

City of San José

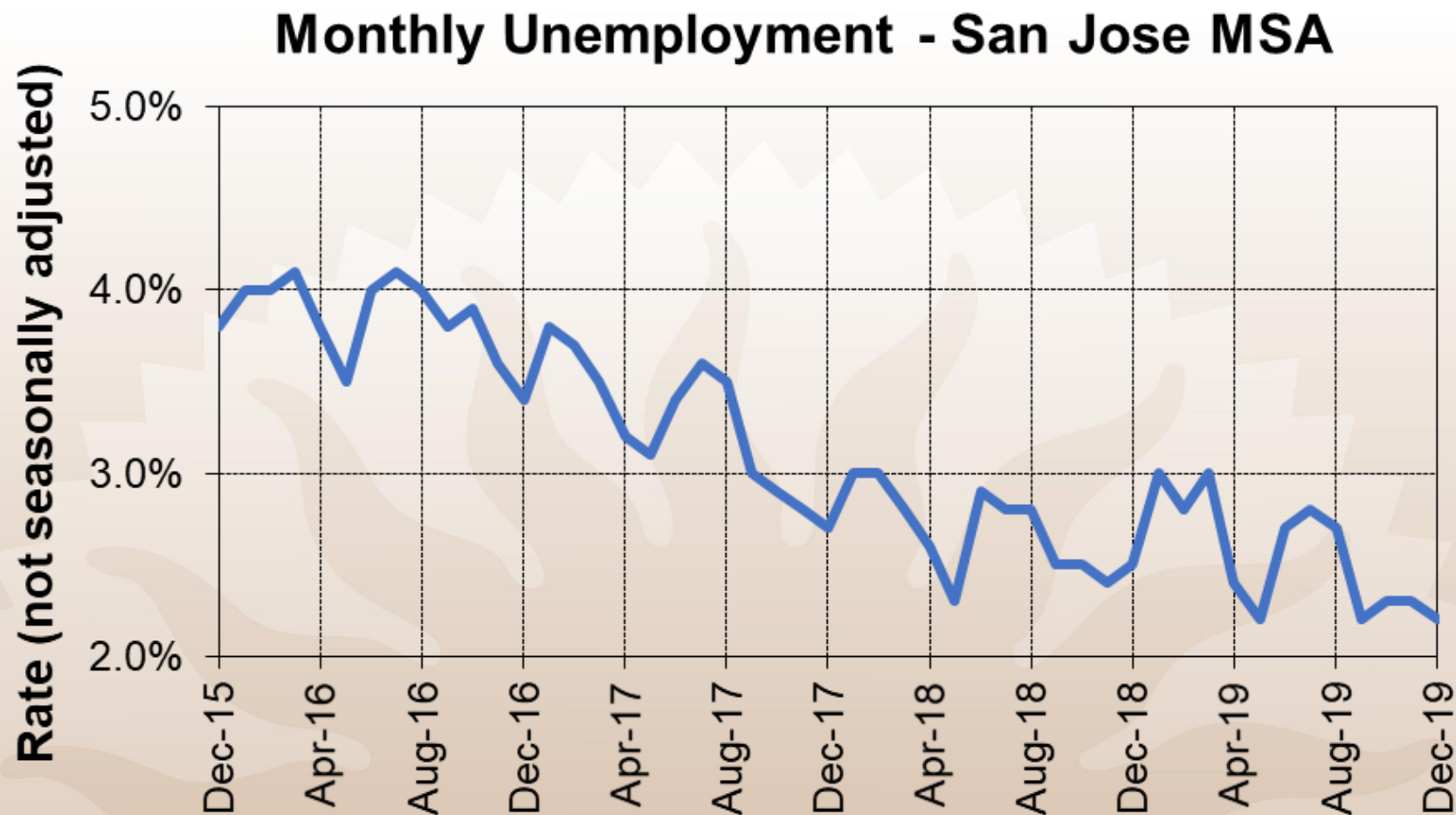
**2019-2020
Mid-Year Budget Review**

February 11, 2020

2019-2020 Mid-Year Budget Review Overview

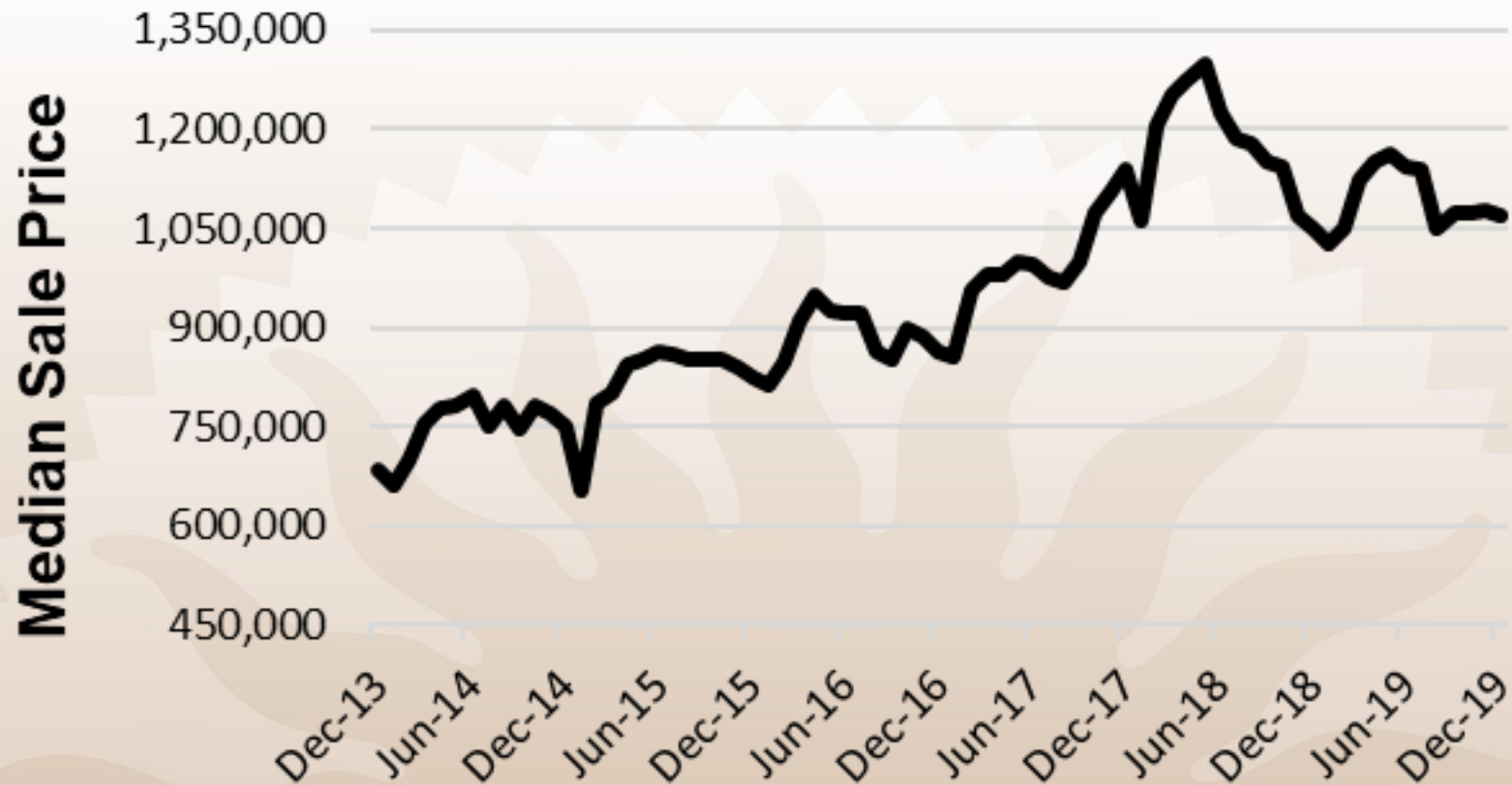
- Good news report
- Operating and capital funds are generally performing as expected
- Economic trends positive, with a couple of areas to keep an eye on
- Budget actions recommended in various operating and capital funds

