

Approval of Various 2019-2020 Budget Adjustments to Address COVID-19 Impacts

City Council Meeting – April 28, 2020; Item 3.3

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Background

- On April 7th, the City Council accepted a report describing the estimated budgetary impacts of COVID-19 and the approach for resolving the shortfalls in 2019-2020 and 2020-2021
- Estimated 2019-2020 General Fund revenue shortfall of \$45 million
- Anticipating impacts in other special and capital funds

Approach to Resolving 2019-2020 General Fund Shortfall

- Reduce or eliminate existing expenditure appropriations
 - Personal services vacancy savings
 - Reductions for non-COVID-19 non-personal/equipment expenditures
 - Suspension of City-Wide Expenses & General Fund Capital projects not started
 - Consider community impacts, organizational capacity, and future budgetary constraints
- Recognize additional revenue
- Evaluate the use of reserves

2019-2020 General Fund Actions: Revenue

Source	Recommended Adjustments
Sales Tax	(27,000,000)
Transient Occupancy Tax	(6,500,000)
Fees, Rates, and Charges	(5,500,000)
Utility Tax	(3,000,000)
Business Tax	(2,000,000)
Fines, Forfeitures, and Penalties	(1,000,000)
<i>Subtotal</i>	<i>(\$45,000,000)</i>
Fees, Rates, and Charges (Dev. Fee Programs)	(5,250,000)
Sales Tax (Revenue Capture)	18,000,000
Transfers and Reimbursements (Hayes Mansion)	2,600,000
Total General Fund Revenue Adjustments	(\$29,650,000)

2019-2020 General Fund Actions: Expense

Use	Recommended Adjustments
Departmental Expenses	(9,709,000)
Departmental Expenses (Dev. Fee Programs)	(2,250,000)
City-Wide Expenses	(7,775,500)
Capital Contributions Expenses	(4,109,000)
Earmarked Reserves	(1,306,500)
Earmarked Reserves (Dev. Fee Programs)	(3,000,000)
Transfers	(1,500,000)
Total General Fund Expense Adjustments	(\$29,650,000)

2019-2020 Departmental Expenses

Department/Office	Personal Services	Non-Personal/ Equipment	Other	Total
City Manager's Office	(1,650,000)	(200,000)		(1,850,000)
Information Technology Department	(1,200,000)	(664,000)		(1,864,000)
Transportation Department	(1,000,000)			(1,000,000)
Office of Economic Development	(350,000)	(300,000)		(650,000)
Police Department	(650,000)			(650,000)
Mayor & City Council			(610,000)	(610,000)
Finance Department	(350,000)	(200,000)		(550,000)
Human Resources Department	(300,000)	(200,000)		(500,000)
Parks, Recreation and Neighborhood Services Department	(250,000)	(50,000)		(300,000)
Environmental Services Department	(250,000)	(25,000)		(275,000)
Planning, Building and Code Enforcement Department		(250,000)		(250,000)
City Attorney's Office	(200,000)			(200,000)
Fire Department		(200,000)		(200,000)
Housing Department	(200,000)			(200,000)
Library Department		(200,000)		(200,000)
City Auditor's Office	(150,000)			(150,000)
City Clerk's Office	(120,000)	(10,000)		(130,000)
Independent Police Auditor's Office	(100,000)	(30,000)		(130,000)
Total	(6,770,000)	(2,329,000)	(610,000)	(9,709,000)

2019-2020 City-Wide, Capital and Transfers

- **City-Wide Expenses: -\$7.8 million**
 - South San Jose Police Substation (-\$1.5 million)
 - Workers' Compensation Savings (-\$1.3 million)
 - My San Jose 3-1-1 (-\$786,000)
- **Capital Expense : -\$4.1 million**
 - Emergency Power Generation (-\$3.0 million)
 - Traffic and Safety Projects (-\$609,000)
 - Quiet Zone (-\$500,000)
- **Transfers: -\$1.5 million**
 - Transfer to the Self-Insured Medical Fund (-\$1.5 million)

2019-2020 Reserves

- **Earmarked Reserves: -\$9.3 million**
 - Salaries and Benefits Reserve (-\$5.1 million)
 - City Health Plan Restructuring Reserve (-\$1.9 million)
 - Sick Leave Payments Upon Retirements (-\$1.0 million)
 - 2021-2022 Parks Rehab Strike Team (-\$745,000)
- **2019-2020 Ending Fund Balance Reserve: \$8.0 million**
 - Assumes an increase of \$13.0 million to meet the ongoing ending fund balance estimate, offset by savings of \$5.0 million due to liquidation of carry-over encumbrances

2019-2020 Special/Capital Funds

- **Transient Occupancy Tax Fund**
Cultural Grants (-\$2.2 million)
SJ Conv/Visitors Bureau (-\$2.2 million)
Trans. to Convention & Cultural Affairs Fund (-\$4.4 million)
- **Convention and Cultural Affairs Fund**
Convention Facilities Operations (\$6.3 million)
- **Convention and Cultural Affairs Capital Fund**
Capital Reserve (-\$5.0 million)
- **Convention Center Facilities District Revenue Fund**
South Hall Debt Service Reserve (-\$1.3 million)

Evaluation and Follow-up

- Continue monitoring the economic and revenue impacts of COVID-19
- March/April Bi-Monthly Financial Report will be released in June
- Final 2019-2020 year-end budget adjustments scheduled for City Council approval on June 23rd

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