



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: David Sykes

**SUBJECT: APPROVAL OF VARIOUS BUDGET
ACTIONS FOR FISCAL YEAR 2019-
2020 TO ADDRESS COVID-19 IMPACTS**

DATE: April 24, 2020

RECOMMENDATION

Adopt 2019-2020 Appropriation Ordinance and Funding Sources Resolution amendments in various funds to address budgetary impacts due to COVID-19 as detailed in the General Fund and Special/Capital Fund attachments to the staff memorandum.

OUTCOME

Approval of the recommended actions to adjust the current budget in the General Fund and in several Special and Capital Funds lowers a number of revenue estimates due to the impacts of the COVID-19 pandemic, and makes corresponding reductions to a number of expenditure appropriations. These actions are necessary to maintain a balanced budget through the remainder of this fiscal year.

EXECUTIVE SUMMARY

The Administration recommends adjustments to 2019-2020 budgeted revenue estimates and corresponding net reductions to expenditures and reserves to address an anticipated revenue shortfall of \$45 million in the current year. The adjustments align with the strategy outlined in the memorandum (approved at the April 7, 2020 City Council meeting, Item 3.3) describing the estimated budget impacts of COVID-19 and are necessary to ensure sound budgetary management as the City prepares for dramatically different economic conditions going forward.

Given the compressed schedule and limited opportunity for City Council and community engagement, the Administration looked to preserve existing programs and projects with direct impact on the community to the extent possible, while also taking a realistic view of staff capacity and future budgetary constraints. It is important to emphasize that no position reductions are contained within this memorandum.

The estimated \$45 million shortfall is resolved by recognizing additional sales tax revenue generated from the Revenue Capture Agreement with eBay in the amount of \$18.0 million, recognizing additional net savings from the sale of the Hayes Mansion Property in February 2019 of \$2.6 million, as well as reducing expenditures and liquidating reserves totaling \$24.4 million. Net downward revenue and expense adjustments to the Development Fee Program, a cost recovery program budgeted in the General Fund that is also impacted by the COVID-19 pandemic, of \$5.25 million bring the total General Fund downward adjustment to \$29.65 million. Below is a high-level summary of the General Fund budget adjustments. Please see Attachment A, *General Fund 2019-2020 Re-Balancing Adjustments* for detailed transactions.

Source and Use Statement of General Fund Adjustments

| Source | Recommended Adjustments |
|--|------------------------------------|
| Business Tax | (2,000,000) |
| Fees, Rates, and Charges | (5,500,000) |
| Fees, Rates, and Charges (Dev. Fee Programs) | (5,250,000) |
| Fines, Forfeitures, and Penalties | (1,000,000) |
| Sales Tax | (9,000,000) |
| Transfers and Reimbursements (Hayes Mansion) | 2,600,000 |
| Transient Occupancy Tax | (6,500,000) |
| Utility Tax | (3,000,000) |
| Total Source | (29,650,000) |
| Use | |
| Departmental Expenses | (9,709,000) |
| Departmental Expenses (Dev. Fee Programs) | (2,250,000) |
| City-Wide Expenses | (7,775,500) |
| Capital Project Expenses | (4,109,000) |
| Earmarked Reserves | (1,306,500) |
| Earmarked Reserves (Dev. Fee Programs) | (3,000,000) |
| Transfers | (1,500,000) |
| Total Use | (29,650,000) |

Recommendations are also included to rebalance the Transient Occupancy (TOT) Fund, the Convention and Cultural Affairs Funds, and the Convention Center Facilities District Revenue and Capital Funds that are impacted by the loss of TOT revenue and cancellation on convention center and cultural events. A discussion of these impacts are provided in the analysis section below and detailed transactions can be found in Attachment B, *Special/Capital Funds 2019-2020 Re-Balancing Adjustments* for detailed transactions.

BACKGROUND

On April 7, 2020, the City Council accepted a report describing the estimated budgetary impacts from COVID-19 and the approach for how those impacts would be addressed in Fiscal Years 2019-2020 and 2020-2021. As described in that memorandum, a number of the City's major General Fund revenue categories will be impacted in 2019-2020, including Sales Tax, Transient Occupancy Tax, Business Taxes, and Utility Taxes. Across all General Fund revenue categories, the estimated revenue impact of \$45 million is the Administration's current estimate based on analysis of the limited available data, and in consultation with several economic consultants, studies, and other jurisdictions. It is important to note that, while the revenue shortfall could be slightly lower, it could also be substantially higher than the current analysis. While this memorandum resolves a \$45 million shortfall, it also outlines additional options available to the City if revenues fall even further.

As described in the April 7th memorandum, the Administration recommends resolving the anticipated General Fund shortfall using the following approach.

1. ***Reduce or eliminate existing expenditure appropriations.*** The Administration issued a memorandum to Senior Staff on March 27, 2020 directing the immediate implementation of a variety of cost control measures, including a hiring freeze on all positions except for Police Department and Fire Department sworn and emergency communications positions, suspension of City-Wide Expenses and General Fund Capital Projects not yet started, and the minimizing of all non-COVID-19-related non-personal/equipment expenditures. For those projects and programs not yet started, the Administration considered both the community impacts of elimination and the organization's capacity given COVID-19 response activities and future budgetary constraints.
2. ***Recognize additional revenue.*** An important rebalancing tool is the additional proceeds from the Revenue Capture Agreement with eBay approved by the City Council on September 24, 2019 that went into effect on October 1, 2020. After analyzing the February disbursement of sales and use tax proceeds from the California Department of Tax and Finance Administration (CDTFA) covering the period of October through December, the Administration confirmed that the disbursement included sales tax proceeds from eBay. Receipts through the end of June are estimated at \$18 million. As described below, the Administration also recommends a transfer from the Community Facilities Revenue Fund of \$2.6 million representing a portion of the remaining proceeds associated with the sale of the Hayes Mansion Property in February 2019.
3. ***Evaluate use of reserves.*** As described below, a number of earmarked reserves are also recommended to be repurposed or liquidated to help offset the revenue shortfall. Importantly, the Budget Stabilization Reserve of \$32.0 million remains intact and available for use as appropriate to help resolve the budgetary shortfall as part of the 2020-2021 budget development process.

