

City of San José

2020-2021 Proposed Operating Budget Overview

May 14, 2020

2020-2021 Proposed Budget Overview

Situational Context

- Sudden and severe revenue shortfalls
- The City continues to operate in emergency mode
- Significantly modified budget documents
- Compressed process with just-in-time releases

2020-2021 Proposed Budget Overview

Budget Balancing Considerations

- The need for ongoing service reductions driven by a significantly weakened economic environment, even after shelter-in-place restrictions are lifted
- City Council and community priorities with the understanding that service reductions can have disproportionate impacts within our community
- We are powered by people – minimizing layoffs limits the impact to both the organization and the community
- Uncertainty of medium to long-term impacts of COVID-19 and the corresponding need to preserve core service delivery

2020-2021 Proposed Budget Overview

Budget Balancing Strategy

- The 2020-2021 Proposed Operating Budget addresses the projected revenue shortfall
- Contingency Plan considered if revenue conditions significantly worsen
- Employee engagement throughout the process
- COVID-19 – the impacts, response, cost, and funding continue to evolve

2020-2021 Proposed Budget

General Fund Operating Margin

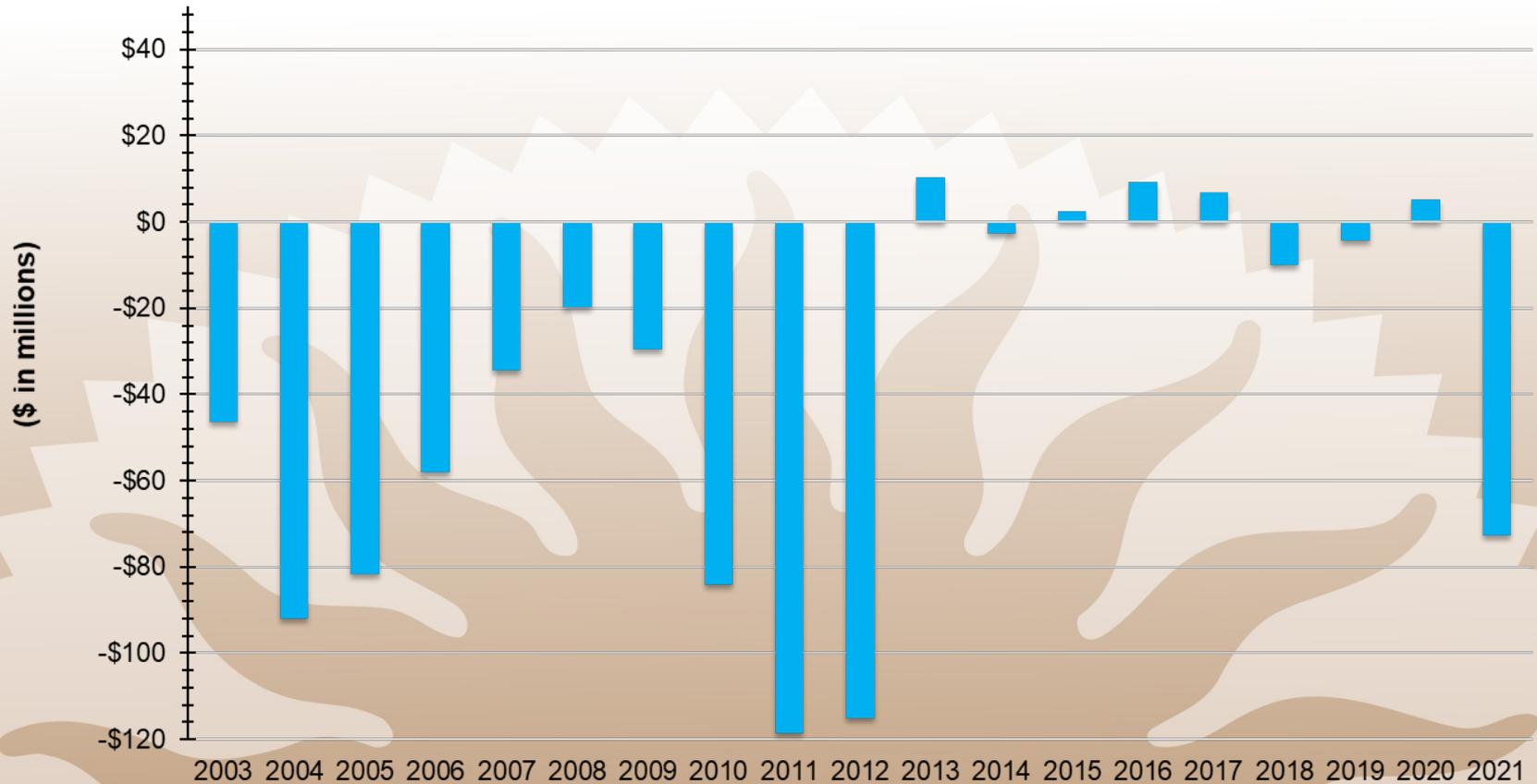
2021-2025 General Fund Forecast

Base, Optimistic, Pessimistic, and Recession Cases

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Five-Year Surplus/ (Shortfall)
Base Case	\$0.5 M	(\$11.1 M)	\$14.0 M	(\$2.2 M)	\$ 1.0 M	\$2.2 M
Optimistic Case	\$13.4 M	\$7.3 M	\$30.1 M	\$11.3 M	\$16.7 M	\$78.8 M
Pessimistic Case	(\$13.1 M)	(\$19.8 M)	\$4.2 M	(\$12.1 M)	(\$6.6 M)	(\$47.4 M)
Recession Case	(\$38.3 M)	(\$53.7 M)	(\$19.4 M)	(\$33.7 M)	(\$32.9 M)	(\$178.0 M)

