



COUNCIL AGENDA: 06/23/20

FILE: 20-696

ITEM: 3.3

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jim Shannon

**SUBJECT: APPROVAL OF VARIOUS
BUDGET ACTIONS FOR
FISCAL YEAR 2019-2020**

DATE: June 19, 2020

Approved

Date: 6/19/20

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

The analysis necessary to identify the appropriate budget adjustments recognizing reimbursement from the Coronavirus Relief Fund to the General Fund and various Special and Capital Funds for personal services costs attributable to the City's COVID-19 pandemic response was not completed prior to the release of the original memorandum for Item 3.3.

OUTCOME

Approval of these recommended budget adjustments will establish appropriations within the Coronavirus Relief Fund in 2019-2020 and reduce various appropriations within the General Fund to align estimated expenditures incurred for the City's response to the COVID-19 pandemic. This actions generally align with estimates and funding strategy outlined in Manager's Budget Addendum #3, Coronavirus Relief Fund and General Fund Adjustments.

BACKGROUND

On May 12, 2020, the City Council approved an ordinance establishing the Coronavirus Relief Fund, appropriating \$45 million and reserving the remainder of the \$178.3 million in funding authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act passed and signed into law on March 27, 2020. Subsequently, on June 16, 2020, the City Council approved the Mayor's June Budget Message for Fiscal Year 2020-2021, inclusive of Manager's Budget Addendum #3, Coronavirus Relief Fund and General Fund Adjustments, which recommended further allocation of the \$178.3 million of CARES Act funding among the

COVID-19 response initiatives undertaken by the City during 2019-2020 and those anticipated to continue in 2020-2021.

These allocations included \$50 million in estimated expenses in 2019-2020 to support direct personal services costs incurred for City staff reassigned to support response and recovery initiatives. To date, these personal services costs have been incurred against the various funds and appropriations to which labor costs were originally charged. Accordingly, the Recovery/Finance Section of the Emergency Operations Center (EOC) is coordinating the review and reclassification these eligible expenses within the Coronavirus Relief Fund (CRF). Based on this analysis, the estimate of eligible expenditures for reimbursement is approximately \$60 million, \$55 million of which is attributable to the General Fund and \$5 million to various Special and Capital Funds. This memorandum includes recommended budget adjustments to account for this revised estimate, and establishes the other appropriations in 2019-2020 as described by MBA #3.

ANALYSIS

As outlined in Manager's Budget Addendum #3 (MBA #3), Coronavirus Relief Fund and General Fund Adjustments¹, the City has incurred personal services costs to respond to the COVID-19 pandemic that meet the criteria identified by the U.S. Treasury Department as eligible to be paid by the CRF, including payroll expenses for public safety personnel and costs of other City staff redeployed for a substantially different use toward emergent needs caused by the public health crisis. Costs incurred by the Fire and Police Departments to respond to medical calls for service and to engage in policing efforts to facilitate adherence to shelter-in-place orders are significant. Non-public safety staff have also been redeployed to the COVID-19 response effort to staff the Emergency Operations Center and Department Operations Centers, provide food and necessities to the community, shelter vulnerable homeless residents, provide childcare services for first responders, and screen City employees who are required to report to work for symptoms of COVID-19.

As discussed in MBA #3, for administrative convenience and in alignment with U.S. Treasury Department guidelines, an amount of \$50 million of COVID-19 response costs was identified for General Fund reimbursement by the CRF. Based on the updated analysis conducted by the Recovery/Finance Section of the EOC, the total amount recommended for reimbursement from the CRF is \$60 million, broken down as follows:

¹ MBA #3: <https://www.sanjoseca.gov/home/showdocument?id=59055>

	CRF Reimbursement Estimate	Description
General Fund: Personal Services		
Fire Department	40,663,000	This is the estimated cost of direct labor charges to respond to emergency medical response calls from March 8 through June 27. The Fire Department is the primary first responder for all medical calls, and each call must be treated as if they were a COVID-19 case.
Police Department	5,366,000	Includes the cost of staff to facilitate shelter-in-place adherence, including reassigned personnel to patrol closed schools and businesses to prevent burglaries, the cost of call takers who must determine if calls are COVID-19 related, and transportation costs of potentially infected prisoners.
Other City Departments	8,544,000	Other direct staffing costs across a variety of departments who were redeployed from regular responsibilities to engage in COVID-19 pandemic response efforts.
Subtotal: GF Personal Services	54,573,000	
General Fund: City-Wide Expenses and Capital Contributions	599,000	Instead of to a department, some staff costs are directly charged to a City-Wide or Capital Appropriation in the General Fund. This reflects the estimated amount for costs of staff who were redeployed from regular responsibilities to engage in COVID-19 pandemic response efforts.
Special/Capital Fund Appropriations	4,828,000	A significant number of staff budgeted in various Special and Capital Funds, whose uses are restricted by City, State, and/or federal law, were redeployed from regular responsibilities for pandemic response.
Total	\$60,000,000	

