

2024-2025 Mid-Year Budget Review

City Council Meeting – February 11, 2025; Item 3.3

2024-2025 Mid-Year Budget Review Overview

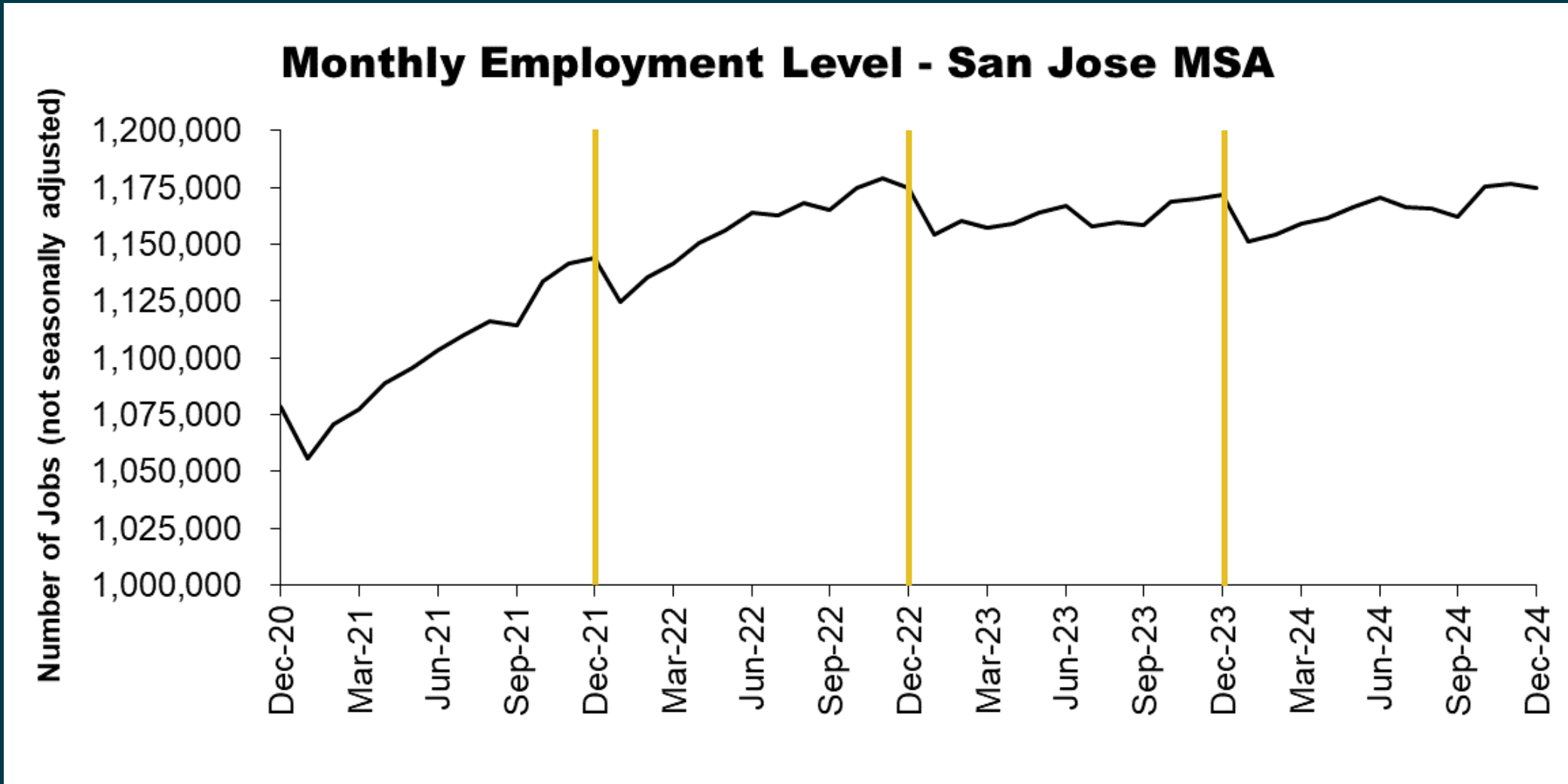
Operating and capital funds are generally performing as expected, with a few exceptions

Marginal economic growth experienced through the first half of 2024-2025

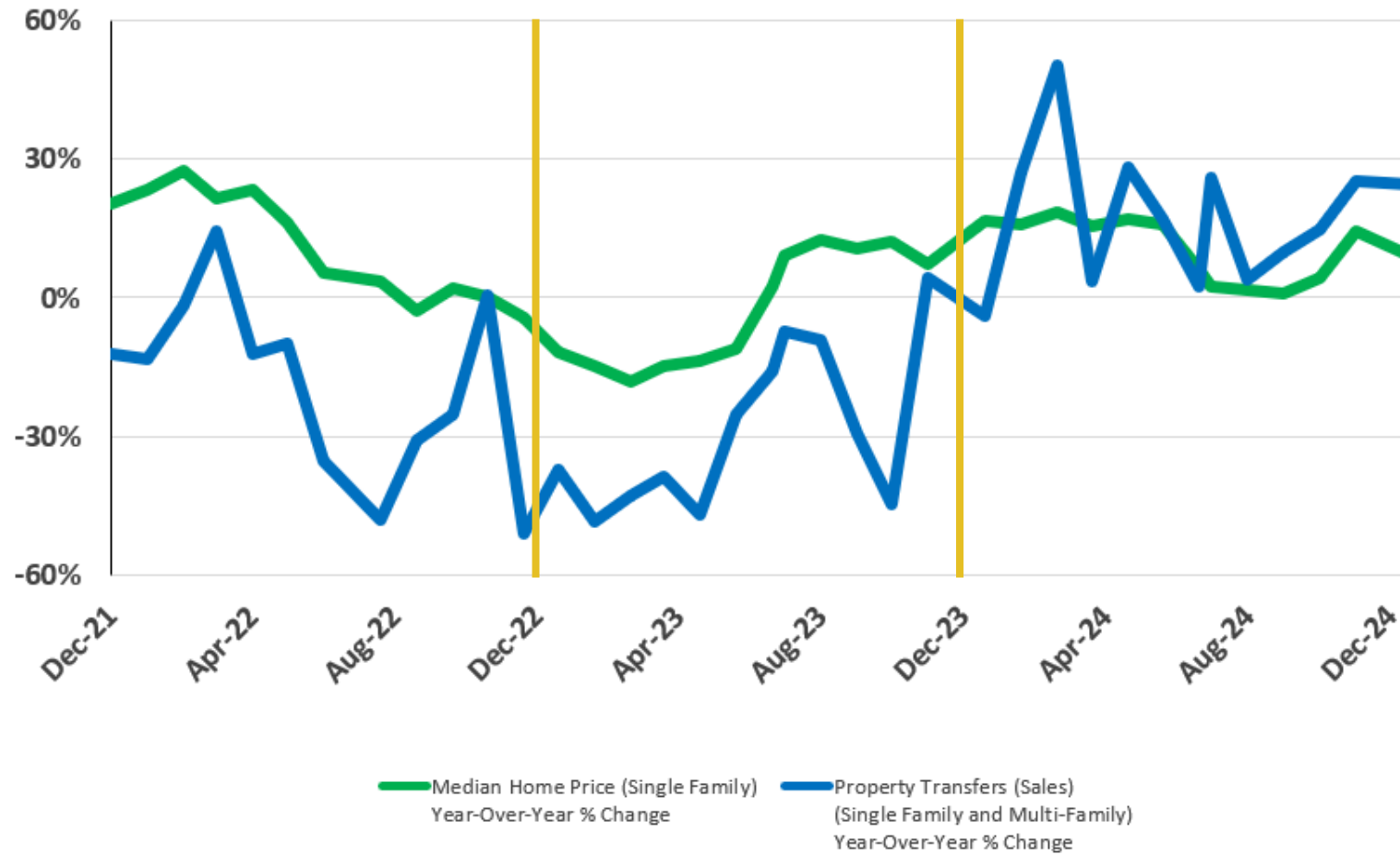
Budget adjustments are recommended in various operating and capital funds

The City enters the 2025-2026 budget development process with headwinds

Economic Conditions: Employment



City of San José Real Estate Activity Year-Over-Year % Change



General Fund Assessment

In most categories, revenues are trending in accordance with budgeted expectations; however, Sales Tax revenues have underperformed and are preliminarily anticipated to end the year \$25 - \$30 million below budgeted levels

Expenditures currently tracking to end the year with savings of approximately \$10 million

Cost controls, implemented in December 2024, will be maintained throughout the remainder of 2024-2025 to achieve higher levels of savings

Sales Tax

General Sales Tax Revenue Economic Performance First Quarter Payment

Economic Sector	2023-2024 % of Total Revenue	2024-2025 % of Total Revenue	% Change of Revenue Received by Category
Business-to-Business	21.3%	20.4%	(9.9%)
Construction	9.8%	10.2%	(2.4%)
Food Products	14.2%	15.2%	0.4%
General Retail	17.6%	17.4%	(7.0%)
Miscellaneous	0.6%	0.7%	(1.2%)
Transportation	18.6%	17.3%	(12.6%)
County Pool*	17.9%	18.8%	(1.7%)
Total	100%	100%	

*Captures the majority of online transactions. Revenue is distributed to all cities within Santa Clara County based each jurisdiction's total General Sales Tax receipts divided by the Total General Sales Tax receipts for the entire County. The City typically receives between 45%-50% of the total County Pool.

Sales Tax revenues are continuing a downward trend

Last two quarters of General Sales Tax collections were significantly lower than prior years:

- Apr – Jun: -9%
- Jul – Sep: -10%

General Fund Recommended Budget Adjustments

Recommended 2024-2025 General Fund Adjustments (\$ in Millions)

	Source	Use
Required Technical/Rebalancing Actions	\$1.57	\$2.03
Grants/Reimbursements/Fee Activities	\$11.54	\$11.54
Clean-Up Actions	\$0	(\$0.46)
Total Recommended Budget Adjustments	\$13.11	\$13.11