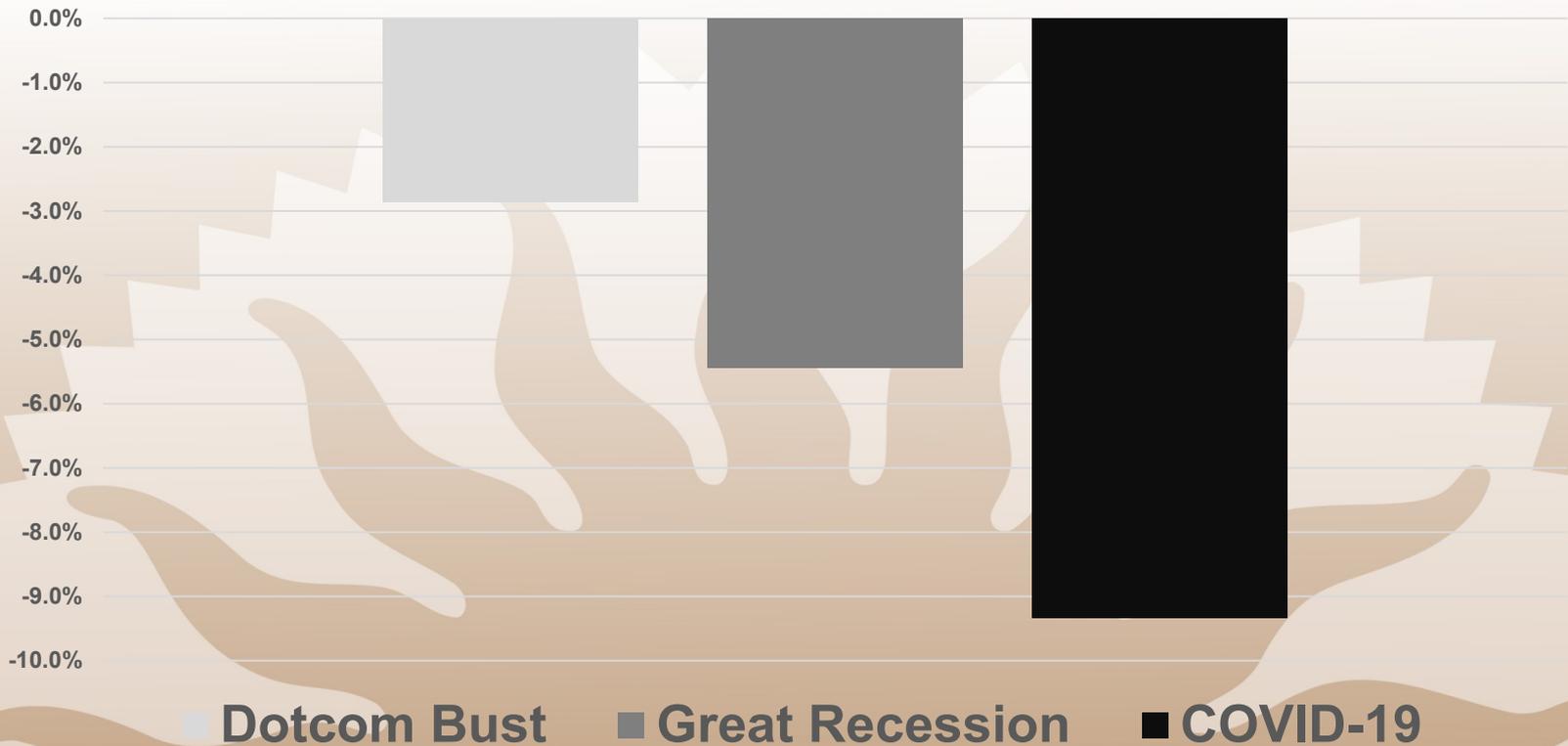
General Fund Shortfall and Surpluses

2002-2003 to 2020-2021



General Fund Revenue

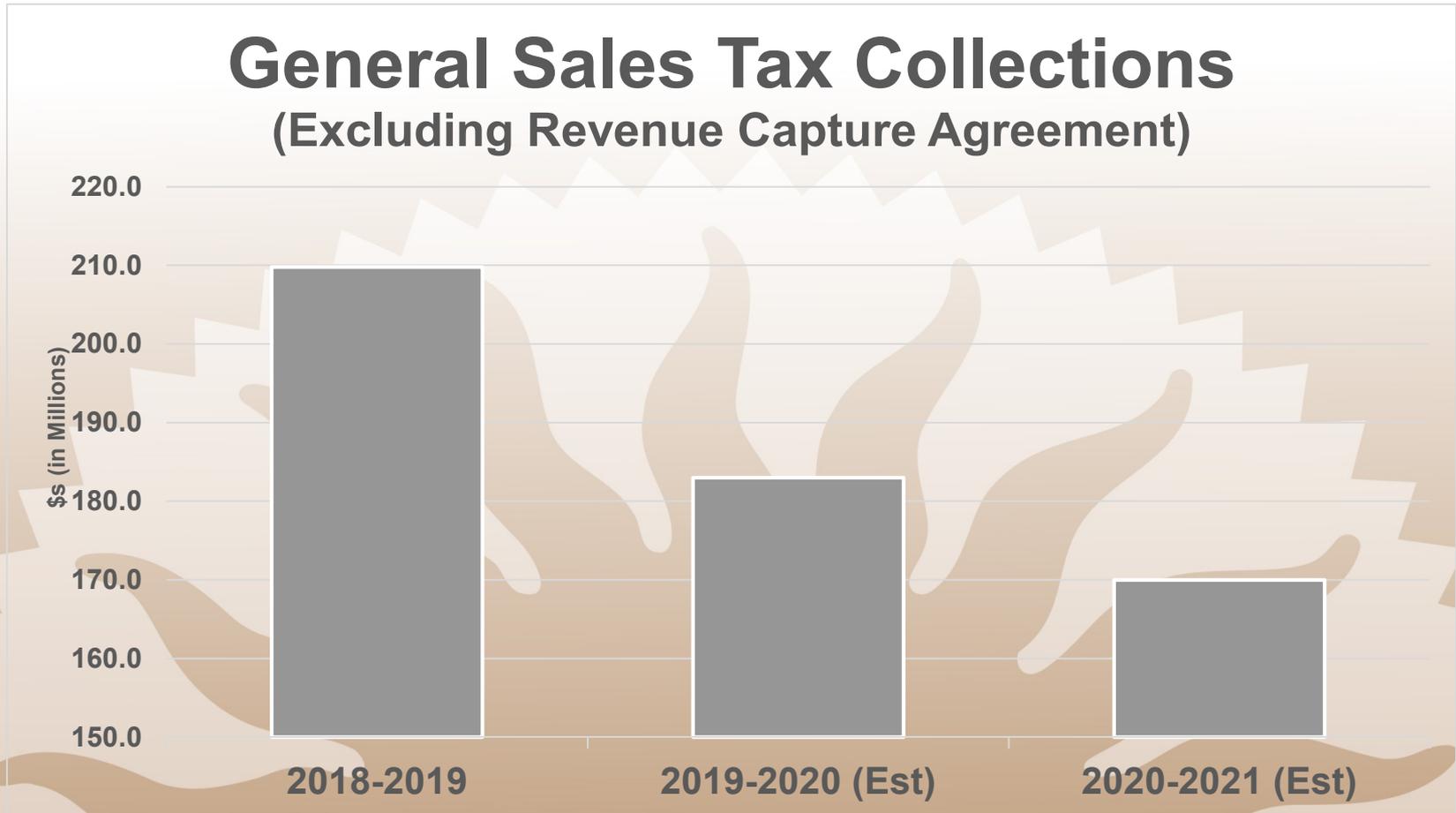
General Fund Revenue Loss