A total of \$60 million is recommended in the CRF to reimburse the General Fund, Special Funds, and Capital Funds for payroll costs to support the City's COVID-19 pandemic response. A reduction to a number of General Fund personal services appropriations totaling \$54,573,000 is recommended to bring General Fund expenditures in closer alignment to expected year-end actuals once the identified expenditures are moved into the CRF. These savings will be placed into the 2019-2020 Ending Fund Balance Reserve in the General Fund.

MBA #3 assumed that \$50.0 million would be available as 2019-2020 ending fund balance, which would then be used as a funding source for 2020-2021(beginning fund balance). Of the additional \$4,573,000 ending fund balance/beginning fund balance, a total of \$3,150,000 is recommended for allocation in 2020-2021 in Item 3.4, Adoption of the 2020-2021 Operating and Capital Budget, on the City Council agenda for June 23, 2020:

- An amount of \$2,500,000 is recommended for allocation in 2020-2021 to address a funding gap to help bridge the digital divide and assist remote learning by providing Wi-Fi access to students in the East Side Union High School District. This funding would allow for Wi-Fi expansion in the attendance areas for Andrew P. Hill, Oak Grove, and Independent High Schools. Additional information on the recommended uses of this funding is described in Item 3.9, COVID-19 Digital Inclusion Expenditure Plan, on the City Council agenda for June 23, 2020.
- An amount of \$650,000 is recommended for allocation to the 2020-2021 Continuity of Operations Reserve to restore funds that were used to help fund the Office of Racial Equity as approved by the City Council as part of the approval of the Mayor's June Budget Message for Fiscal Year 2020-2021.

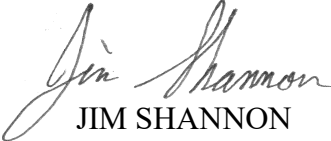
The remaining \$1,423,000 will help meet the City's ending fund balance estimate for 2019-2020. Any remaining ending fund balance after the close of the fiscal year will be reconciled in accordance with City Council policy as part of the 2019-2020 Annual Report scheduled for release at the end of September 2020.

Budget adjustments are not included to reduce any General Fund City-Wide or Capital appropriations, as any savings will likely be recommended for rebudget during the 2019-2020 Annual Report to complete the program/project as originally budgeted. Similarly, downward budget adjustments are not recommended for the appropriations across a range of Special and Capital Funds, as any savings will be reconciled as part of the 2019-2020 Annual Report.

The other transactions in the CRF as described in the attachment align with the allocations described in MBA #3.

EVALUATION AND FOLLOW-UP

Actions to rebudget \$3,150,000 of the General Fund 2019-2020 Ending Fund Balance Reserve as described above will be included in Manager's Budget Addendum #33, Adoption of the 2020-2021 Operating and Capital Budgets, which will be considered for approval by the City Council as Item 3.4 on June 23, 2020. As estimated personal services costs of \$60 million are higher than the \$50 million assumed in MBA #3, the Administration will return to the City Council in August 2020 to rebalance the Coronavirus Relief Fund in 2020-2021. With the region rapidly shifting from sheltering into recovery and the nature of the City's response continues to evolve, and given the need to expend CRF resources prior to December 30, 2020, the Administration anticipates several CRF rebalancing efforts over the next six months.


JIM SHANNON
Budget Director

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

Attachment A: Supplemental General Fund Recommended Budget Adjustments and Clean-Up
Actions

Attachment B: Supplemental Special Funds Recommended Budget Adjustments and Clean-Up
Actions