Economic Conditions: Unemployment Rate



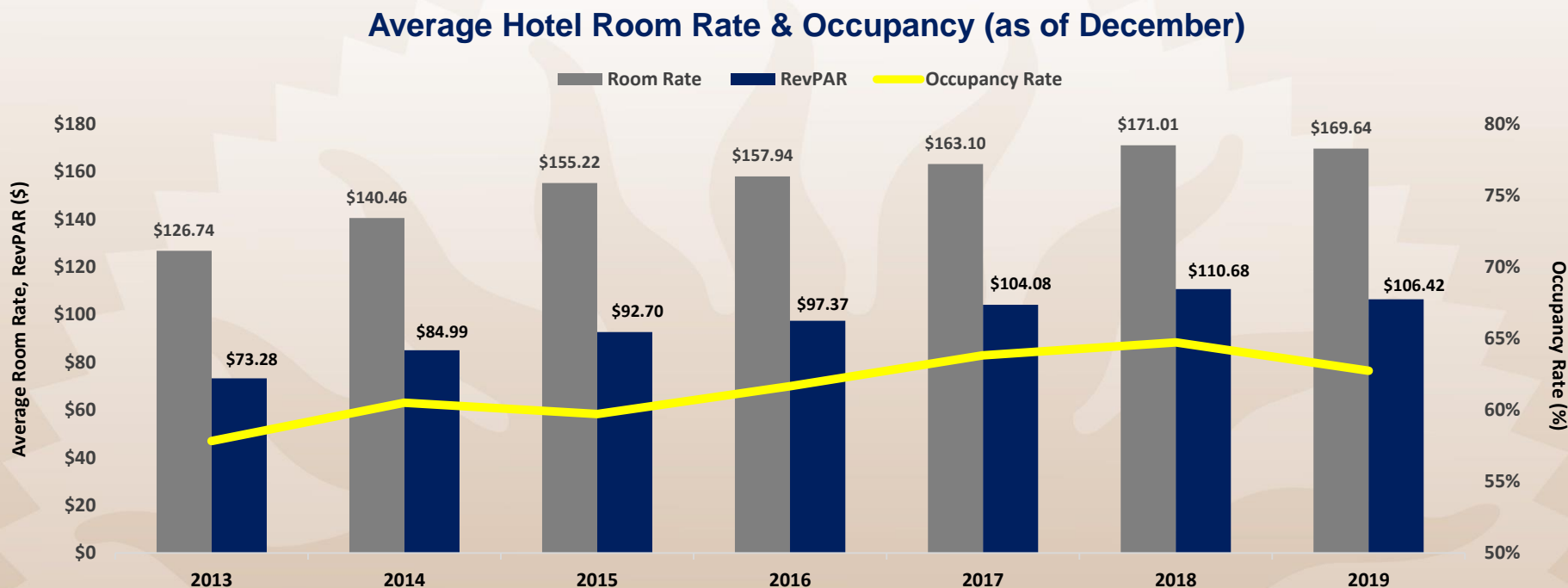
Economic Conditions: Real Estate

Median Price - Single Family Homes



Economic Conditions: Hotel Activity

- Hotel activity is trending downward, with lower average room rates, revenue per available room (RevPAR), and occupancy



General Fund Budget Performing as Expected

- Revenues tracking to end the year approximately \$15 - \$20 million above budgeted levels; primarily due to higher Property Tax, Sales Tax, Business Taxes, and Sale of Property, offset by lower Transient Occupancy Tax.
- Expenditures tracking to end the year with savings of approximately \$3 - \$5 million
- Limited adjustments recommended at Mid-Year:
 - Required Technical/Rebalancing Adjustments
 - Grants/Reimbursements/Fees
 - Clean-Up Adjustments

Major General Fund Adjustments

Category	Use of Funds	Source of Funds
Required Technical/Rebalancing Actions		
Property Tax		\$ 10,000,000
Other Revenue (Sale of Properties)		\$ 3,750,000
Transfer from the Public Safety and Infrastructure Bond Fund (Measure T)		\$ 319,000
Revenue from Local Agencies (BHSD Grant for Therapeutics)		(\$ 309,000)
Transient Occupancy Tax		(\$ 2,500,000)
2019-2020 Ending Fund Balance Reserve	\$ 10,000,000	
Janitorial Services (Public Works, PRNS, and Library)	\$ 592,000	
Accessory Dwelling Unit Amnesty Program	\$ 293,000	

Major General Fund Adjustments (Cont'd.)