General Fund Revenue

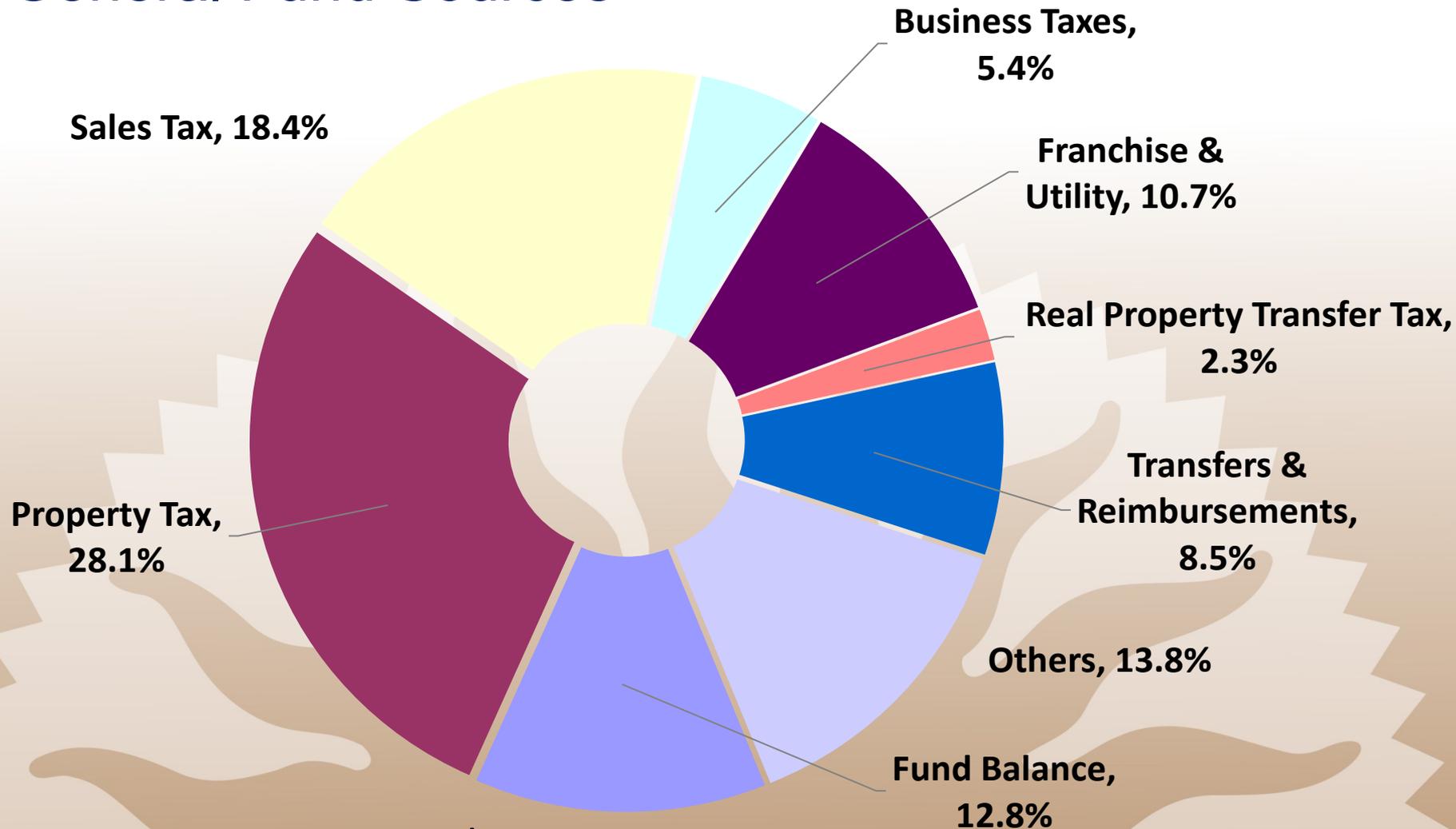
Sources	Revision
Sales Tax	\$ (47,200)
Business Taxes	(7,000)
Property Tax	(5,800)
Transient Occupancy Tax	(5,800)
Fees, Rates, and Charges	(3,254)
Transfers and Reimbursements	(2,540)
Franchise Fees	(2,402)
Other Revenues	(1,102)
Fines, Forfeitures and Penalties	(900)
Utility Tax	(600)
Beginning Fund Balance	(2,000)
Net Change in Sources	\$ (78,598)