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Year-End Budget Review

Department/Proposal	Use				Source		Net Cost
	Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance	
DEPARTMENTAL EXPENSES							
Office of the City Auditor Personal Services	\$ (222,000)	-	-	\$ (222,000)	-	-	\$ (222,000)
Office of the City Clerk Personal Services	\$ (26,000)	-	-	\$ (26,000)	-	-	\$ (26,000)
Office of the City Manager Personal Services	\$ (1,988,000)	-	-	\$ (1,988,000)	-	-	\$ (1,988,000)
Office of Economic Development Personal Services	\$ (405,000)	-	-	\$ (405,000)	-	-	\$ (405,000)
Environmental Services Department Personal Services	\$ (133,000)	-	-	\$ (133,000)	-	-	\$ (133,000)
Finance Department Personal Services	\$ (302,000)	-	-	\$ (302,000)	-	-	\$ (302,000)
Fire Department Personal Services	\$ (40,663,000)	-	-	\$ (40,663,000)	-	-	\$ (40,663,000)
Housing Department Personal Services	\$ (16,000)	-	-	\$ (16,000)	-	-	\$ (16,000)
Human Resources Department Personal Services	\$ (199,000)	-	-	\$ (199,000)	-	-	\$ (199,000)
Information Technology Department Personal Services	\$ (477,000)	-	-	\$ (477,000)	-	-	\$ (477,000)

General Fund
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Year-End Budget Review

Department/Proposal	Use				Source		Net Cost
	Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance	
Library Department							
Personal Services	\$ (549,000)	-	-	\$ (549,000)	-	-	\$ (549,000)
Parks, Recreation and Neighborhood Services Department							
Personal Services	\$ (2,200,000)	-	-	\$ (2,200,000)	-	-	\$ (2,200,000)
Planning, Building and Code Enforcement Department							
Personal Services	\$ (701,000)	-	-	\$ (701,000)	-	-	\$ (701,000)
Police Department							
Personal Services	\$ (5,366,000)	-	-	\$ (5,366,000)	-	-	\$ (5,366,000)
Public Works Department							
Personal Services	\$ (1,042,000)	-	-	\$ (1,042,000)	-	-	\$ (1,042,000)
Transportation Department							
Personal Services	\$ (284,000)	-	-	\$ (284,000)	-	-	\$ (284,000)
DEPARTMENTAL EXPENSES TOTAL	\$ (54,573,000)	\$ -	\$ -	\$ (54,573,000)	\$ -	\$ -	\$ (54,573,000)
EARMARKED RESERVES							
2019-2020 Ending Fund Balance Reserve	-	-	\$ 54,573,000	\$ 54,573,000	-	-	\$ 54,573,000
EARMARKED RESERVES TOTAL	\$ -	\$ -	\$ 54,573,000	\$ 54,573,000	\$ -	\$ -	\$ 54,573,000
TOTAL GENERAL FUND	\$ (54,573,000)	\$ -	\$ 54,573,000	\$ -	\$ -	\$ -	\$ -

Special Funds
Recommended Budget Adjustments and Clean-Up Actions
2019-2020 Year-End Budget Review

Department/Proposal	Use				Source		Net Cost
	Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance	
Coronavirus Relief Fund (401)							
Office of the City Manager							
Communications and Translation Services	-	-	\$ 250,000	\$ 250,000	-	-	\$ 250,000
Consulting and Planning Support	-	-	\$ 1,000,000	\$ 1,000,000	-	-	\$ 1,000,000
COVID-19 Emergency Response	-	-	\$ (45,000,000)	\$ (45,000,000)	-	-	\$ (45,000,000)
COVID-19 Emergency Response Reserve	-	-	\$ (44,250,000)	\$ (44,250,000)	-	-	\$ (44,250,000)
COVID-19 Personal Services	-	-	\$ 60,000,000	\$ 60,000,000	-	-	\$ 60,000,000
Digital Inclusion	-	-	\$ 1,000,000	\$ 1,000,000	-	-	\$ 1,000,000
Facilities Improvements	-	-	\$ 1,500,000	\$ 1,500,000	-	-	\$ 1,500,000
FEMA Local Match	-	-	\$ 1,000,000	\$ 1,000,000	-	-	\$ 1,000,000
Food and Necessities	-	-	\$ 15,000,000	\$ 15,000,000	-	-	\$ 15,000,000
Homeless Sheltering and Support	-	-	\$ 5,000,000	\$ 5,000,000	-	-	\$ 5,000,000
Local Assistance	-	-	\$ 2,000,000	\$ 2,000,000	-	-	\$ 2,000,000
PPE and Janitorial Services	-	-	\$ 1,500,000	\$ 1,500,000	-	-	\$ 1,500,000
Remote Work Facilitation	-	-	\$ 1,000,000	\$ 1,000,000	-	-	\$ 1,000,000
CORONAVIRUS RELIEF FUND (401) TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -