

# City of San José

## 2020-2021 Mid-Year Budget Review

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**February 9, 2021**

# 2020-2021 Mid-Year Budget Review Overview

Overall performance generally meeting budgeted expectations, but significant variability in several funds

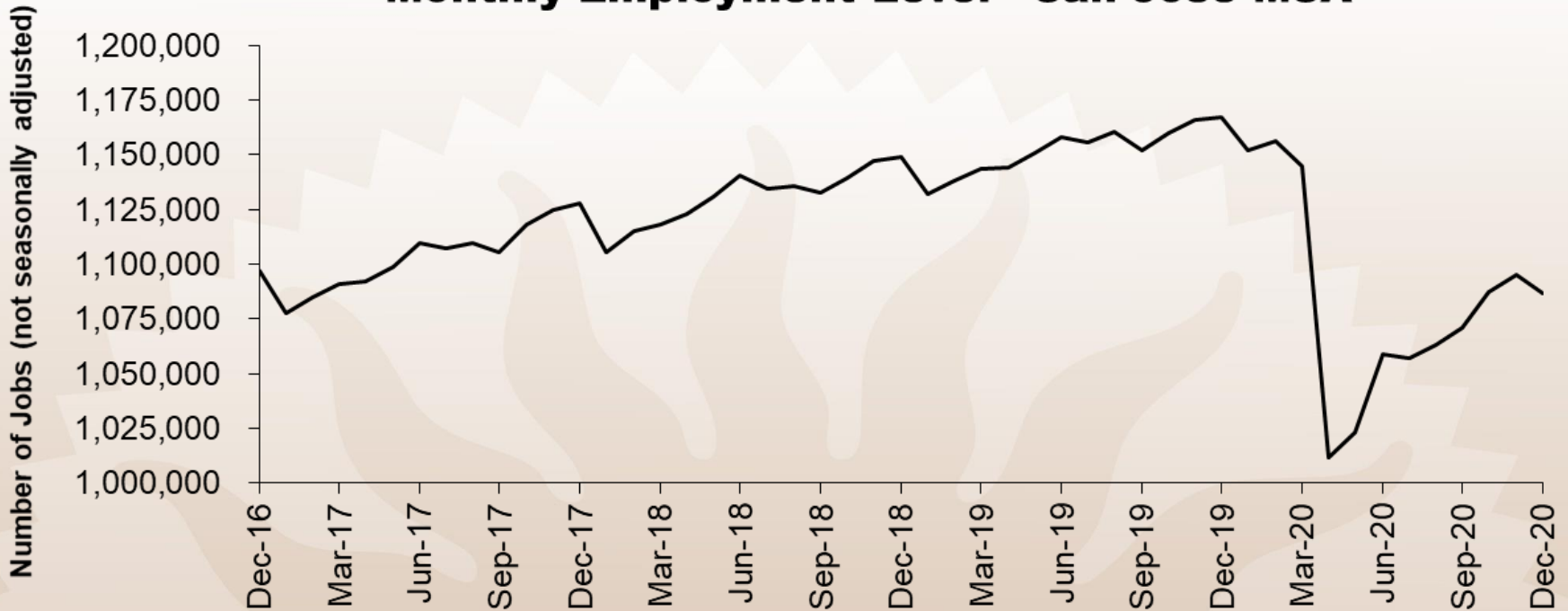
The pandemic has had a sustained impact on the City's budget, including revenue-generating services suspended or significantly altered

Economic trends generally align with expectations, with some notable exceptions

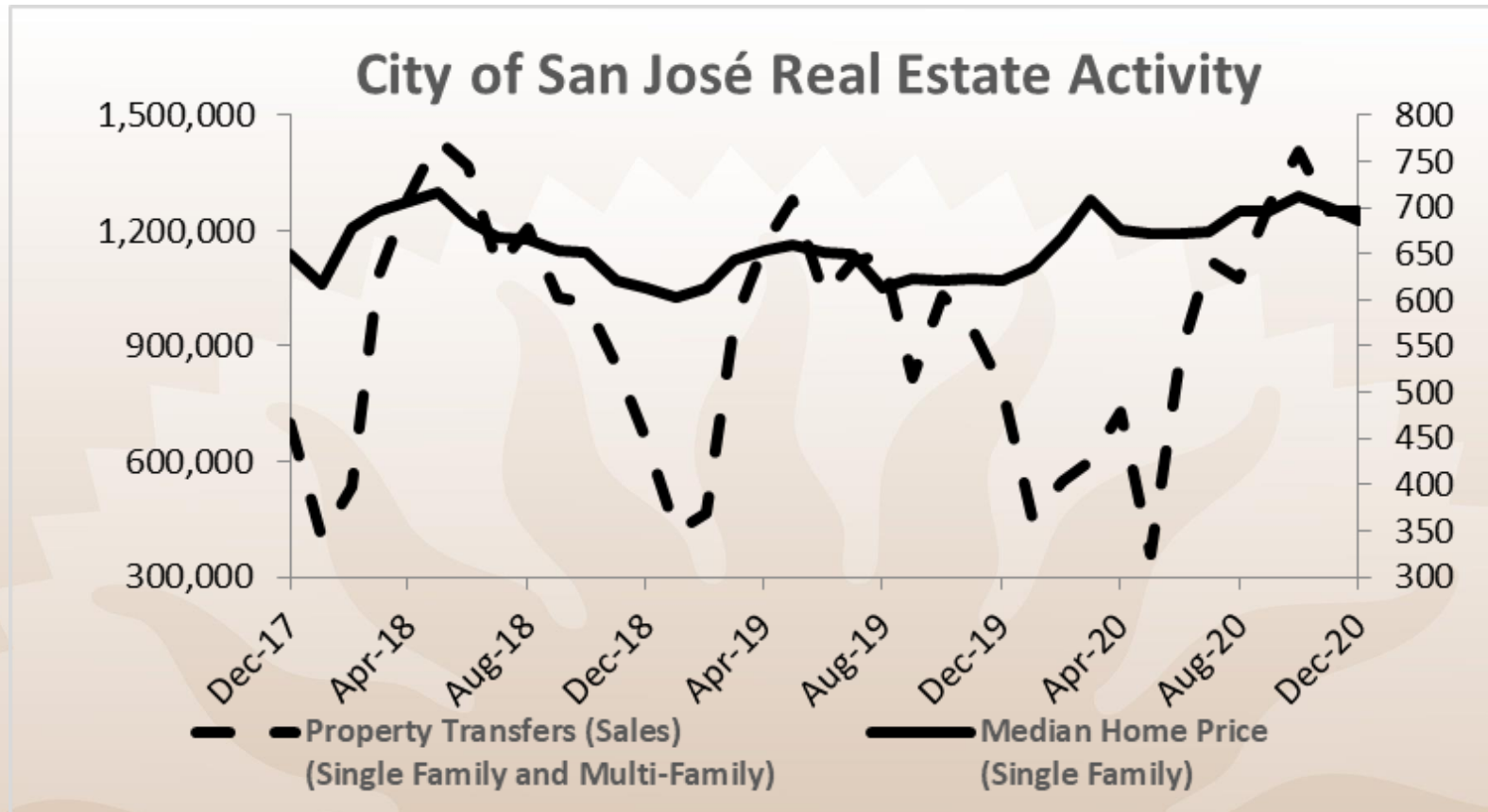
Budget actions recommended in various operating and capital funds

# Economic Conditions: Employment Levels

## Monthly Employment Level - San Jose MSA



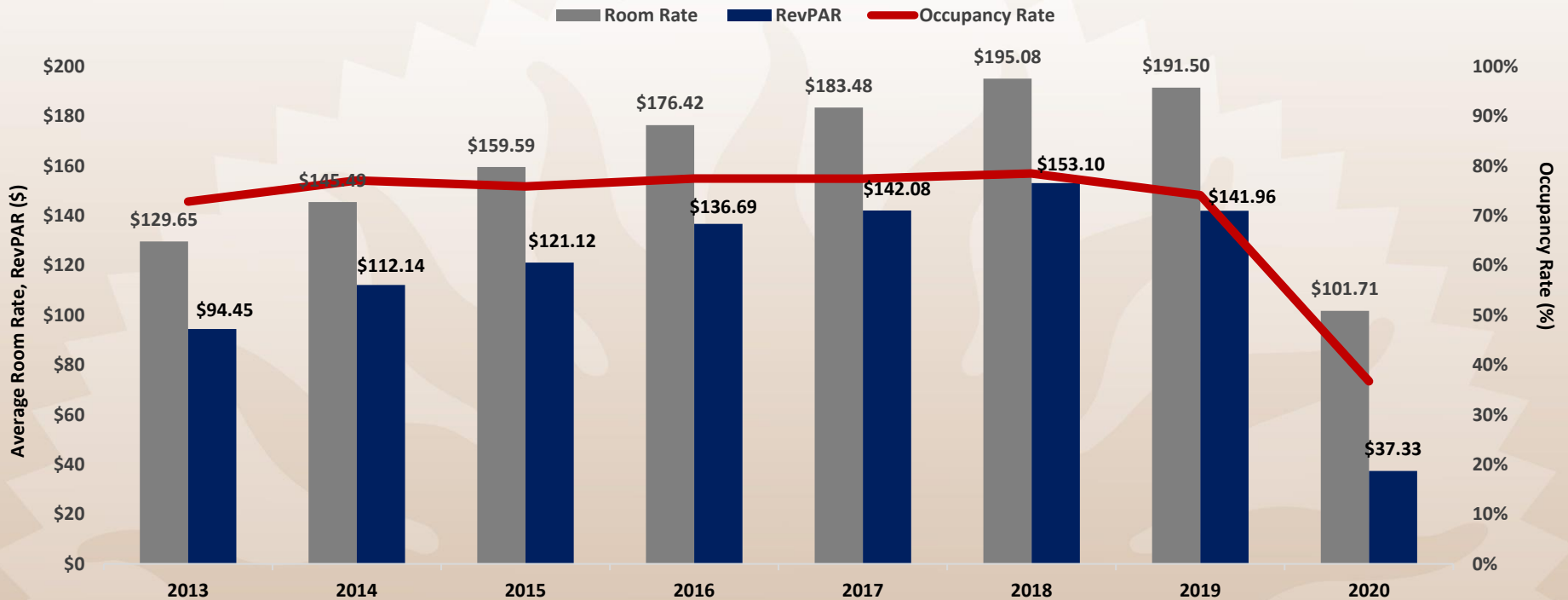
# Economic Conditions: Real Estate



# Economic Conditions: Hotel Activity

- Hotel activity has marginally improved from the unprecedented lows in Q4 FY20 due to the continued impacts of COVID-19.

Average Hotel Room Rate & Occupancy (as of December)



# Economic Conditions: General Sales Tax

## General Sales Tax Revenue Economic Performance Comparing First Quarter Payment between 2019-2020 and 2020-2021

| Category             | % Change of Revenue Received by Category |
|----------------------|--|
| Transportation       | (17.5%)                                  |
| General Retail       | (21.5%)                                  |
| Business-to-Business | (23.1%)                                  |
| Food Products        | (26.2%)                                  |
| Construction         | 3.7%                                     |
| Miscellaneous        | (20.4%)                                  |
| County Pool          | 42.0%                                    |
| <b>Total</b>         | <b>(8.4%)</b>                            |

# General Fund Assessment

From an overall perspective, though expected to remain in balance by year-end, the General Fund is currently tracking in a slightly net negative position

After considering budget adjustments included in the Mid-Year Budget Review, revenues are currently tracking to end the year approximately \$10 million below the revised budgeted estimates

Expenditures tracking to end the year with savings of approximately \$3 - \$5 million

The additional actions necessary to resolve the net negative position by year-end will make it harder to generate additional fund balance

# Summary of General Fund Adjustments

| Category   | Source of Funds    | Use of Funds       |
|--|--------------------|--------------------|
| Urgent Fiscal/Program Needs<br><i>Police Department (Redaction Services)</i> |                    | \$58,000           |
| Required Technical/Rebalancing Actions                                       | \$ 3,096,000       | \$ 3,178,000       |
| Grants/Reimbursements/Fees   | \$3,595,000        | \$3,455,000        |
| Clean-Up Adjustments   | \$0                | \$0                |
| <b>Total Recommended Adjustments</b>   | <b>\$6,691,000</b> | <b>\$6,691,000</b> |



# Major General Fund Adjustments - Revenue

| Category   | Source of Funds | Use of Funds  |
|--|-----------------|---------------|
| <b>Required Technical/Rebalancing Actions</b>          |                 |               |
| Sales Tax Revenue                                      | \$20,000,000    |               |
| Real Property Transfer Tax/Measure E Reserves          | \$10,000,000    | \$10,000,000  |
| Transfer from Self-Insured Medical Fund                | \$1,000,000     |               |
| Transfer from Construction and Conveyance Tax Funds    | \$978,000       |               |
| Parks, Recreation & Neighborhood Services Fee Activity | (\$17,000,000)  | (\$4,000,000) |
| Property Tax Revenue                                   | (\$9,000,000)   |               |
| Transient Occupancy Tax Revenue                        | (\$3,500,000)   |               |

# Major General Fund Adjustments - Expenses

| Category   | Source of Funds | Use of Funds   |
|--|-----------------|----------------|
| <b>Required Technical/Rebalancing Actions</b>                      |                 |                |
| Public Works Department (Janitorial Services)                      |                 | \$ 835,000     |
| Finance Department (Pension Obligation Bond Consulting Services)   |                 | \$ 300,000     |
| Elections and Ballot Measures                                      |                 | \$ 294,000     |
| City Clerk's Office (Redistricting and Charter Review Commissions) |                 | \$ 258,000     |
| Salaries and Benefits Reserve                                      |                 | (\$ 4,322,000) |
| Transfer to the Municipal Golf Course Fund                         |                 | (\$ 1,000,000) |

# Status of Selected Capital Funds

**Construction and Conveyance Tax:** Receipts through December of \$20M are 17% above prior year level and anticipated to exceed the budgeted estimate by \$10M.

**Building & Structure Tax:** Receipts of \$17M exceeded budgeted estimates due to higher commercial development permit activity. Upward revenue adjustment of \$6M recommended.

**Construction Excise Tax:** Receipts of \$12M are above the prior year level and expected to exceed the budgeted estimates also due to higher commercial development permit activity. The tax is on pace to exceed the budget by \$7M.

# Status of Selected Special Funds

**Transient Occupancy Tax (TOT) Fund:** Downward revenue adjustment of \$5.2M (38.5%) from the \$13.5M estimate, with proportional reductions to the CVB (25%), Cultural Grants (25%), and Convention and Cultural Affairs Fund (50%) allocations.

**Convention and Cultural Affairs Funds:** Use of available fund balance mitigates the reduced TOT transfer (\$2.35M), and further postponement of capital improvements offsets net operating cost increases due to sustained facility closures (\$1.8M).

**Convention Center Facility District Funds:** Downward revenue adjustment of \$3.5M (43.7%) from the \$8.0M estimate, offset by the use of available fund balance, commercial paper (CP) interest cost savings, and the deferral of principal on the Exhibit Hall Lighting and Ceiling Upgrades CP notes

# Status of Selected Special Funds

**General Purpose Parking Fund:** Receipts through December of \$2.4 million are 62% below prior year collections and are anticipated to end the year \$2.7 million below the Modified Budget of \$9.0 million

Budget reduction reflects lower demand, suspended charges for on-street parking outside the Downtown Core, and 90 minutes of free parking in the garages

The revised budget is 67% below 2018-2019 levels

Revenue reductions are offset by General Purpose Parking Capital Fund reserve

# Status of Selected Special Funds -

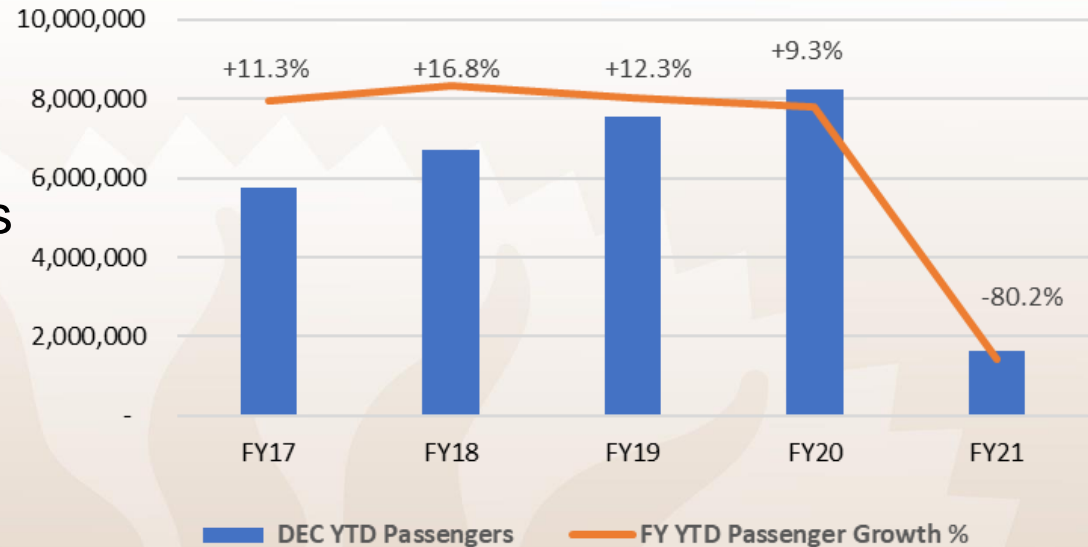
## Airport Funds:

Passenger enplanements slightly below expectations through December

Takeoffs and landings are in line with expectations

Well-positioned to weather the downturn, including two rounds of CARES Act funding and an upcoming bond refunding

Airport YTD Passenger Comparison



# Looking Forward – 2021-2022 Budget

## February 2021

- 2021-2022 City Manager's Request and 2022-2026 Five-Year Forecast Released

## March 2021

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

## April/May 2021

- 2021-2022 Proposed Capital/Operating Budgets/2022-2026 Proposed CIP/2021-2022 Fees and Charges Released
- City Council Budget Study Sessions and Initial Budget Public Hearing
- Community Budget Meetings

## June 2021

- Final Budget Public Hearing
- Mayor's June Budget Message & Final Review of Budgets
- 2021-2022 Capital/Operating Budgets and Fees & Charges Approval

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