General Fund Revenue



2020-2021 Proposed Budget

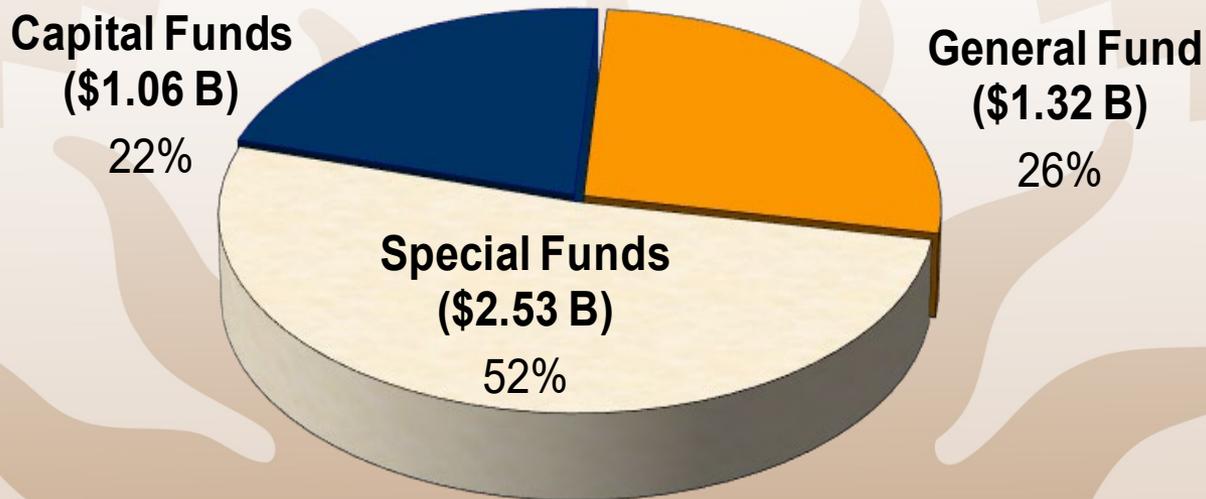
General Fund Sources



Total General Fund Sources: \$1,318,447,965

City of San José Budget Overview

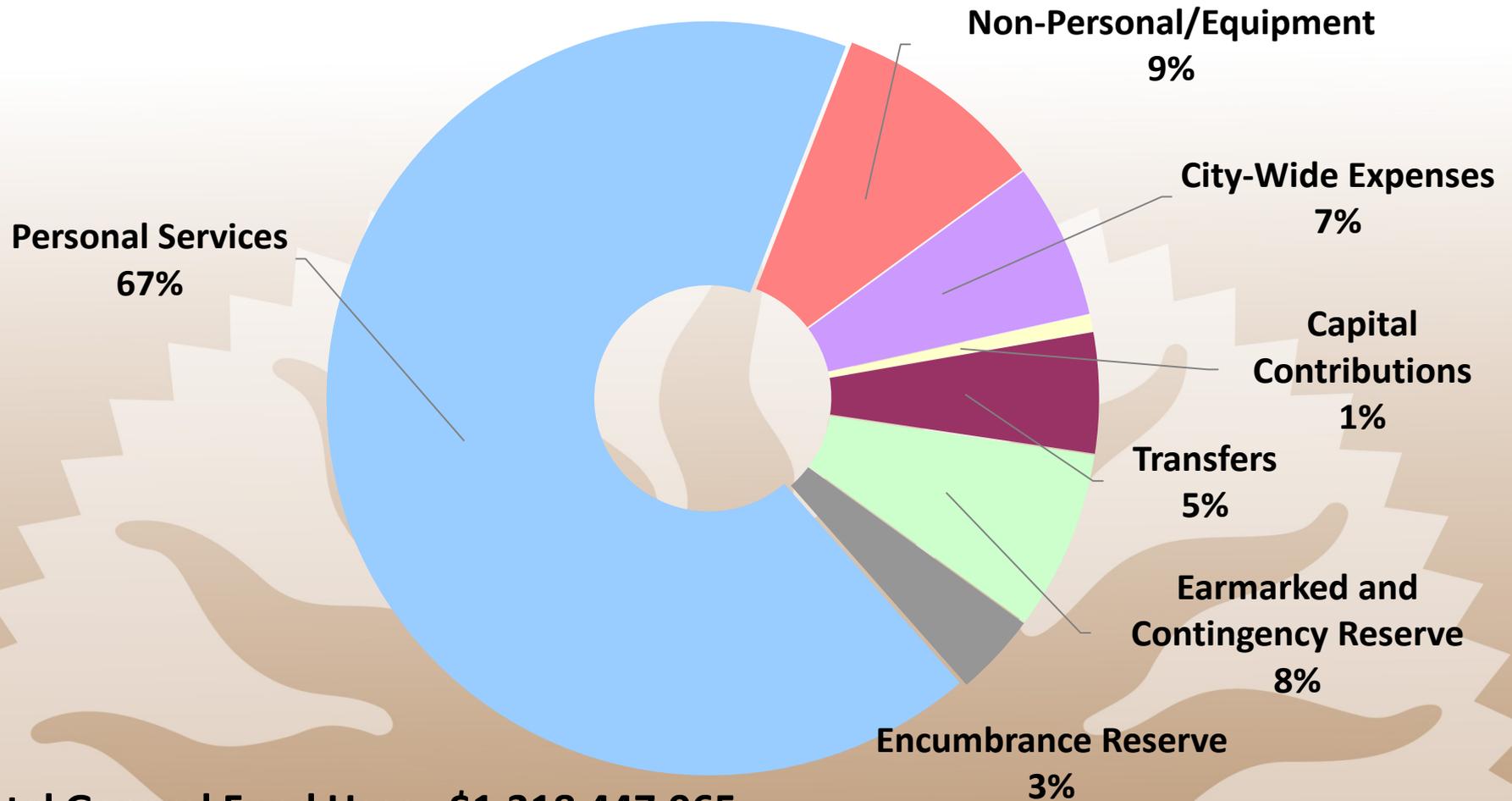
2020-2021 PROPOSED CITY BUDGET¹:	\$4.1 billion
TOTAL NUMBER OF FUNDS:	130
TOTAL NUMBER OF POSITIONS (FTE):	6,544



¹ An adjustment of \$763 million is necessary to arrive at the \$4.1 billion net 2020-2021 Proposed City Budget to avoid the double-counting of transfers, loans, and contributions between City funds.

2020-2021 Proposed Budget

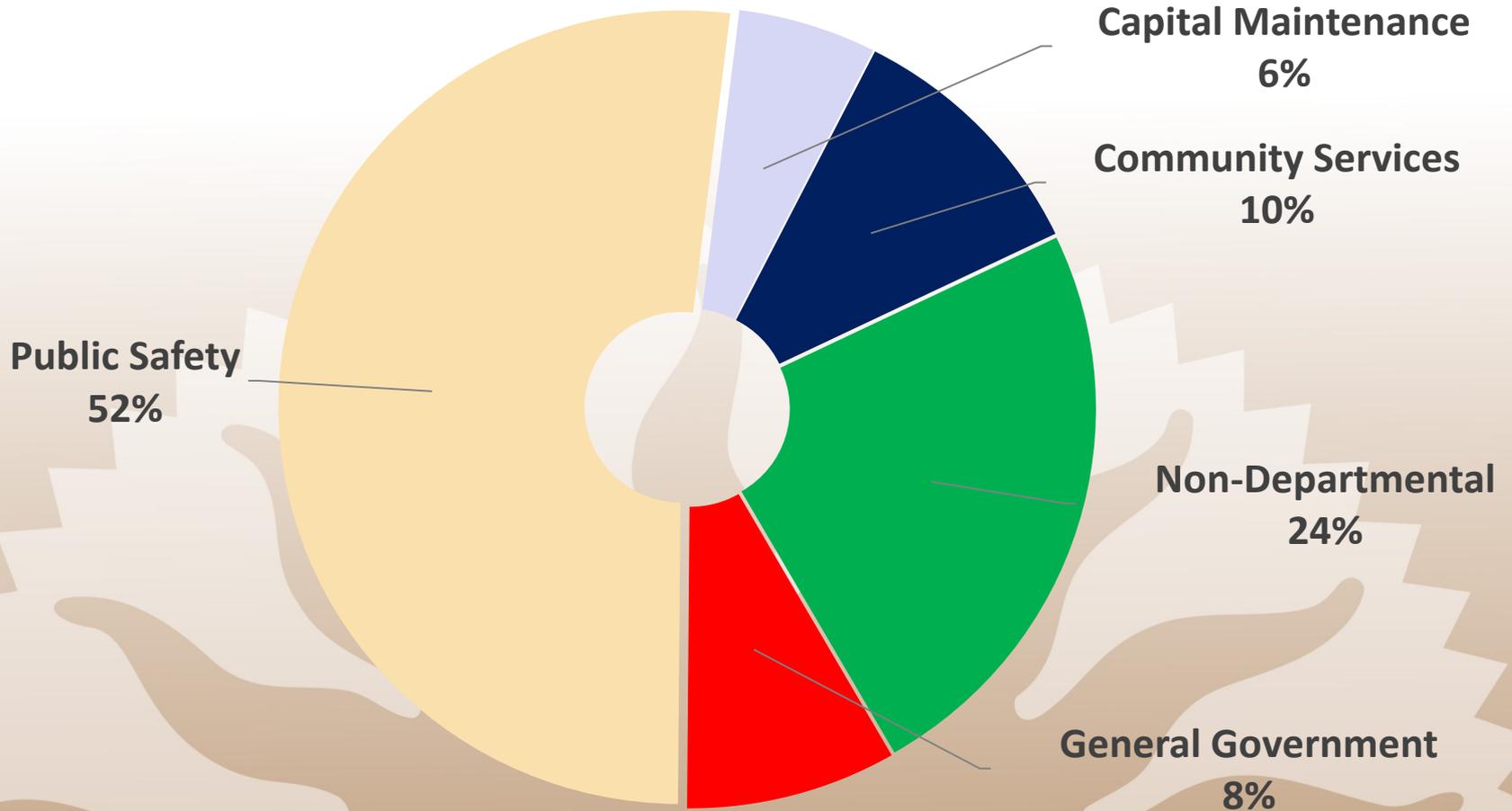
General Fund Uses by Category



Total General Fund Uses: \$1,318,447,965

2020-2021 Proposed Budget

General Fund Uses



Total General Fund Uses: \$1,318,447,965

2020-2021 Proposed Budget Overview

- Balanced all funds (General Fund, special and capital funds)
- General Fund projected deficit of \$71.6 million
- Ongoing deficit of \$19.7 million (not solved through actions in the Proposed Budget)
- Equity Considerations:
 - ✓ COVID-19 Impacted Services
 - ✓ Other Direct Service Impacts
 - ✓ Strategic Support Impacts
 - ✓ Proposals with No Impact
- Positions are down 1.5%, from 6,647 to 6,544

2020-2021 Budget Balancing Strategy

General Fund

	\$ in millions	
	<u>2020-2021</u>	<u>Ongoing</u>
Total General Fund Deficit	\$ (71.6)	\$ (71.6)
Recommended Balancing Strategy		
– Changes in Sources	\$ 106.3	\$ 52.4
– Changes in Uses	(34.7)	(0.5)
Total Balancing Strategy	\$ 71.6	\$ 51.9
Amount Remaining Unsolved	\$ 0	\$ (19.7)

2020-2021 Budget Balancing Strategy

Changes in General Fund Sources

	\$ in millions	
	2020-2021	Ongoing
Beginning Fund Balance	16.6	0.0
2020-2021 Future Deficit Reserve	10.9	0.0
Budget Stabilization Reserve	5.0	0.0
Other Reserve Liquidations	0.7	0.0
Grants/Reimbursements/Fees	1.6	1.8
