



2022-2023 Mid-Year Budget Review

City Council Meeting – February 14, 2023; Item 3.3

2022-2023 Mid-Year Budget Review Overview

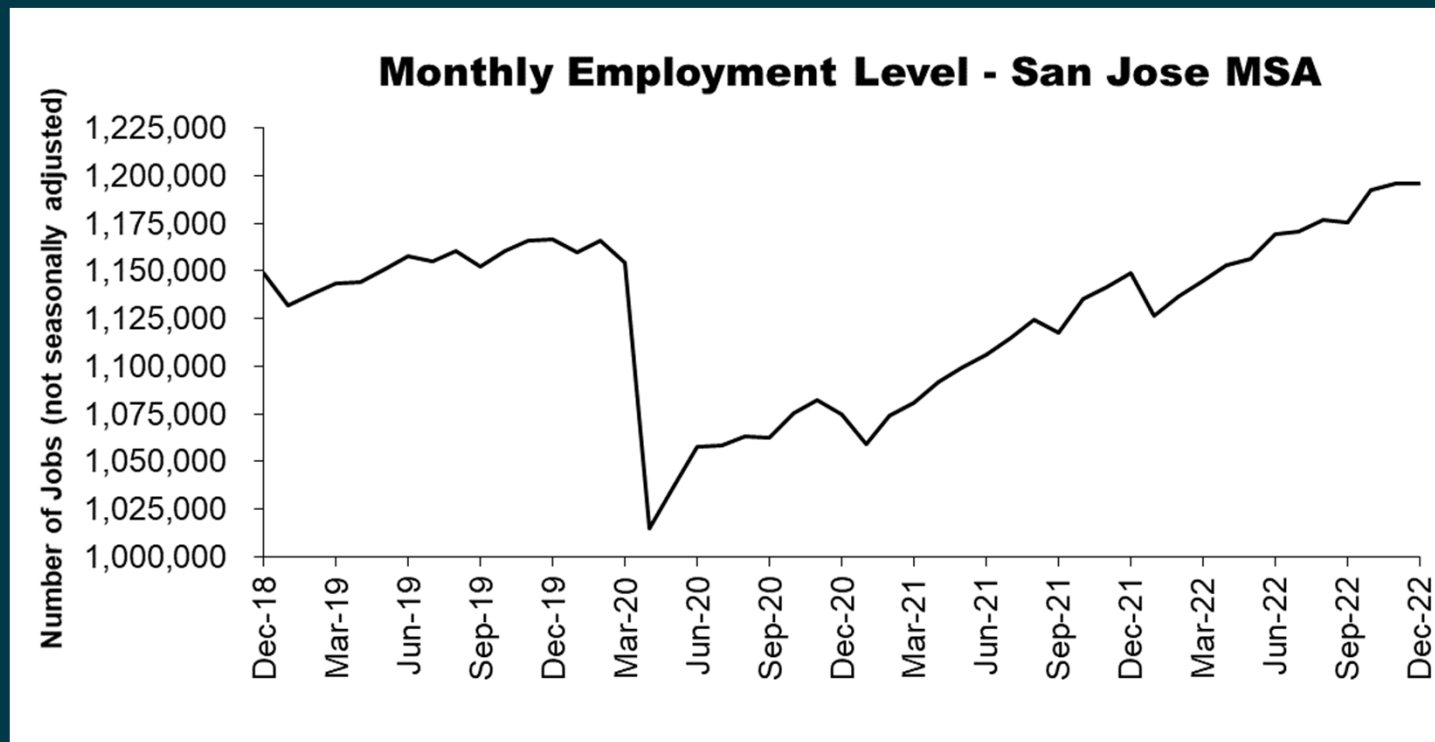
Operating and capital funds are generally performing as expected, with a few exceptions

Most economic indicators are strong through the first half of the fiscal year, though softening conditions are expected in the future

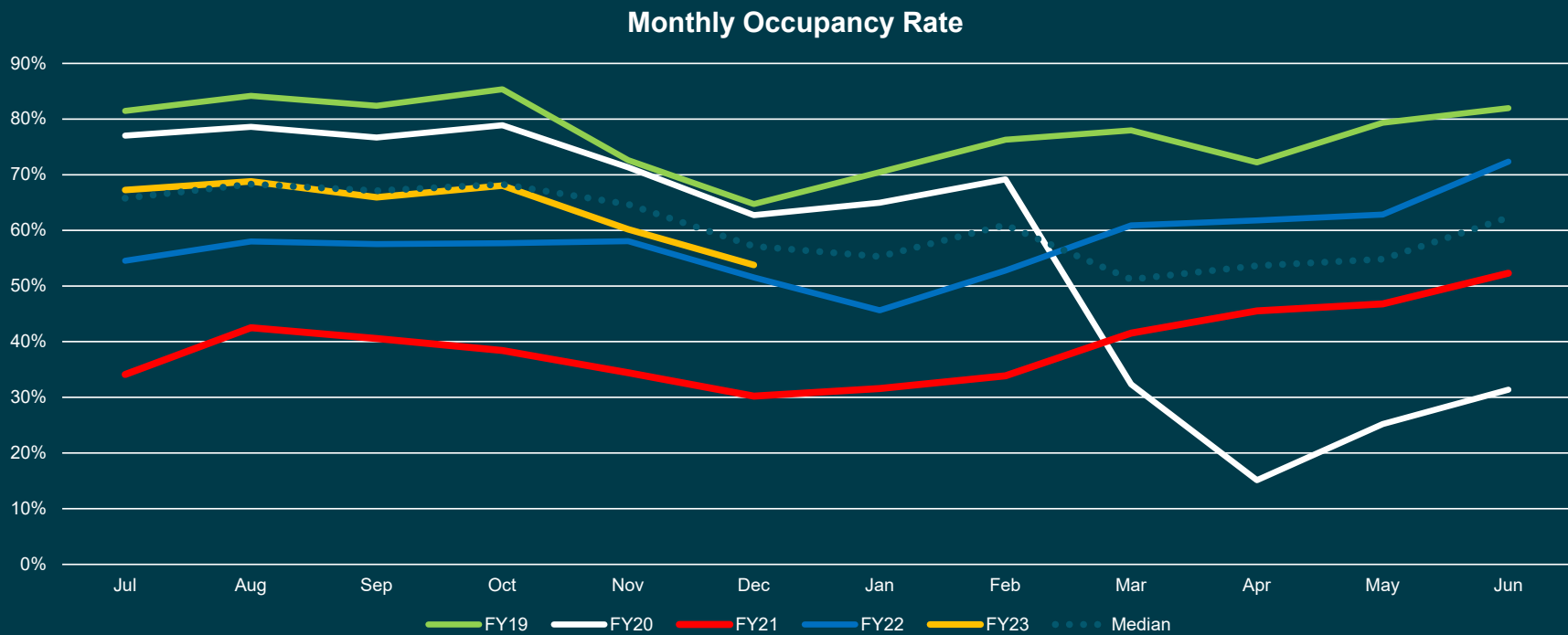
Budget actions recommended in various operating and capital funds

The City is relatively well-positioned entering for the 2023-2024 budget development process

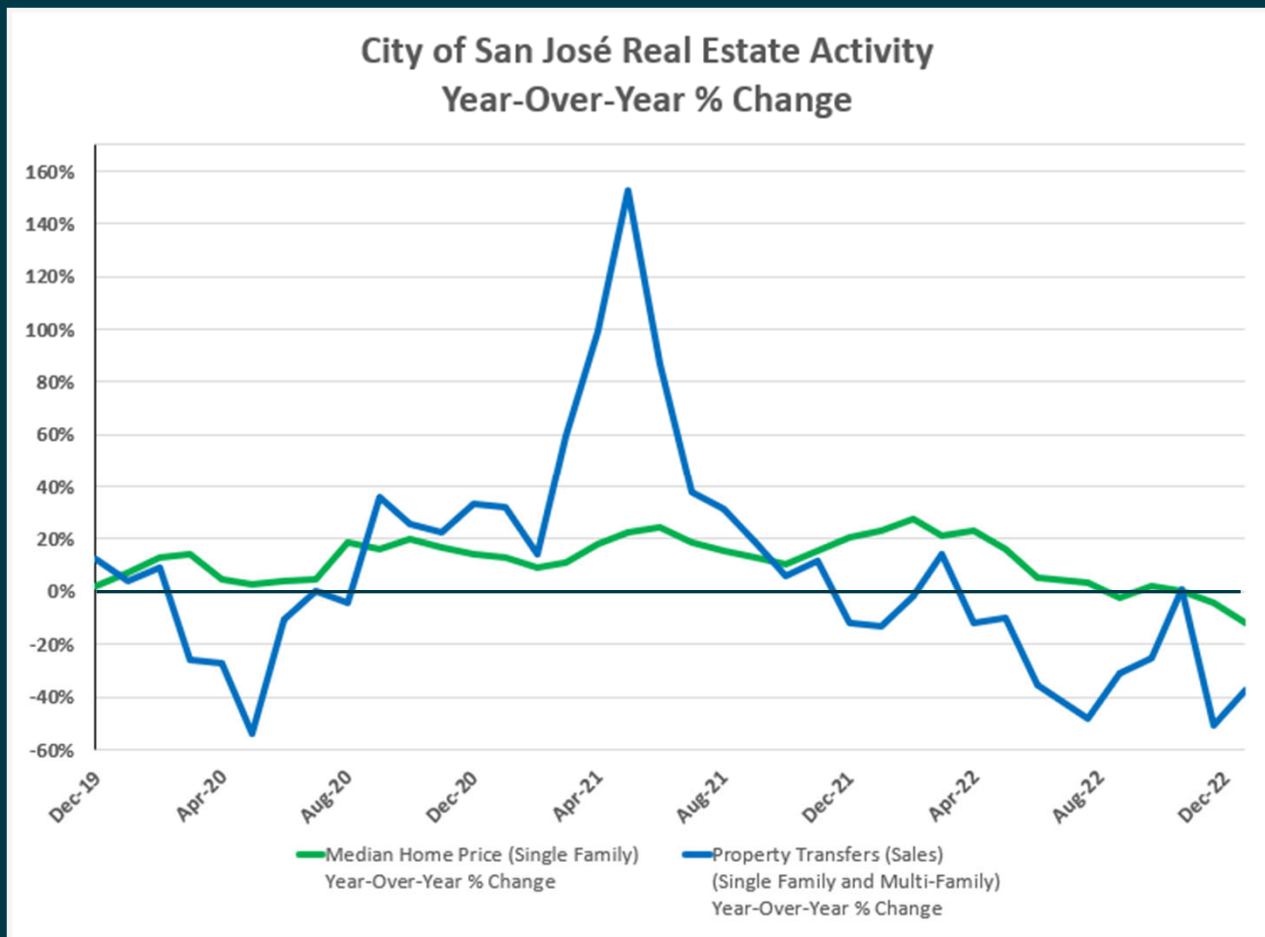
Economic Conditions: Employment



Economic Conditions: Hotel Occupancy



Economic Conditions: Real Estate



General Fund Assessment

Revenue growth in the first six months of the fiscal year is strong; anticipated to exceed budgeted levels by approximately \$30 million by year-end.

- Revenue growth is anticipated to slow in the second half of the fiscal year

Expenditures currently tracking to end the year with savings of at least \$15 million

Limited adjustments recommended at this time

Establishing a 2022-2023 Ending Fund Balance Reserve of \$9.4 million, which will be used as a funding source for the 2024-2028 Five-Year Forecast and 2023-2024 Proposed Budget

General Fund Recommended Budget Adjustments

Recommended 2022-2023 General Fund Adjustments (\$ in Millions)

	Source	Use
Urgent Fiscal/Program Need Recruitment Centralization Pilot	\$0	\$0
Required Technical/Rebalancing Actions	(\$61.722)	(\$61.722)
Grants/Reimbursements/Fee Activities (Sources = (\$2.0M); Uses = (\$2.0M))	\$2.032	\$2.032
Clean-Up Actions	\$0	\$0
<u>Total Recommended Budget Adjustments</u>	<u>(\$59.690)</u>	<u>(\$59.690)</u>

General Fund Recommended Budget Adjustments Highlights

Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
Property Tax Revenue	\$10.000	
Utility Tax Revenue	\$7.000	
Revenue from the Use of Money/Property	\$4.500	
Transfers and Reimbursements	\$0.263	
Other Revenue/Transfers from Other Funds/TRANS Debt Service	(\$83.501)	(\$79.000)

General Fund Recommended Budget Adjustments Highlights

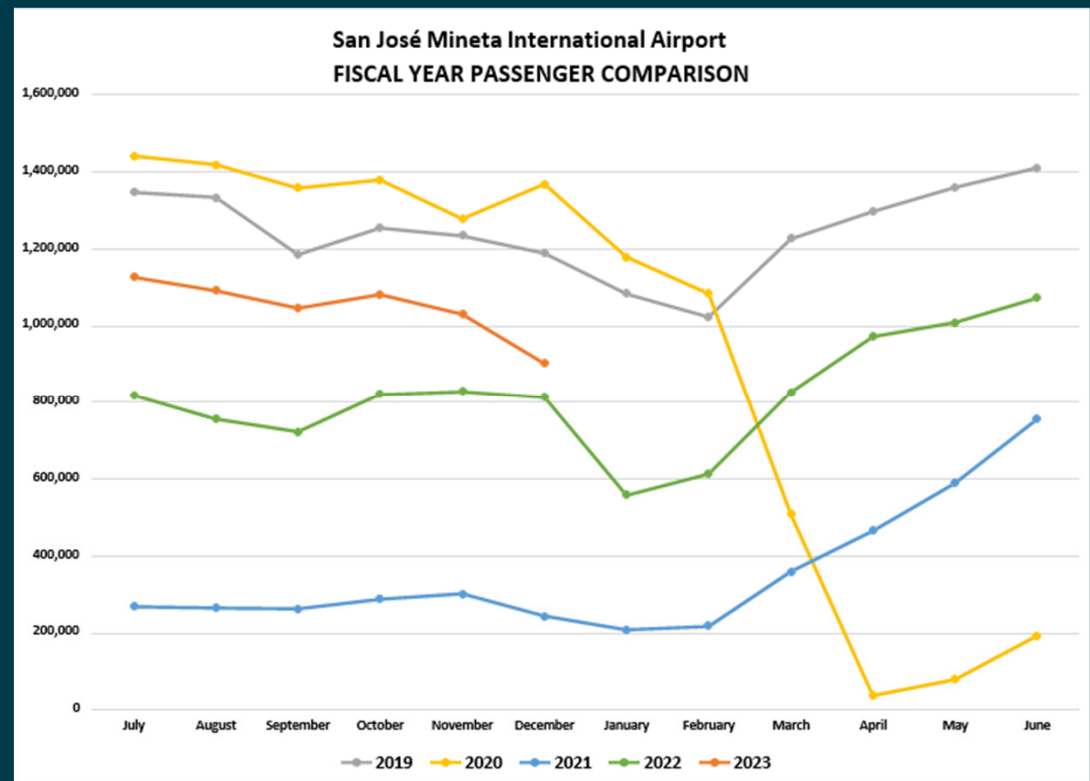
Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
2022-2023 Storm Response and Recovery (Transfer to Emergency Reserve Fund)		\$5,000
Storm Evacuee Transition Facilities		\$2,000
Measure E – 15% Homelessness Programs Support Reserve		(\$2,000)
Pandemic Response Non-Reimbursable Expenses		\$3,000
FEMA Non-Reimbursable Expenses Reserve		(\$3,000)
2022-2023 Ending Fund Balance Reserve		\$9,400

Status of Selected Special Funds

Airport Operating Funds

- Passenger enplanements up 32% from last year
- Takeoffs and landings are up 26% from last year
- Financial relief available to concessionaires through December 31, 2023
- \$28.9 million of federal American Rescue Plan Act funding allocated in 2022-2023

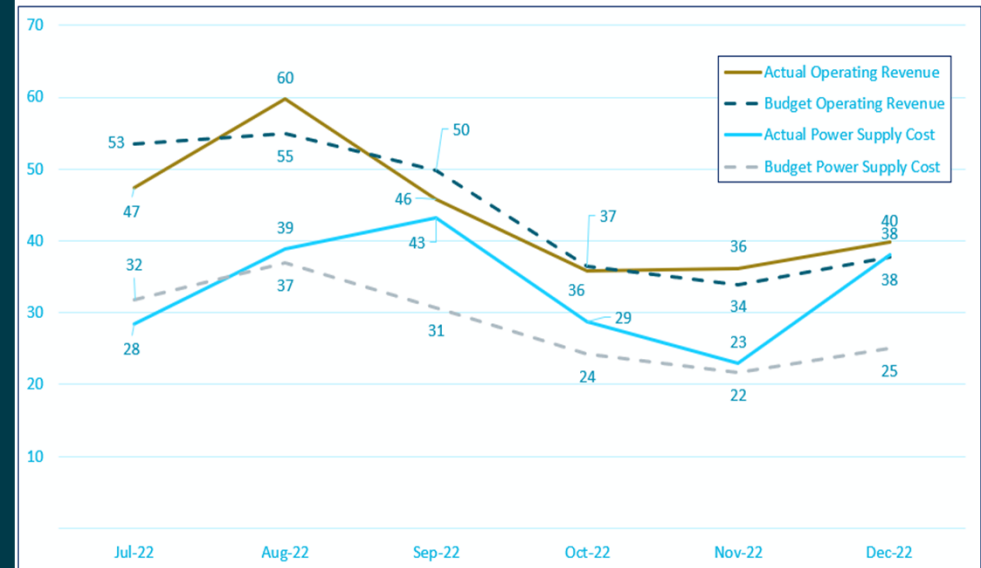


Status of Selected Special Funds

San José Clean Energy Fund

- Improved financial position enables partial pay back of Commercial Paper in 2022-2023, with remaining paid back in 2023-2024
- Mid-Year actions include an increase to Cost of Energy by \$72 million and an increase to Sale of Energy by \$94 million due to high market energy prices and increased load demand
- On pace to build 180-day reserve by December 2023
- 2023 rates estimated at 1-3% below PG&E