General Fund Recommended Budget Adjustments Highlights

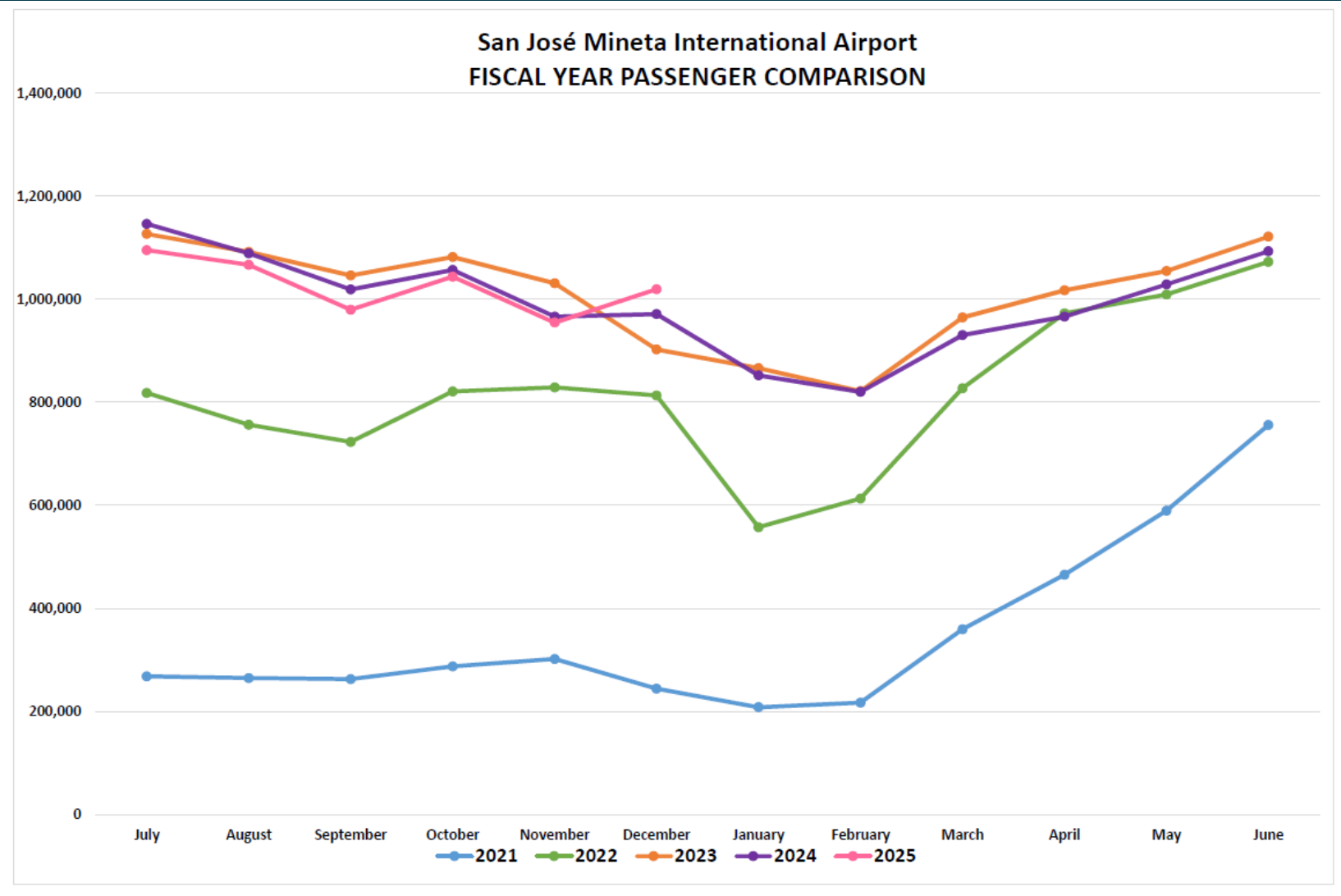
Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
Other Revenue (History Park Insurance Payment)	\$1.57	
Elections and Ballot Measures		\$5.3
Workers' Compensation Claims		\$4.53
Electricity (Transportation Department)		\$0.97
Unanticipated/Emergency Maintenance (Police Power Supply)		\$0.61
Tow Program Contractual Services		\$0.57
Budget Stabilization Reserve		(\$8.0)
Cultural Facilities Capital Maintenance Reserve		(\$1.25)

Status of Selected Special Funds

Airport Operating Funds

- 6.2 million passengers enplaned/deplaned through December, down 1.4% from last year
- Takeoffs and landings are up less than 1% from last year



Status of Selected Capital Funds

Construction and Conveyance Tax Funds: ↑

- Increased real estate activity is leading to higher revenue

Building and Structure / Construction Excise Tax Funds:

Construction Valuation

- Commercial ↑
- Industrial ↑
- Residential ↓

Building & Structure ↑

Construction Excise ↓

Actual Annual Collections and 2024-2025 Estimate



Looking Forward: 2025-2026 Budget Process

February 2025

2025-2026 City Manager's Budget Request and 2026-2030 Five-Year Forecast Released

March 2025

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

April/May 2025

2025-2027 Proposed Biennial Capital Budget/2025-2026 Proposed Operating Budget/2026-2030 Proposed CIP/2025-2026 Fees and Charges Released

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

June 2025

Final Budget Public Hearing

Mayor's June Budget Message & Final Review of Budgets

2025-2026 Capital/Operating Budgets and Fees & Charges Approval

2024-2025 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

William Yu
Operating Budget Coordinator

Jennifer Tell
Capital Budget Coordinator