

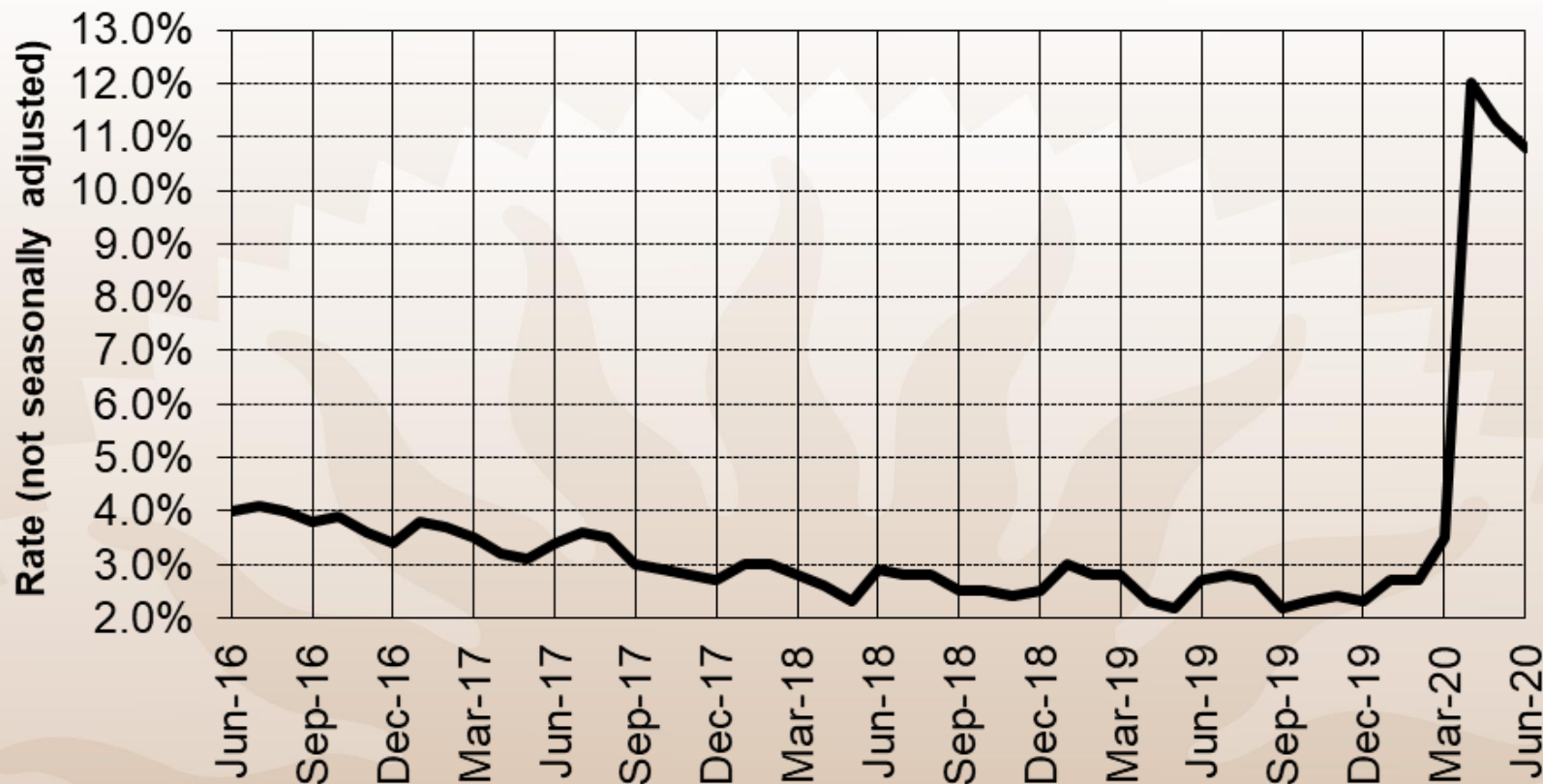
2019-2020 Annual Report

2019-2020 Budget: Overall Performance Met Revised Expectations

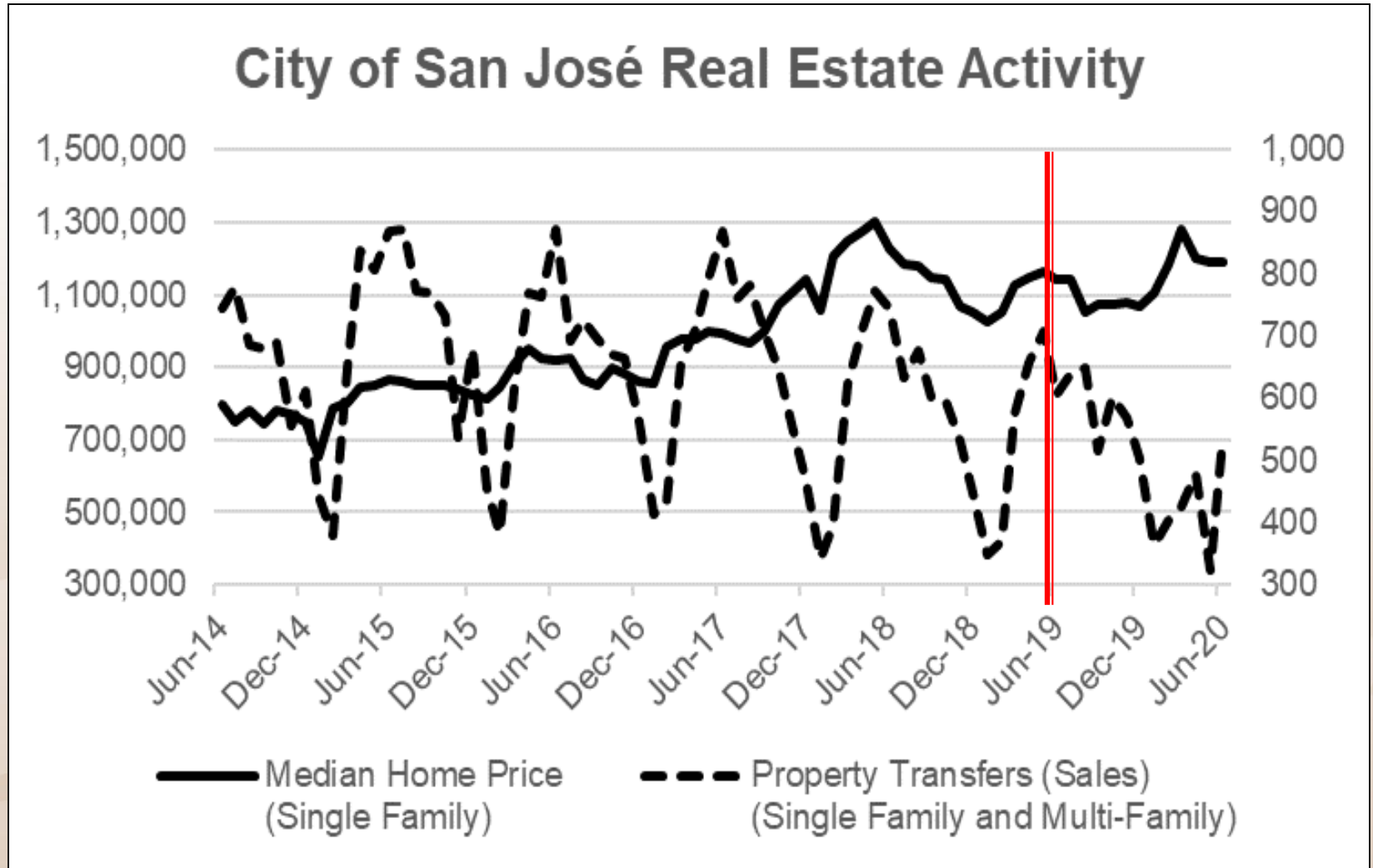
- Revenues generally performed as expected
- Overall expenditures ended the year within or below budget
- General Fund had a surplus and most funds ended the year with balances at or above estimated levels
 - Variance of 3.3% compared to Modified Budget
- Recommended actions close out 2019-2020, adjust 2020-2021 as necessary, recognize grants and reimbursements, and address urgent needs in special and capital funds.