COVID-19 also impacts other key areas of City operations, including the Development Fee Program, which oversees the planning, permitting, and inspection of private development construction activity, and events at the City's convention center and cultural facilities, which are effectively closed during the shelter-in-place order or temporarily repurposed to help shelter our homeless community. Rebalancing actions are included in this report to address several of these areas.

The aviation industry across the U.S. is being negatively impacted by the COVID-19 pandemic, and the Airport is no exception. Through February, passenger growth was strong at 8.9%, reflecting operating revenues at 102% of budget and operating expenses at 93% of budget. Activity has fallen sharply since the implementation of shelter-in-place orders began in March. Although many revenue streams are based on the previous month's activity and the full budgetary impact is not yet known, the Airport has identified potential operating expense reductions representing approximately 11% (\$10 million) of the 2019-2020 budget and potential capital expense reductions representing approximately 19% (\$18.6 million) of 2019-2020 budget. Budget adjustments to Airport Funds are anticipated later this fiscal year.

ANALYSIS

GENERAL FUND

General Fund Revenue Adjustments

Adjustments to the budgeted revenue estimates for 2019-2020 result in a net decrease of \$29.7 million, after accounting for two partially offsetting revenue increases. With the exception of the Development Fee Program revenues (\$5.3 million) that are described in a separate section of this memorandum, a description of the major revenue categories impacted by COVID-19 and their corresponding net downward adjustments (\$24.4 million) are described below. It is important to note that revenue and expenditure adjustments to the Development Fee Program are described later in this memorandum. Though development-related fees are currently received in the General Fund, they are accounted for separately as the Development Fee Program is fully cost-recovery.

Sales Tax – decrease by \$9.0 million. The Sales Tax category includes General Sales, Local Sales, and Proposition 172 Sales Taxes. In 2019-2020 Sales Tax revenue is anticipated to decline by approximately \$27.0 million, or 10%, as a result of the COVID-19 pandemic. However, partially offsetting this loss, the Revenue Capture Agreement with eBay is anticipated to result in additional Sales Tax revenue of \$18.0 million. The February disbursement of sales and use tax proceeds (which includes October-December 2019 activity) from the California Department of Tax and Finance Administration (CDTFA) included sales tax proceeds from eBay. It is anticipated that this revenue will continue to be received for the remaining two quarters of the fiscal year. Due to the timing of Sales Tax payments from the CDTFA, the final 2019-2020 Sales Tax receipts will not be known until late August 2020. It is also important to note that the State of California has enacted several programs to assist small businesses that may

result in a delay of some Sales Tax collections being received in 2020-2021 attributable to 2019-2020 activity. After analyzing available data and consulting with economists and other analyses, it is recommended to reduce the Sales Tax category by \$9.0 million, which includes a reduction of \$27.0 million due to lower activity, partially offset by \$18.0 million anticipated to be received as a result of the Revenue Capture Agreement.

Transient Occupancy Tax – decrease by \$6.5 million. The Transient Occupancy Tax (TOT) is assessed as a percentage of the rental price for transient lodging charged when the period of occupancy is 30 days or less. The tax rate is 10%, of which 6% is placed in the TOT Fund and 4% is allocated to the General Fund. The General Fund portion of the TOT revenue is anticipated to decline by \$6.5 million (32%) in 2019-2020 due to the cancellation of convention and cultural events, the shelter-in-place mandate, and steep declines in business-related travel. Hotel activity from mid-March through June is estimated at only 15% occupancy.

Fees, Rates and Charges – decrease by \$5.5 million. The Fees, Rates, and Charges category contain various fees and charges levied to recover costs of services provided by several City departments including Library; Parks, Recreation and Neighborhood Services (PRNS); Planning, Building and Code Enforcement; Police; Public Works; and Transportation. In 2019-2020 revenue is anticipated to fall \$5.5 million (9%) below budget due to the shelter-in-place mandate. This drop is primarily due to reduced PRNS activities as the result of classes/camps not occurring as scheduled and the closure of Happy Hollow Park and Zoo.

Utility Tax – decrease by \$3.0 million. The Utility Tax category includes the Electricity Utility Tax, Gas Utility Tax, Water Utility Tax, and the Telephone Utility Tax. As a result of the shelter-in-place mandate, a substantial number of businesses are not open, which decreases utility usage; however, more residents are home, which helps increase usage and partially offset the decline. It is currently anticipated 2019-2020 Utility Tax revenue will fall \$3.0 million (3%) below budget.

Business Taxes – decrease by \$2.0 million. The Business Taxes category consists of the Cannabis Business Tax, Cardroom Tax, Disposal Facility Tax, and General Business Tax. As a result of the shelter-in-place mandate, cardrooms are not open and cannabis dispensaries have limited operations. In addition, many businesses are being negatively financially affected, which may impact the receipt of General Business Tax receipts. Taking into account the strong receipts received prior to the shelter-in-place order, it is currently anticipated that 2019-2020 Business Taxes revenue will fall \$2.0 million (3%) below budget.

