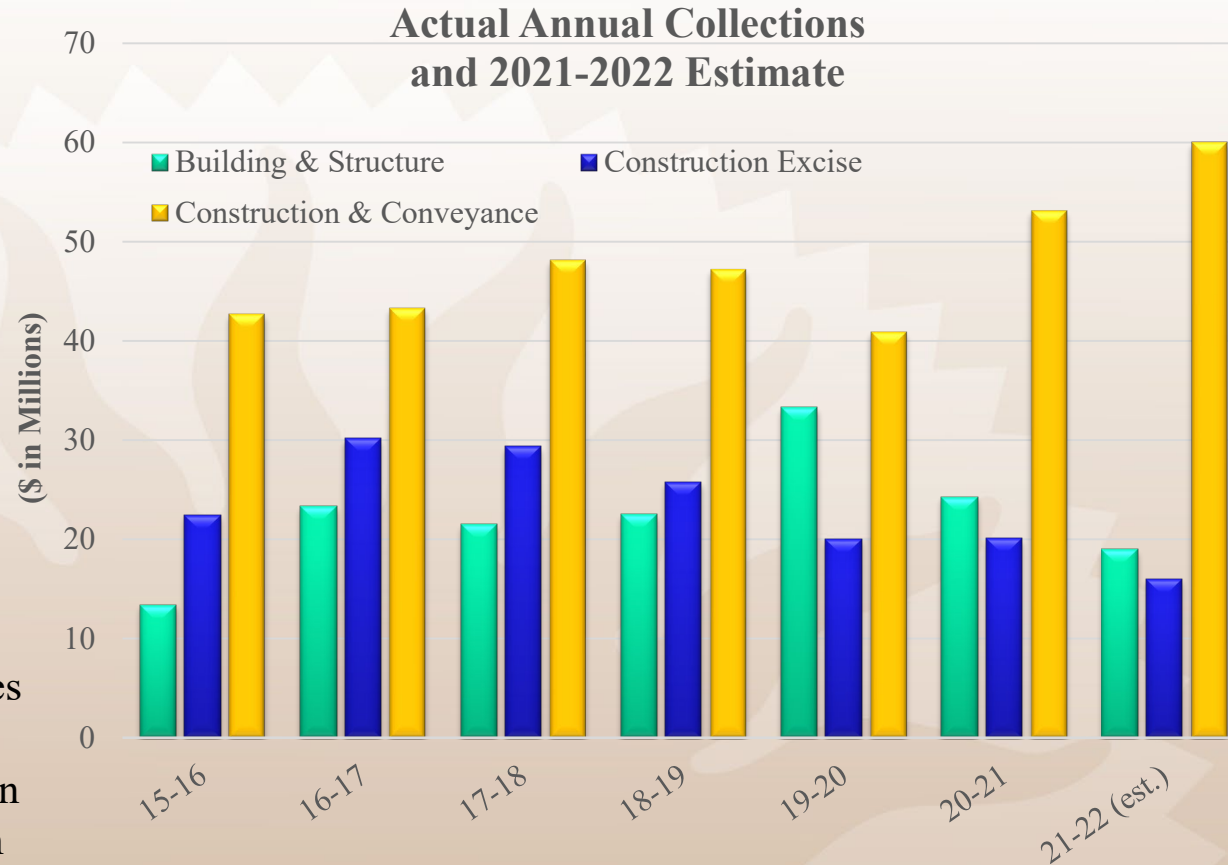
Construction and Conveyance

Tax Funds:

- Strong real estate activity is leading to strong revenue gains
- Budget estimate increases to \$60 million, a new peak

Building and Structure / Construction Excise Tax Funds:

- Private sector construction activity below previous year and below estimated levels
- No actions currently, but revenues are trending lower
- Building & Structure < \$1 million
- Construction Excise < \$2 million



Status of Selected Special Funds

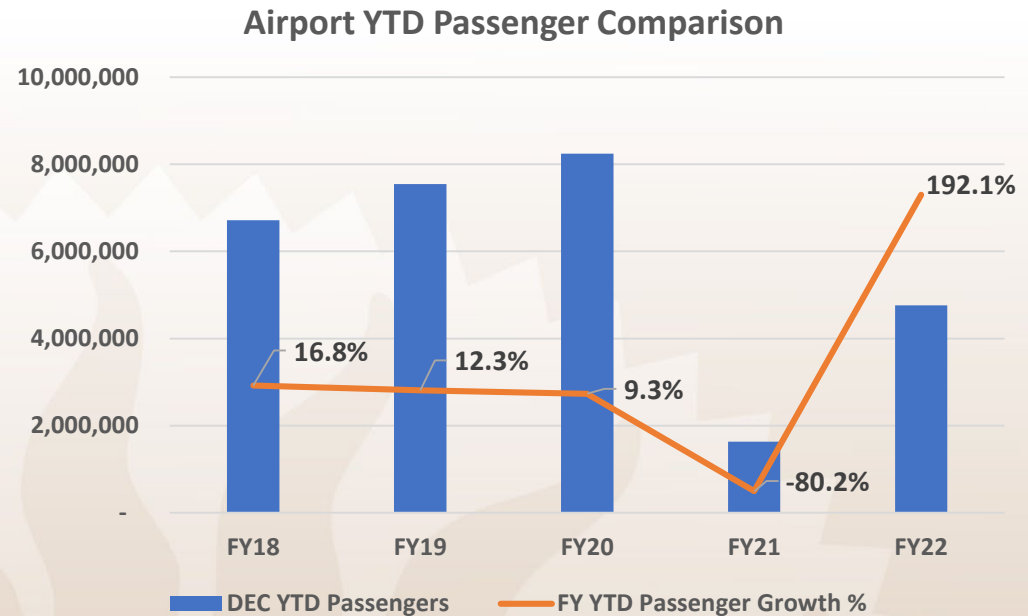
Airport Funds:

Passenger enplanements up from last year

Takeoffs and landings are also up from last year, though well below pre-pandemic levels

Airport continues to provide financial relief to concessionaires; agreements recently extended through December 31, 2023.

Further, a total of \$59.6 million of federal relief funding is allocated in 2021-2022



Looking Forward – 2021-2022 Budget

February 2022

- 2022-2023 City Manager's Request and 2023-2027 Five-Year Forecast Released

March 2022

- City Council Review and Approval of Mayor's March Budget Message

April/May 2022

- 2022-2023 Proposed Capital/Operating Budgets/2023-2027 Proposed CIP/2022-2023 Fees and Charges Released
- City Council Budget Study Sessions and Initial Budget Public Hearing
- Community Budget Meetings

June 2022

- Final Budget Public Hearing
- Mayor's June Budget Message & Final Review of Budgets
- 2022-2023 Capital/Operating Budgets and Fees & Charges Approval

2021-2022 Mid-Year Budget Review

Jim Shannon
Budget Director

Bonny Duong
Assistant Budget Director

Claudia Chang
Deputy Budget Director

Selena Ubando
Financial Status Coordinator

Bryce Ball
Operating Budget Coordinator

Chris Yi
Capital Budget Coordinator