INCREASED POWER SUPPLY COST



Figures in \$ millions

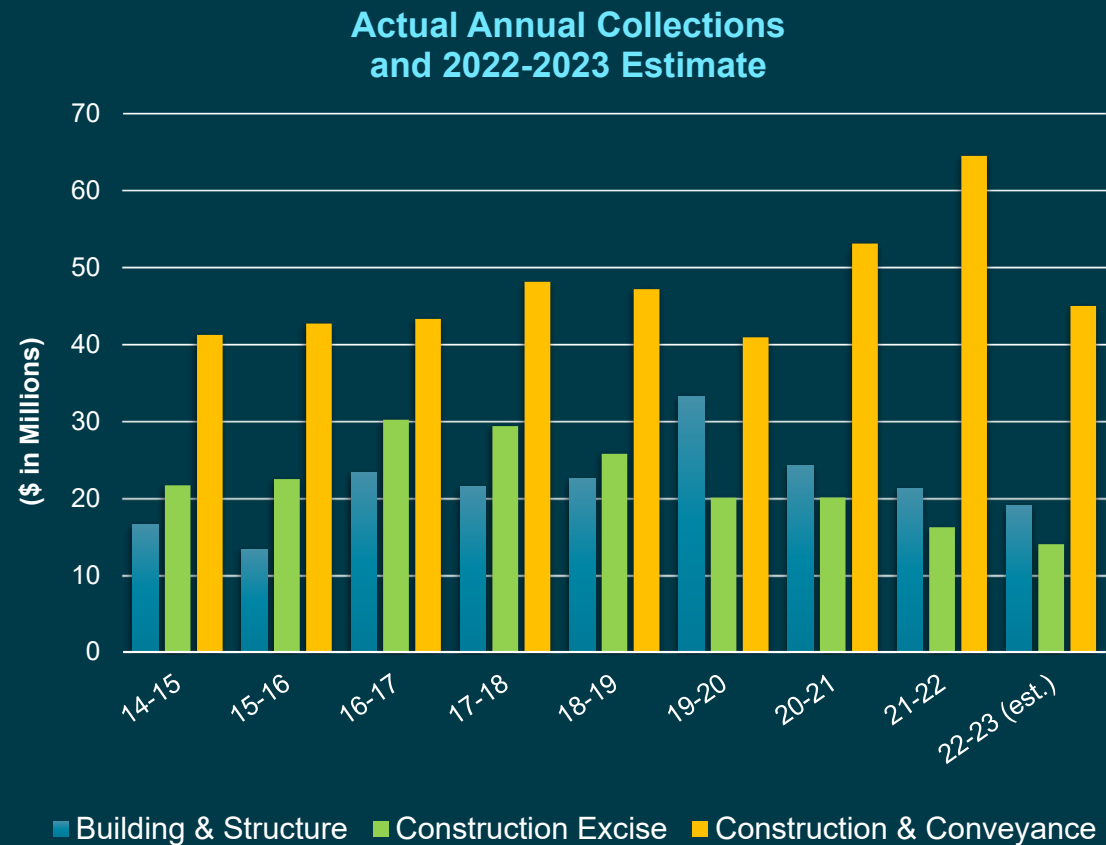
Status of Selected Capital Funds

Construction and Conveyance Tax Funds:

- Declining real estate activity is leading to lower revenue
- Revenue estimate is reduced by \$5 million, from \$50 million to \$45 million

Building and Structure / Construction Excise Tax Funds:

- Commercial and Industrial development activity has been higher than anticipated while residential development has slowed
- Building & Structure = No Change
- Construction Excise < \$2 million



Looking Forward: 2023-2024 Budget

February 2023

2023-2024 City Manager's Request and 2024-2028 Five-Year Forecast Released

March 2023

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

April/May 2023

2023-2024 Proposed Capital/Operating Budgets/2024-2028 Proposed CIP/2023-2024 Fees and Charges Released

City Council Budget Study Sessions and Initial Budget Public Hearing
Community Budget Meetings

June 2023

Final Budget Public Hearing

Mayor's June Budget Message & Final Review of Budgets

2023-2024 Capital/Operating Budgets and Fees & Charges Approval



2022-2023 Mid-Year Budget Review

Jim Shannon
Budget Director

Selena Ubando
Financial Status Coordinator

Bonny Duong
Assistant Budget Director

Bryce Ball
Operating Budget Coordinator

Claudia Chang
Deputy Budget Director

Stewart Patri
Capital Budget Coordinator