Fines, Forfeitures and Penalties – decrease by \$1.0 million. As a result of the shelter-in-place mandate, reduced fines, forfeitures, and penalties revenue is anticipated to be received. The largest driver in this category is Parking Fines. With the issuance of parking citations suspended during the shelter-in-place mandate, revenue in this category is anticipated to fall below the 2019-2020 budgeted level by approximately \$1.0 million (6%).

Transfers and Reimbursements – increase of \$2.6 million. Actions are included in this memorandum to increase the estimate for Transfers and Reimbursements by \$2.6 million to receive a portion of the remaining proceeds from the sale of Hayes Mansion in February 2019. After close of the sale, a reserve of \$2.6 million was established in the Community Facilities Revenue Fund to ensure that sufficient resources were available in the current fiscal year to address any remaining costs or liabilities related to the property’s transition to the new owner. With the fiscal year nearing its end, this reserve can now be liquidated and transferred to the General Fund to help resolve the shortfall.

General Fund Expenditure Adjustments

The downward net revenue adjustment of \$29.7 million described above must be offset by a corresponding decrease in budgeted expenditures for the City’s 2019-2020 General Fund budget to remain in balance. In accordance with the approach outlined above and in the April 7th memorandum, expenditure savings include general savings – such as vacancy savings – and savings attributable to a project or program not yet started that is now suspended or otherwise limited due to budgetary constraints. The attachment includes nearly 100 appropriations in the General Fund recommended to be reduced to offset the shortfall. With the exception of the Development Fee Program expenditures (\$5.3 million) that are described in a separate section of this memorandum, these expenditure reductions (\$24.4 million) are grouped by the categories as described below.

Departmental Expenditures – decrease by \$9.7 million. The table below summarizes reductions of personal services and non-personal/equipment appropriations for each Department or Office. Personal Services savings totaling \$6.8 million primarily account for savings due to position vacancies, including the enactment of the city-wide hiring freeze on March 27, 2020. Non-Personal/Equipment savings of \$2.3 million result from the reduction of non-COVID-19-related expenditures from details such as supplies, travel, training, contractual services, utilities, etc., combined with the suspension of a small number of budgeted projects to provide budgetary savings. Programs or projects impacted by the recommended budget actions include the reduction to the Network Refresh Project (\$250,000), the elimination of office reconfigurations in Information Technology Department and the Office of Economic Development (\$210,000), and reductions to the Small Wonders program in the City Manager’s Office (\$100,000). This category also includes savings of proportional contributions from the Mayor’s Office (\$200,000) and each Council District Office budget (\$40,000), along with additional savings from the Council General appropriation (\$10,000).

HONORABLE MAYOR AND CITY COUNCIL

April 24, 2020

Subject: Approval of Various Budget Action for Fiscal Year 2019-2020 to Address COVID-19 Impacts

Page 7

| 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) |

City-Wide Expenses – decrease by \$7.8 million. A number of City-Wide Expenses appropriation reductions or eliminations are recommended with this memorandum to either recognize savings attributable to those work efforts or because the program, project or service has not yet started and has been suspended. The largest reductions include: Local Sales Tax – South San José Police Substation (\$1.5 million), which will need to be replaced once a new Police Training Facility is constructed in future years; Workers’ Compensation-related savings (\$1.3 million); Local Sales Tax – My San José 2.0 (\$786,000); Business Incentive – Business Cooperation Program (\$506,000); Homeless Housing Innovations (\$500,000); and Service Year (\$300,000). A complete list of the City-Wide Expense appropriation reductions are listed in the attachment.

Capital Contributions – decrease by \$4.1 million. Reduction of Capital Contributions appropriations in the General Fund also consist of project savings and the elimination of projects not yet started. The reductions include, Emergency Power Generation for City Facilities (\$3.0 million), reducing total funding from \$5.0 million to \$2.0 million; several traffic-calming and safety roadway improvements (\$609,000), which will be prioritized for reallocation within eligible funding sources within the Traffic Capital Program as resources allow; and Quiet Zone (\$500,000).

Transfers – decrease by \$1.5 million. A transfer from the General Fund to the Self-Insured Medical Fund of \$1.5 million was included in the 2019-2020 Adopted Budget to provide support for anticipated claims. However, as Anthem Blue Cross, one of the City’s healthcare providers, offers a preferred provider organization (PPO) plan, the Self-Insured Medical Fund was closed to participants effective December 31, 2019. Existing resources within the Self-Insured Medical Fund are anticipated to be sufficient to cover remaining claims through 2020-2021 and the transfer can be withdrawn.

Reserves – decrease by \$1.3 million. A net reduction of \$1.3 million to the City’s various reserves closes the remaining shortfall and is comprised of several reserve categories.

- Earmarked Reserves are reduced by a total of \$9.3 million. These reserves were previously set aside for specific purposes that are recommended to be partially or fully liquidated to help solve the shortfall. The largest of these reserve reductions include, the Salaries and Benefits Reserve (\$5.1 million), which includes funding previously set aside for potential payroll errors and for healthcare and management pay for performance increases that were instead primarily absorbed within departmental budgets; the City Health Plan Restructuring Reserve (\$1.9 million), which was established in 2018-2019 with the intention to create more diverse medical plan choices, providers, and plan offerings; Sick Leave Payments Upon Retirement Reserve (\$1.0 million), which reduces the remaining reserve amount to \$4.0 million; and the 2021-2022 Parks Rehabilitation Strike and Capital Infrastructure Team Reserve (\$745,000), which is the third of a three-year program established in the General Fund with the 2019-2020 Adopted Budget.
- 2019-2020 Ending Fund Balance Reserve is increased by \$8.0 million. As part of the annual budget development process, the City assumes that a certain amount of excess revenues, expenditure savings, and the liquidation of carryover encumbrances will be available each year end to be carried forward as an ongoing funding source (beginning fund balance) in the following year for City services. The 2019-2020 Adopted Budget assumed an ongoing ending fund balance amount of \$23.0 million. Of this amount, \$10.0 million was previously set aside with the City Council’s approval of the 2019-2020 Mid-Year Budget Review on February 11, 2020 (temporarily transferred to the Emergency Reserve Fund to provide initial capacity for COVID-19 response). An additional \$13 million is required to be identified prior to the end of 2019-2020. If any portion of the ending fund balance is not met, that corresponding shortfall will be carried forward and exacerbate the anticipated deficit in 2020-2021. Therefore, this memorandum recommends proactively allocating an additional \$8.0 million to this reserve to bring the total ending fund balance set aside to \$18.0 million. To fully fund the ending fund balance requirement, prior to June 30, 2020, the Administration expects to be able to liquidate prior year encumbrances totaling \$5.0 million that have not yet been spent.

Other Potential Strategies. As described earlier, the recommended reductions contained in this memorandum to recognize savings due to the cost containment strategies outlined in the March 27, 2020 direction to Senior Staff, including vacancy savings, miscellaneous non-personal/equipment savings, and the suspension on non-essential expenditures. However, the

Administration also considered both the impact to communities and the City’s capacity to implement programs and projects given the COVID-19 response and future budgetary challenges. The recommended reductions are a reflection of that consideration within a very compressed timeframe. As an example, a number of General Fund capital projects to rehabilitate community parks and playgrounds have not yet started and are on hold, but are not recommended to be reduced or eliminated with this memorandum. These and other projects may need to be re-evaluated for continuation at the end of the fiscal year depending on budgetary conditions. It is also important to note that the Administration is not recommending the use of the Budget Stabilization Reserve (currently \$32.0 million); instead, the Administration recommends preserving this funding to help address the larger shortfall anticipated for 2020-2021.

DEVELOPMENT FEE PROGRAM

While technically included in the General Fund, the Development Fee Program is a fully cost-recovery program supported by private development construction activity. The Development Fee partners – Building, Planning, City-wide Planning, Fire, and Public Works – are anticipating activity to drop by 40% from April through June. The table below lists the updated revenue projections that take into consideration both estimated activity drop for the remainder of the year, and revenue collections through March. This memorandum includes budgetary adjustments for the Planning and Public Works programs. Activity levels are also anticipated to be negatively impacted through 2020-2021 when compared to pre-COVID-19 estimates and are under evaluation.

| PROGRAM | 2019-2020 BUDGETED REVENUE ESTIMATE | 2019-2020 REVENUE ACTUALS THRU MAR | 2019-2020 YEAR-END REVENUE PROJECTIONS | 2019-2020 BUDGET ADJUSTMENTS |
|--------------------|--|---|---|---|
| Building | \$33,800,000 | \$30,870,941 | \$36,000,000 | |
| Planning | \$8,092,483 | \$5,329,833 | \$6,342,000 | (\$1,750,000) ¹ |
| City-wide Planning | \$3,304,712 | \$3,005,992 | \$3,300,000 | |
| Fire | \$8,410,021 | \$7,368,652 | \$8,410,000 | |
| Public Works | \$13,400,000 | \$8,279,403 | \$9,900,000 | (\$3,500,000) ² |

¹ This downward revenue adjustment will be offset by projected expenditure savings of \$1.75 million.

² This downward revenue adjustment will be offset by a reduction in the Public Works Development Fee Program Reserve by \$3.0 million and projected expenditure savings of \$500,000.

It is important to note that the Development Fee Program will transition into individual special funds with the 2020-2021 Proposed Operating Budget to improve transparency and financial and budgetary administration.

Transient Occupancy Tax (TOT) Fund, Convention and Cultural Affairs Fund, and the Convention Center Facilities District Revenue (CCFD) Fund

The City's TOT rate is 10%, of which 4% is allocated to the General Fund and 6% is allocated to the TOT Fund. TOT receipts are then allocated to support Cultural Grants programs (25%) and the operation of the Convention and Visitors' Bureau (CVB) (25%), and transferred to the Convention and Cultural Affairs Fund (50%) for the operation and maintenance of the San José McEnery Convention Center and other cultural facilities by the City's third-party operator, Team San Jose.

Because occupancy rates declined in mid-March to approximately 15% due to reduced travel and the shelter-in-place order in response to COVID-19, TOT Fund revenues are now estimated to decrease by \$9.8 million from the 2019-2020 budgeted revenue estimate. These shortfalls will significantly impact available funding for cultural art grants and related programming, operation of the CVB and its marketing programs, as well as Team San Jose operations and capital improvements to the City's convention and cultural facilities. Event cancellations across all facilities stemming from COVID-19 and the shelter-in-place order are additionally projected to increase operations subsidy levels for facility management, as the immediacy of cancellations and corresponding revenue losses are anticipated to exceed the near-term capacity to contain and reduce costs during the final quarter of the 2019-2020. The uncertain outlook toward recovery is also expected to suppress event activity going into 2020-2021. These impacts will be felt within the Convention and Cultural Affairs Fund, which helps fund the operations and capital improvements of the Convention Center and other cultural facilities managed by Team San Jose.

Team San Jose has undergone two rounds of layoffs due to the event loss. The cultural arts program will tap into existing reserves to bridge funding for the current year, but grant allocations will become more constrained in the immediate future. As the situation evolves, the Administration will continue to collaborate closely with Team San Jose and community-based organization stakeholders of cultural grant programs to effectively manage available resources.

Within the CCFD fund, special tax revenues are now estimated to decrease by \$5.5 million in 2019-2020. As a result, previously planned capital improvements to the San José McEnery Convention Center will be curtailed to allow for the continued payment of debt obligations.

Multiple adjustments are included in this memorandum to rebalance these affected funds. Decreases to estimated TOT and CCFD revenues and additional operating subsidy requirements for Team San Jose operations are largely offset with available fund balance, the liquidation of revenue stabilization and capital reserves, and collaborative approaches to reducing operating expenses for the impacted programs. The detailed transactions are included in the attachment.

EVALUATION AND FOLLOW-UP

The Administration will continue to monitor and revise estimates related to the COVID-19 pandemic as more information becomes available. Any new information will be incorporated, as appropriate, into the 2020-2021 Proposed Operating Budget scheduled for release on May 8,

HONORABLE MAYOR AND CITY COUNCIL

April 24, 2020

Subject: Approval of Various Budget Action for Fiscal Year 2019-2020 to Address COVID-19 Impacts

Page 11

2020. The Bi-Monthly Financial Report for March/April will be issued in June, and additional year-end budget adjustments will also be recommended for City Council consideration at their meeting on June 23, 2020.

CLIMATE SMART SAN JOSE

The recommendation in this memo does not have any negative impact on Climate Smart San Jose energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the April 28, 2020, Council agenda.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item does not require any input from a board or commission.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a special project which may result in a potentially significant physical impact on the environment.



David Sykes
City Manager

For questions please contact Jim Shannon, Budget Director, at (408) 535-8142.

Attachment A – General Fund 2019-2020 Budget Re-balancing Adjustments

Attachment B – Special/Capital Funds 2019-2020 Budget Re-balancing Adjustments

Attachment A
General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | | USE | | SOURCE | | NET COST |
|---|------------------------|-------------------|------------------------|---------------|---------|------------------|
| | | Personal Services | Non-Personal/Equipment | Total Use | Revenue | Beg Fund Balance |
| DEPARTMENTAL EXPENSES | | | | | | |
| City Attorney's Office | Personal Services | (\$200,000) | - | (\$200,000) | - | - (\$200,000) |
| City Auditor's Office | Personal Services | (\$150,000) | - | (\$150,000) | - | - (\$150,000) |
| City Clerk's Office | Non-Personal/Equipment | - | (\$10,000) | (\$10,000) | - | - (\$10,000) |
| | Personal Services | (\$120,000) | - | (\$120,000) | - | - (\$120,000) |
| City Manager - Office of Economic Development | Non-Personal/Equipment | - | (\$300,000) | (\$300,000) | - | - (\$300,000) |
| | Personal Services | (\$350,000) | - | (\$350,000) | - | - (\$350,000) |
| Environmental Services Department | Non-Personal/Equipment | - | (\$25,000) | (\$25,000) | - | - (\$25,000) |
| | Personal Services | (\$250,000) | - | (\$250,000) | - | - (\$250,000) |
| Finance Department | Non-Personal/Equipment | - | (\$200,000) | (\$200,000) | - | - (\$200,000) |
| | Personal Services | (\$350,000) | - | (\$350,000) | - | - (\$350,000) |
| Fire Department | Non-Personal/Equipment | - | (\$200,000) | (\$200,000) | - | - (\$200,000) |
| Housing Department | Personal Services | (\$200,000) | - | (\$200,000) | - | - (\$200,000) |
| Human Resources Department | Non-Personal/Equipment | - | (\$200,000) | (\$200,000) | - | - (\$200,000) |
| | Personal Services | (\$300,000) | - | (\$300,000) | - | - (\$300,000) |
| Independent Police Auditor's Office | Non-Personal/Equipment | - | (\$30,000) | (\$30,000) | - | - (\$30,000) |
| | Personal Services | (\$100,000) | - | (\$100,000) | - | - (\$100,000) |
| Information Technology Department | Non-Personal/Equipment | - | (\$664,000) | (\$664,000) | - | - (\$664,000) |
| | Personal Services | (\$1,200,000) | - | (\$1,200,000) | - | - (\$1,200,000) |
| Library Department | Non-Personal/Equipment | - | (\$200,000) | (\$200,000) | - | - (\$200,000) |
| Mayor & City Council | Council District #01 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #02 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #03 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #04 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #05 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #06 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |
| | Council District #07 | (\$40,000) | - | (\$40,000) | - | - (\$40,000) |

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | USE | | SOURCE | | NET COST | |
|--|---|-------------------------|----------------------|-----------------------|------------------|-----------------------|
| | Personal Services | Non-Personal/ Equipment | Total Use | Revenue | Beg Fund Balance | |
| DEPARTMENTAL EXPENSES | | | | | | |
| | Council District #08 | (\$40,000) | - | (\$40,000) | - | (\$40,000) |
| | Council District #09 | (\$40,000) | - | (\$40,000) | - | (\$40,000) |
| | Council District #10 | (\$40,000) | - | (\$40,000) | - | (\$40,000) |
| | Council General | (\$10,000) | - | (\$10,000) | - | (\$10,000) |
| | Office of the Mayor | (\$200,000) | - | (\$200,000) | - | (\$200,000) |
| Office of the City Manager | Non-Personal/Equipment | - | (\$200,000) | (\$200,000) | - | (\$200,000) |
| | Personal Services | (\$1,650,000) | - | (\$1,650,000) | - | (\$1,650,000) |
| Parks, Recreation and Neighborhood Services Department | Non-Personal/Equipment | - | (\$50,000) | (\$50,000) | - | (\$50,000) |
| | Personal Services | (\$250,000) | - | (\$250,000) | - | (\$250,000) |
| Planning, Building and Code Enforcement Department | Non-Personal/Equipment | - | (\$250,000) | (\$250,000) | - | (\$250,000) |
| | Planning Development Fee Program - Non-Personal / Equipment | - | (\$150,000) | (\$150,000) | - | (\$150,000) |
| | Planning Development Fee Program - Personal Services | (\$1,600,000) | - | (\$1,600,000) | - | (\$1,600,000) |
| Police Department | Personal Services | (\$650,000) | - | (\$650,000) | - | (\$650,000) |
| Public Works Department | Public Works Development Fee Program - Personal Services | (\$500,000) | - | (\$500,000) | - | (\$500,000) |
| Transportation Department | Personal Services | (\$1,000,000) | - | (\$1,000,000) | - | (\$1,000,000) |
| | DEPARTMENTAL EXPENSES TOTAL | (\$9,480,000) | (\$2,479,000) | (\$11,959,000) | - | (\$11,959,000) |
| CITY-WIDE EXPENSES | | | | | | |
| | Business Improvement District Creation | - | (\$47,000) | (\$47,000) | - | (\$47,000) |
| | Business Incentive - Business Cooperation Program | - | (\$253,000) | (\$253,000) | - | (\$253,000) |
| | Business Incentive - Business Cooperation Program Administration | - | (\$253,000) | (\$253,000) | - | (\$253,000) |
| | City Auditor's Office Performance Audit | - | (\$1,000) | (\$1,000) | - | (\$1,000) |
| | Citywide Digital Services Strategy | - | (\$280,000) | (\$280,000) | - | (\$280,000) |

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | USE | | SOURCE | | NET COST |
|--|-------------------|-------------------------|---------------|---------|------------------|
| | Personal Services | Non-Personal/ Equipment | Total Use | Revenue | Beg Fund Balance |
| CITY-WIDE EXPENSES | | | | | |
| Citywide Open Data Environment and Architecture | - | (\$130,000) | (\$130,000) | - | - (\$130,000) |
| City-wide Retail Attraction Program | - | (\$187,500) | (\$187,500) | - | - (\$187,500) |
| Civil Service Commission | - | (\$3,000) | (\$3,000) | - | - (\$3,000) |
| Council Policy Priorities Implementation | - | (\$130,000) | (\$130,000) | - | - (\$130,000) |
| Cultural Events and Festivals (Secondary Employment) | - | (\$108,000) | (\$108,000) | - | - (\$108,000) |
| Cybersecurity | - | (\$171,000) | (\$171,000) | - | - (\$171,000) |
| Downtown Pedestrian Quality of Life | - | (\$75,000) | (\$75,000) | - | - (\$75,000) |
| Employee Engagement Program Survey and Training | - | (\$91,000) | (\$91,000) | - | - (\$91,000) |
| Employee Recognition | - | (\$25,000) | (\$25,000) | - | - (\$25,000) |
| Expanding Pre-Apprenticeship Opportunities | - | (\$106,000) | (\$106,000) | - | - (\$106,000) |
| General Planning Support | - | (\$46,000) | (\$46,000) | - | - (\$46,000) |
| Homeless Housing Innovations | - | (\$500,000) | (\$500,000) | - | - (\$500,000) |
| Homeless Response Team | - | (\$150,000) | (\$150,000) | - | - (\$150,000) |
| Human Resources/Payroll/Budget Systems Upgrades | - | (\$87,000) | (\$87,000) | - | - (\$87,000) |
| Information Technology Desktop Modernization | - | (\$42,000) | (\$42,000) | - | - (\$42,000) |
| Japantown Creative Center for the Arts | - | (\$250,000) | (\$250,000) | - | - (\$250,000) |
| Transportation Improvements | - | (\$98,000) | (\$98,000) | - | - (\$98,000) |
| Labor/Employee Relations Consultant Funding | - | (\$115,000) | (\$115,000) | - | - (\$115,000) |
| Local Sales Tax - My San José 2.0 | - | (\$786,000) | (\$786,000) | - | - (\$786,000) |
| Local Sales Tax - South San José Substation | - | (\$1,500,000) | (\$1,500,000) | - | - (\$1,500,000) |
| Mayor and City Council Travel | - | (\$5,000) | (\$5,000) | - | - (\$5,000) |
| Organizational Effectiveness | - | (\$50,000) | (\$50,000) | - | - (\$50,000) |
| Parcel Mapping Demonstration Project | - | (\$35,000) | (\$35,000) | - | - (\$35,000) |
| Parks Activation | - | (\$48,000) | (\$48,000) | - | - (\$48,000) |
| Planning Commission | - | (\$4,000) | (\$4,000) | - | - (\$4,000) |
| Public Works Unfunded Projects | - | (\$245,000) | (\$245,000) | - | - (\$245,000) |

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | USE | | Total Use | SOURCE | | NET COST |
|---|--------------------|-------------------------|----------------------|----------|------------------|----------------------|
| | Personal Services | Non-Personal/ Equipment | | Revenue | Beg Fund Balance | |
| CITY-WIDE EXPENSES | | | | | | |
| San Jose BEST and Safe Summer Initiative Programs | (\$152,000) | - | (\$152,000) | - | - | (\$152,000) |
| San José Data and Performance Project | - | (\$150,000) | (\$150,000) | - | - | (\$150,000) |
| Service Year | - | (\$300,000) | (\$300,000) | - | - | (\$300,000) |
| State of the City Convocation | - | (\$25,000) | (\$25,000) | - | - | (\$25,000) |
| Street Activation | - | (\$26,000) | (\$26,000) | - | - | (\$26,000) |
| Workers' Compensation Claims - PRNS | - | (\$250,000) | (\$250,000) | - | - | (\$250,000) |
| Workers' Compensation Claims - Public Works | - | (\$375,000) | (\$375,000) | - | - | (\$375,000) |
| Workers' Compensation Claims - Transportation | - | (\$375,000) | (\$375,000) | - | - | (\$375,000) |
| Workers' Compensation State License | - | (\$301,000) | (\$301,000) | - | - | (\$301,000) |
| CITY-WIDE EXPENSES TOTAL | (\$152,000) | (\$7,623,500) | (\$7,775,500) | - | - | (\$7,775,500) |
| CAPITAL PROJECT EXPENSES | | | | | | |
| Charmeran Avenue Crosswalk | - | (\$115,000) | (\$115,000) | - | - | (\$115,000) |
| Eden Avenue Road Humps | - | (\$64,000) | (\$64,000) | - | - | (\$64,000) |
| Emergency Power Generation for City Facilities | - | (\$3,000,000) | (\$3,000,000) | - | - | (\$3,000,000) |
| Fox Lane Crosswalk | - | (\$50,000) | (\$50,000) | - | - | (\$50,000) |
| Koch Lane at Marsha Way Crosswalk | - | (\$25,000) | (\$25,000) | - | - | (\$25,000) |
| New Jersey Ave/Foxworthy Ave Bulb-Outs | - | (\$55,000) | (\$55,000) | - | - | (\$55,000) |
| Quiet Zone | - | (\$500,000) | (\$500,000) | - | - | (\$500,000) |
| Safety - Pedestrian and Roadway Improvements Program | - | (\$300,000) | (\$300,000) | - | - | (\$300,000) |
| CAPITAL PROJECT EXPENSES TOTAL | - | (\$4,109,000) | (\$4,109,000) | - | - | (\$4,109,000) |
| EARMARKED RESERVES | | | | | | |
| 2019-2020 Ending Fund Balance Reserve | - | \$8,000,000 | \$8,000,000 | - | - | \$8,000,000 |
| 2021-2022 Parks Rehabilitation Strike and Capital Infrastructure Team Reserve | - | (\$745,000) | (\$745,000) | - | - | (\$745,000) |

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | USE | | SOURCE | | NET COST |
|--|-------------------|-------------------------|----------------------|---------------|------------------------|
| | Personal Services | Non-Personal/ Equipment | Total Use | Revenue | Beg Fund Balance |
| EARMARKED RESERVES | | | | | |
| 3-1-1 Call Transition Reserve | - | (\$135,000) | (\$135,000) | - | - (\$135,000) |
| City Health Plan Restructuring Reserve | - | (\$1,900,000) | (\$1,900,000) | - | - (\$1,900,000) |
| Fiscal Reform Plan Implementation Reserve | - | (\$6,000) | (\$6,000) | - | - (\$6,000) |
| Japantown Neighborhood Parking Pilot Program | - | (\$250,000) | (\$250,000) | - | - (\$250,000) |
| Public Works Development Fee Program Reserve | - | (\$3,000,000) | (\$3,000,000) | - | - (\$3,000,000) |
| Salaries and Benefits Reserve | - | (\$5,095,500) | (\$5,095,500) | - | - (\$5,095,500) |
| Sexual Assaults Law Enforcement Training and Supportive Services Reserve | - | (\$175,000) | (\$175,000) | - | - (\$175,000) |
| Sick Leave Payments Upon Retirement Reserve | - | (\$1,000,000) | (\$1,000,000) | - | - (\$1,000,000) |
| EARMARKED RESERVES TOTAL | - | (\$4,306,500) | (\$4,306,500) | - | - (\$4,306,500) |
| TRANSFERS | | | | | |
| Transfer to Self-Insured Medical Fund | - | (\$1,500,000) | (\$1,500,000) | - | - (\$1,500,000) |
| TRANSFERS TOTAL | - | (\$1,500,000) | (\$1,500,000) | - | - (\$1,500,000) |
| REVENUE ADJUSTMENTS | | | | | |
| Business Taxes | - | - | - | (\$2,000,000) | - \$2,000,000 |
| Fees, Rates, and Charges | - | - | - | (\$5,500,000) | - \$5,500,000 |
| Fees, Rates, and Charges (Planning Development Fee Program) | - | - | - | (\$1,750,000) | - \$1,750,000 |
| Fees, Rates, and Charges (Public Works Development Fee Program) | - | - | - | (\$3,500,000) | - \$3,500,000 |
| Fines, Forfeitures, and Penalties | - | - | - | (\$1,000,000) | - \$1,000,000 |
| Sales Tax | - | - | - | (\$9,000,000) | - \$9,000,000 |
| Transfers and Reimbursements (Transfer from the Community Facilities Revenue Fund) | - | - | - | \$2,600,000 | - (\$2,600,000) |
| Transient Occupancy Tax | - | - | - | (\$6,500,000) | - \$6,500,000 |