Google-Diridon Station Development and Planning	1.3	0.0
UASI Grant – Office of Emergency Management	0.6	0.0
PRNS Fee Revenue (Summer Swim, Family Camp, Comm Centers, HHPZ Corp)	(1.9)	(0.2)
Elimination of Library Late Fines for Juveniles	(.2)	(.2)
Other Fee Programs/Reimbursements/Grants	1.4	1.8
Other Revenue	86.8	49.7
Real Property Transfer Tax (Measure E)	30.0	30.0
City Hall Lease-Revenue Bonds Refunding	26.0	0.0
Sales Tax (Revenue Capture Agreement Annualization)	22.0	22.0
Sale of Surplus Property (Future Affordable Housing Developments)	11.1	0
Communications Facilities Property Rentals	0.3	0.3
Interest Earnings (Pre-funding of City Retirement Contributions)	(2.6)	(2.6)
Overhead from Other Funds	1.3	0.9
Total Change in Sources	\$ 106.3	\$ 52.4

2020-2021 Budget Balancing Strategy

Changes in General Fund Uses

	\$ in millions	
	<u>2020-2021</u>	<u>Ongoing</u>
Measure E Allocation (Homelessness Prevention and Affordable Housing)	\$ 30.0	\$ 30.0
2021-2022 Future Deficit Reserve	11.1	0.0
2019-2020 One-Time Funded Services	6.5	0.6
Unmet/Deferred Technology, Infrastructure, and Maintenance	5.4	0.0
Service Level Enhancements	1.7	0.7
Earmarked Reserves (Essential Services and Litigation Reserve)	1.5	0.0
Other Fee Programs/Grants/Reimbursements	0.7	<0.1
New Infrastructure/Equipment Operations and Maintenance	0.1	0.2
Use of Reserves (Deferred Maintenance, Committed Additions)	(1.4)	(0.2)
Cost Reductions/Service Delivery Efficiencies/Funding Shifts	(20.9)	(30.8)
Total Change in Uses	\$ 34.7	\$ 0.5

Recommended Budget Actions

Key Citywide Actions – No Service Impacts

- Sales Tax – Revenue Capture Agreement Annualization
Additional revenue of \$22 million ongoing
- Pre-Funding of City Retirement Contributions
Net savings of \$7.4 million ongoing
- Pay Down Debt
Savings of \$4.2 million ongoing
- Fuel Savings
Savings of \$940,000

Recommended Budget Actions

Public Safety

- Public Records Request Staffing
- Police and Fire Department Computer-Aided Dispatch Upgrade
- Urban Areas Security Initiative Grant Staffing
- Emergency Medical Service Equipment (LUCAS Devices)
- Special Victims Unit Staffing
- Emergency Medical Service Technology
- Sworn Hire Ahead Program Elimination
- Community Service Officer Staffing
- Fire Apparatus Reorganization
- Bureau of Field Operations Admin Staffing

Recommended Budget Actions

Neighborhood Services

- Transitional Jobs Program (San José Bridge)
- Project Hope Expansion
- Vietnamese-American Cultural Center
- Education and Digital Literacy Initiative
- Emergency Program Manager
- Beautify SJ Grants
- Library Branch Hours Reduction
- Community Center Cost Savings
- Parks and Landscape Watering Reduction
- Aquatics, Bascom CC, and Family Camp Suspension
- Placemaking and Activation Elimination

Recommended Budget Actions

Community and Economic Development

- Diridon Station Area Development Planning
- Affordable Housing Transactions Staffing
- Business Outreach and Policy Development
- Blight Busters
- Accessory Dwelling Unit (ADU) Ally Program Staffing
- CommUniversity Program
- Rapid Rehousing Funding Shift to the Multi-Source Housing Fund
- Planning and Building Development Fee Program Staffing Reduction
- Economic Development Staffing Reduction

Recommended Budget Actions

Environmental and Utility Services

- Regional Wastewater Facility Radio Systems Upgrade
- Regional Wastewater Facility Cogeneration Engine Facility Maint.
- Biosolids Management Transition Planning and Implementation
- Commercial Solid Waste Outreach and Enforcement Staffing
- Community Energy Staffing
- Energy Resiliency Strategic Planning
- Climate Smart San José Plan Implementation
- Information Technology Staffing Support

Recommended Budget Actions

Transportation and Aviation

- Special Assessment District Landscape and Infrastructure Projects
- Contract Vehicle Abatement
- Beatify San José Landscape Maintenance Program
- Vision Zero Quick Build Project Delivery Team
- Airport Passenger Processing and Transportation
- Airport Business Development and Fiscal Administration
- Airport Airside and Terminal Operations
- Neighborhood Traffic Management Staffing
- Streetlight Maintenance Staffing

Recommended Budget Actions

Strategic Support

- Police Phase 2 Elevator Modernization
- Public Works Department CIP Staffing Plan
- Proactive Legal Enforcement of Blighted and Nuisance Properties
- Capital Project Management System Upgrades
- Equity Education and Analysis Framework
- Talent Development Program
- Mayor/City Council
- Unanticipated/Emergency Maintenance
- Office of Employee Relations Management and Analytical Staffing

Recommended Budget Actions

Strategic Support (Cont'd.)

- City Attorney's Office Staffing
- Employee Health Services Staffing
- Cashiering Staffing
- Utility Billing Staffing
- City Hall HVAC Energy Savings
- Program Performance Auditor Staffing
- City Clerk's Office Front Desk Staffing

Next Steps

- May 14th and 15th City Council Budget Study Sessions
- May 13th through 20th Community Budget Meetings
- May 21st/June 15th Public Budget Hearings
- June 10th Mayor's June Budget Message Released
- June 16th Council Review/Approval of Mayor's June Budget Message and Budget
- June 23rd Adoption of the 2020-2021 Budget and Fees and Charges

2020-2021 Proposed Budget Overview

Jim Shannon
Budget Director

Selena Ubando
Financial Status Coordinator

Bonny Duong
Deputy Budget Director

Bryce Ball
Operating Budget Coordinator

Claudia Chang
Deputy Budget Director