Economic Conditions: Unemployment Rate

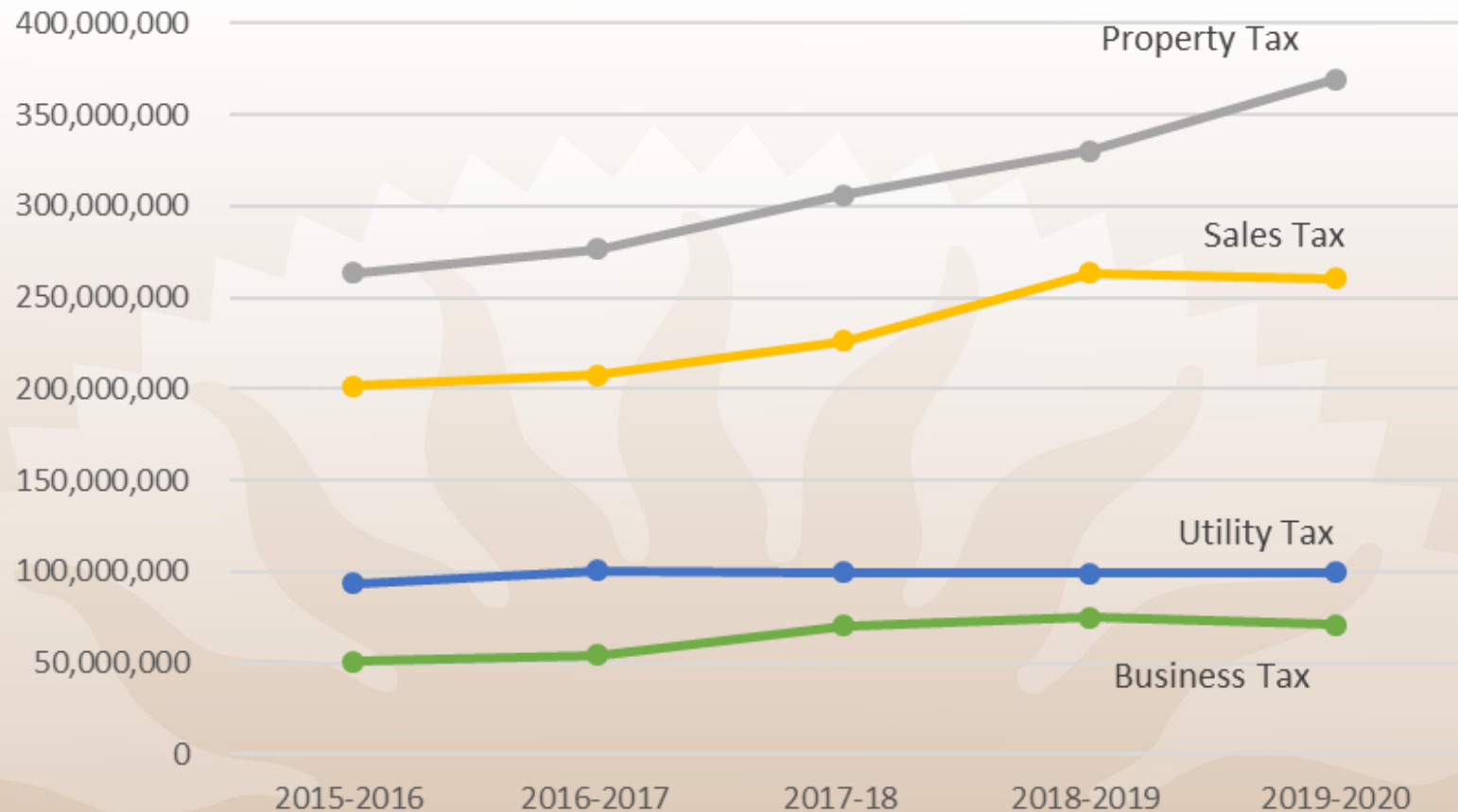
Monthly Unemployment - San José MSA



Economic Conditions: Real Estate



Select General Fund Revenue Trends



Major General Fund Revenues Impacted by COVID-19: Estimates to Actuals Comparison

Revenue Category	2019-2020 Estimate (\$ Million)	2019-2020 Actuals (\$ Million)	Variance (\$ Million)	Variance
Sales Tax	252.5	260.6	8.1	3%
Utility Tax	96.1	99.5	3.4	4%
Business Tax	70.4	70.9	0.5	1%
Fees, Rates and Charges	47.3	48.6	1.3	3%
Fines, Forfeitures and Penalties	13.8	14.4	0.6	4%
Transient Occupancy Tax	13.5	14.1	0.6	4%

Major General Fund Revenues Impacted by COVID-19: Year-Over-Year Comparison

Revenue Category	2018-2019 Actuals (\$ Million)	2019-2020 Actuals (\$ Million)	Change (\$ Million)	Change
Sales Tax	263.5	260.6	(2.9)	(1%)
Utility Tax	99.3	99.5	0.2	--
Business Tax	74.9	70.9	(4.0)	(5%)
Fees, Rates and Charges	55.7	48.6	(7.1)	(13%)
Fines, Forfeitures and Penalties	17.4	14.4	(3)	(17%)
Transient Occupancy Tax	20.5	14.1	(6.4)	(31%)

Continued Uncertainty Now and for the Future

- 2020-2021
 - Still understanding the evolving revenue impacts from COVID-19
 - Still awaiting final determination of ERAF property tax proceeds
 - Property tax receipts from Successor Agency properties negatively impacted due to recent court ruling that changes calculation methodology
- 2021-2022
 - Longer term impacts of COVID-19 and accompanying recession on revenue collection, including property tax
 - Updates to the City's retirement contributions
 - Starting 2021-2022 with ongoing shortfall due to the use of \$25.7 million in one-time funding to balance 2020-2021; this shortfall is likely to increase with revised forecast (Feb. 2021)