General Fund
 Recommended Budget Adjustments and Clean-Up Actions
 2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | USE | | SOURCE | | NET COST | |
|----------------------------------|----------------------|-------------------------|-----------------------|-----------------------|------------------|---------------------|
| | Personal Services | Non-Personal/ Equipment | Total Use | Revenue | Beg Fund Balance | |
| REVENUE ADJUSTMENTS | | | | | | |
| Utility Tax | - | - | - | (\$3,000,000) | - | \$3,000,000 |
| REVENUE ADJUSTMENTS TOTAL | - | - | - | (\$29,650,000) | - | \$29,650,000 |
| TOTAL GENERAL FUND | (\$9,632,000) | (\$20,018,000) | (\$29,650,000) | (\$29,650,000) | - | - |

Attachment B

Special/Capital Funds
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | Personal Services | Non-Personal Equipment | Use Other | Ending Fund Balance | Total Use | Source Revenue | Beg Fund Balance | Net Cost |
|--|-------------------|------------------------|---------------|---------------------|---------------|----------------|------------------|---------------|
| Community Facilities Revenue Fund (422) | | | | | | | | |
| Budget Adjustments | | | | | | | | |
| Finance Department | | | | | | | | |
| Transfer to the General Fund | - | - | \$2,600,000 | - | \$2,600,000 | - | - | \$2,600,000 |
| Hayes Close Out Costs Reserve | - | - | (\$2,600,000) | - | (\$2,600,000) | - | - | (\$2,600,000) |
| Budget Adjustments Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Community Facilities Revenue Fund (422) TOTAL | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Convention and Cultural Affairs Fund (536)

Budget Adjustments

| | | | | | | | | |
|---|------------|------------|--------------------|----------------------|------------------|------------------|------------|---------------|
| City Manager - Office of Economic Development | | | | | | | | |
| Transfers and Reimbursements (Transfer from the Transient Occupancy Tax Fund) | - | - | - | - | - | (\$4,375,000) | - | \$4,375,000 |
| Transfers and Reimbursements (Transfer from the Convention and Cultural Affairs Captial Fund) | - | - | - | - | - | \$5,000,000 | - | (\$5,000,000) |
| Convention Facilities Operations | - | - | \$6,280,000 | - | \$6,280,000 | - | - | \$6,280,000 |
| CVB Marketing Services | - | - | (\$500,000) | - | (\$500,000) | - | - | (\$500,000) |
| Revenue Stabilization Reserve | - | - | (\$4,000,000) | - | (\$4,000,000) | - | - | (\$4,000,000) |
| Ending Fund Balance Adjustment | - | - | - | (\$1,155,000) | (\$1,155,000) | - | - | (\$1,155,000) |
| Budget Adjustments Total | \$0 | \$0 | \$1,780,000 | (\$1,155,000) | \$625,000 | \$625,000 | \$0 | \$0 |

Special/Capital Funds
2019-2020 Budget Re-balancing Adjustments

| Department/Proposal | Personal Services | Non-Personal Equipment | Use Other | Ending Fund Balance | Total Use | Source Revenue | Beg Fund Balance | Net Cost |
|---|-------------------|------------------------|--------------------|----------------------|------------------|------------------|------------------|------------|
| Convention and Cultural Affairs Fund (536) TOTAL | \$0 | \$0 | \$1,780,000 | (\$1,155,000) | \$625,000 | \$625,000 | \$0 | \$0 |

Convention Center Facilities District Revenue Fund (791)

Budget Adjustments

| | | | | | | | | |
|---|------------|------------|----------------------|----------------------|----------------------|----------------------|------------|---------------|
| Finance Department Convention Center Facilities District Special Tax | - | - | - | - | - | (\$5,450,000) | - | \$5,450,000 |
| Ending Fund Balance Adjustment | - | - | - | (\$4,150,000) | (\$4,150,000) | - | - | (\$4,150,000) |
| South Hall Site Acquisition Debt Service Reserve | - | - | (\$1,300,000) | - | (\$1,300,000) | - | - | (\$1,300,000) |
| Budget Adjustments Total | \$0 | \$0 | (\$1,300,000) | (\$4,150,000) | (\$5,450,000) | (\$5,450,000) | \$0 | \$0 |
| Convention Center Facilities District Revenue Fund (791) TOTAL | \$0 | \$0 | (\$1,300,000) | (\$4,150,000) | (\$5,450,000) | (\$5,450,000) | \$0 | \$0 |

Transient Occupancy Tax Fund (461)

Budget Adjustments

| | | | | | | | | |
|---|---|---|---------------|---------------|---------------|---------------|---|---------------|
| City Manager - Office of Economic Development Transient Occupancy Tax | - | - | - | - | - | (\$9,750,000) | - | \$9,750,000 |
| Cultural Grants | - | - | (\$2,187,500) | - | (\$2,187,500) | - | - | (\$2,187,500) |
| San José Convention and Visitors Bureau | - | - | (\$2,187,500) | - | (\$2,187,500) | - | - | (\$2,187,500) |
| Transfer to Convention and Cultural Affairs Fund | - | - | (\$4,375,000) | - | (\$4,375,000) | - | - | (\$4,375,000) |
| Ending Fund Balance Adjustment | - | - | - | (\$1,000,000) | (\$1,000,000) | - | - | (\$1,000,000) |