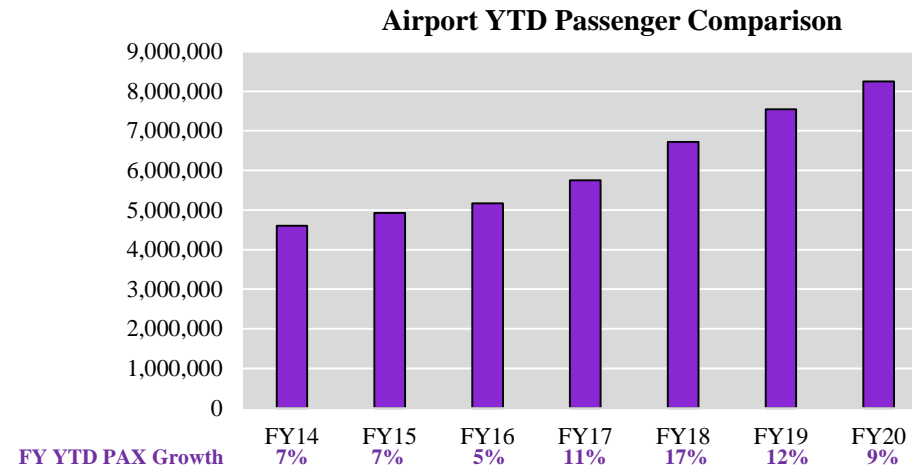
Category	Use of Funds	Source of Funds
Required Technical/Rebalancing Actions		
Fire Department (SCBA Equipment and Exhaust Systems Maintenance)	\$175,000	
Closed Landfill Compliance	\$150,000	
Information Technology Department (PCs and Windows Upgrade Project)	\$ 100,000	
Storm Fees	\$ 90,000	
Other Miscellaneous Adjustments	\$ 96,000	
Other Net-Zero Expenditure Adjustments	\$ 0	
Total Required Technical/Rebalancing Actions	\$ 11,496,000	\$ 11,260,000

Major General Fund Adjustments (Cont'd.)

Category	Use of Funds	Source of Funds
Grants/Reimbursements/Fees		
Various Grants/Reimbursements/Fee Adjustments	\$ 8,042,000	\$ 8,042,000
Clean-Up Adjustments		
Salary and Benefits Program	\$ 3,249,000	
Voluntary Furlough/Reduced Work Week – Salary and Benefits Reserve	\$ 200,000	
Voluntary Furlough/Reduced Work Week Program	(\$ 236,000)	
Salary and Benefits Program – Salary and Benefits Reserve	(\$ 3,449,000)	
Various Net-Zero Adjustments	\$ 0	
Total Clean-Up Adjustments	(\$ 236,000)	\$ 0
TOTAL ALL ADJUSTMENTS	\$19,302,000	\$19,302,000

Status of Selected Special Funds

- **Airport Funds:** Passenger activity up 9.3% compared to Dec 2018 and exceeds projected growth of 4%;



- **Housing Funds:** Recognizes SERAF loan repayment from SARA for \$21.7M. Increases Homeless Rapid Rehousing project by \$925k to deliver services for chronically homeless households
- **Transient Occupancy Tax:** Revenues and the average hotel occupancy rate are tracking below the prior year level; TOT collections expected to fall short of estimates by 11%, downward revenue adjustment of \$3.75M recommended

Status of Selected Capital Funds

Construction and Conveyance Tax: Receipts through January are ~7% below prior year level, but anticipate C&C will exceed the budgeted estimate by \$2M

Building & Structure Tax:

Receipts of \$16M exceeded budgeted estimates due to higher commercial and industrial development permit activity. Upward revenue adjustment of \$9M recommended.

Construction Excise Tax:

Receipts are slightly lower than prior year level and are on pace to meet budgeted estimate

Private Sector Construction Activity
(Valuation in \$ Millions)

	YTD Dec 2018	YTD Dec 2019	% Change
Residential	\$299.4	\$232.8	(22.2%)
Commercial	\$243.9	\$442.9	81.6%
Industrial	\$208.4	\$522.0	150.5%
TOTAL	\$751.7	\$1,197.7	59.3%

Looking Forward – 2020-2021 Budget

February 2020

- 2020-2021 City Manager's Request and 2021-2025 Five-Year Forecast Released

March 2020

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

April/May 2020

- 2020-2021 Proposed Capital/Operating Budgets/2021-2025 Proposed CIP/2020-2021 Fees and Charges Released
- City Council Budget Study Sessions and Initial Budget Public Hearing
- Community Budget Meetings

June 2020

- Final Budget Public Hearing
- Mayor's June Budget Message & Final Review of Budgets
- 2020-2021 Capital/Operating Budgets and Fees & Charges Approval

2019-2020 Mid-Year Budget Review

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