General Fund: Additional Fund Balance

- General Fund ended the year with a gross fund balance of \$400.3 million; **\$53.9 million** above the estimate used to develop the 2020-2021 Adopted Budget
- Additional fund balance was primarily generated by:
 - Development Fee Program revenue and expenditure savings
 - General expenditure savings in all categories (Personal Services, Non-Personal/Equipment, City-Wide, Capital)
- Net of required adjustments to close out 2019-2020, the Ending Fund Balance variance was **\$28.4 million**

General Fund: Proposed Allocation of Additional Fund Balance

Recommended 2020-2021 General Fund Adjustments (\$000s)

Additional 2019-2020 Ending Fund Balance	\$53,948
Clean-Up Actions	
Development Fee Programs Reconciliation	(16,446)
Other Rebudgets/Clean-Up Adjustments	(9,112)
Total Clean-Up Actions	(\$25,558)
Fund Balance Available After Clean-up Actions	\$28,390
Recommended Budget Adjustments	
Required Technical/Rebalancing Actions	(14,390)
Grants/Reimbursements/Fee Activities (Sources = \$2.2M; Uses = \$2.2M)	0
Total Recommended Budget Adjustments	(\$14,390)
Remaining Fund Balance After Clean-ups/Recommended Adjustments	\$14,000
Distribution of Remaining Fund Balance Per City Council Policy I-18	
Budget Stabilization Reserve	(\$14,000)
Total Fund Balance Distributed Per Council Policy I-18	(\$14,000)

General Fund: Recommended Budget Adjustments

Required Technical/Rebalancing Actions

(\$ in 000s)

Business Taxes (Cardroom Tax and Disposal Facility Tax)	\$ (7,000)
Fines, Forfeitures, and Penalties (Parking Citations)	(6,000)
Sale of Surplus Properties/Fire Apparatus Replacement	(2,081)
Google Parking Lots Option Payment Reserve	(1,100)
Code Enforcement Permit System Reserve (Multiple Housing Code Enforcement)	(1,000)
Police Reforms Work Plan	(800)
FirstNet Implementation Reserve	(750)
Solid Waste Code Enforcement Program Reserve	(600)
City Attorney's Office Outside Litigation Reserve	(500)
Police Personal and Non-Personal/Equipment (Backgrounding and Recruiting)	(400)

General Fund: Recommended Budget Adjustments

Required Technical/Rebalancing Actions (Continued)	<u>(\$ in 000s)</u>
Flood Emergency Response Plan	(285)
Guadalupe River Park Ranger Station Rehabilitation	(250)
Transportation Department Non-Personal/Equipment (Tow Contract)	(250)
IT Department Non-Personal/Equipment (Virtual Security Operations Center)	(220)
PBCE Non-Personal/Equipment (Solid Waste Code Enforcement - Vehicles & Tablets)	(213)
Police Non-Personal/Equipment (Sexual Assaults Training & Supportive Services)	(175)
City Manager's Office of Racial Equity Positions (4.0 positions)	0
City Hall Debt Refunding	2,821
Transfer from Emergency Reserve Fund	4,585
Miscellaneous Adjustments	(172)
Total Required Technical/Rebalancing Actions	\$ (14,390)

General Fund: Recommended Budget Adjustments

(\$ in 000s)

Grants/Reimbursements (Sources = \$2.2 million; Uses = \$2.2 million)

0

Distribution of Remaining Fund Balance Per City Council Policy I-18

Budget Stabilization Reserve	\$	(14,000)
Total Distribution of Remaining Fund Balance Per City Council Policy I-18	\$	(14,000)

- Budget Stabilization Reserve increases to \$35.0 million, 6.8% of General Fund operating expenditures (was \$32 million in 2019-2020)
 - Positions the City to address potential future impacts to the budget in 2020-2021 and 2021-2022

Special/Capital Funds

Performance in Selected Funds

Airport Operating Funds

- Passenger activity down 24.2% from 15.0 million to 11.3 million; overall revenue performance fell below budgeted estimates by \$34.7 million; projected passenger activity for 2020-2021 is 6.0 million

Building and Structure Construction Tax and Construction Excise Tax Funds

- Combined receipts totaled \$53.3 million for the Traffic Capital Program, \$9.3 million (21.1%) above budgeted estimates and \$5.0 million (10.4%) above prior year

Construction and Conveyance Tax (C&C) Tax Funds

- C&C Tax totaled \$40.9 million, \$6.3 million (13.3%) below prior year, but \$2.8 million above the collection level estimated for 2019-2020

Special/Capital Funds Recommended Budget Adjustments

- **Clean-Up Actions**

- Fund Balance Reconciliations
- Rebudget Adjustments
- Technical Adjustments (e.g., Net-Zero Transfers/Reallocations)

- **Recommended Adjustments**

- Recognize Grants and Reimbursements
- Update Cost/Revenue Estimates and Project Timing
- Urgent Needs for Projects and Programs

2019-2020 Annual Report

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