

City of San José

2021-2022 Proposed Operating Budget Overview

May 12, 2021

Presentation Agenda

- Context and Approach to Budget Development
- Overview of General Fund Revenue
- 2021-2022 Economic Outlook
- Overview of Budget Uses
- Budget Balancing Strategy
- Budgeting for Equity
- Next Steps

2021-2022 Proposed Budget Overview

Situational Context

- This is a budget in transition, reflecting the changes to both the community and the organization
- Likely weathered the worst of the pandemic's revenue impacts and expect a meaningful economic recovery in the coming fiscal year, but still find ourselves in a hole, both from a revenue and service level perspective
- Passage of the American Rescue Plan Act is fundamental to improving the City's immediate budgetary outlook – more to come on May 17th
- Even with the improved circumstances, we need to both resolve the General Fund shortfall in 2021-2022, and be prepared to bring the General Fund back into alignment in the near future

2021-2022 Proposed Operating Budget

General Fund Operating Margin

2022-2026 Revised General Fund Five-Year Forecast (\$ in millions)¹

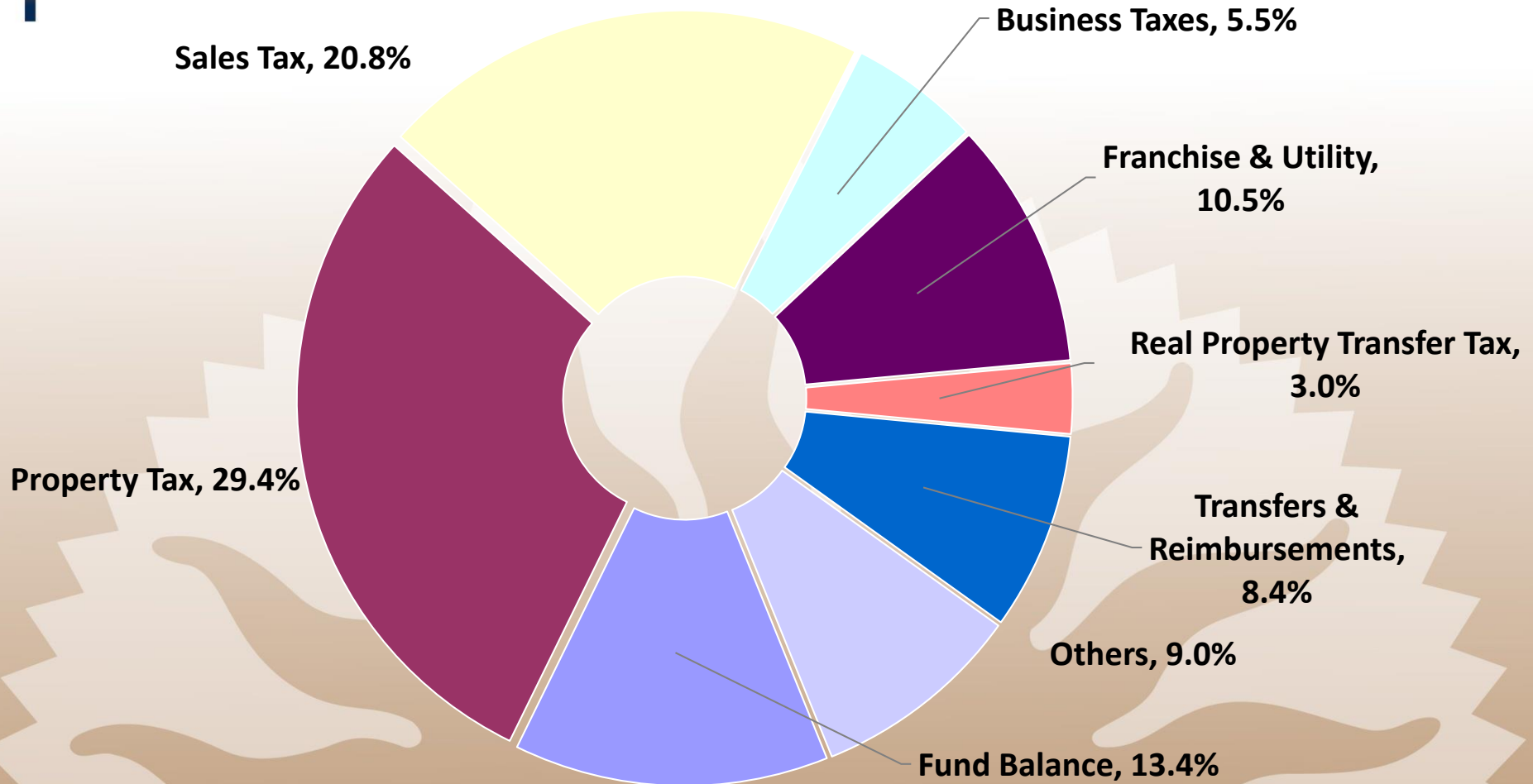
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Five-Year Surplus/ (Shortfall)
Incremental Surplus/ (Shortfall)	(\$38.3)²	\$3.3	\$0.2	\$4.4	\$1.9	(\$28.5)

¹ Does not include 1) costs associated with services that were funded on a one-time basis in 2020-2021; 2) costs associated with unmet/deferred infrastructure and maintenance needs; and 3) one-time revenue sources or expenditure needs.

² This figure was revised from the \$48.1 million shortfall as presented in the February 2021 Forecast. The figure for 2021-2022 was revised as a result of continued analysis of projected revenues and expenditures.

2021-2022 Proposed Budget

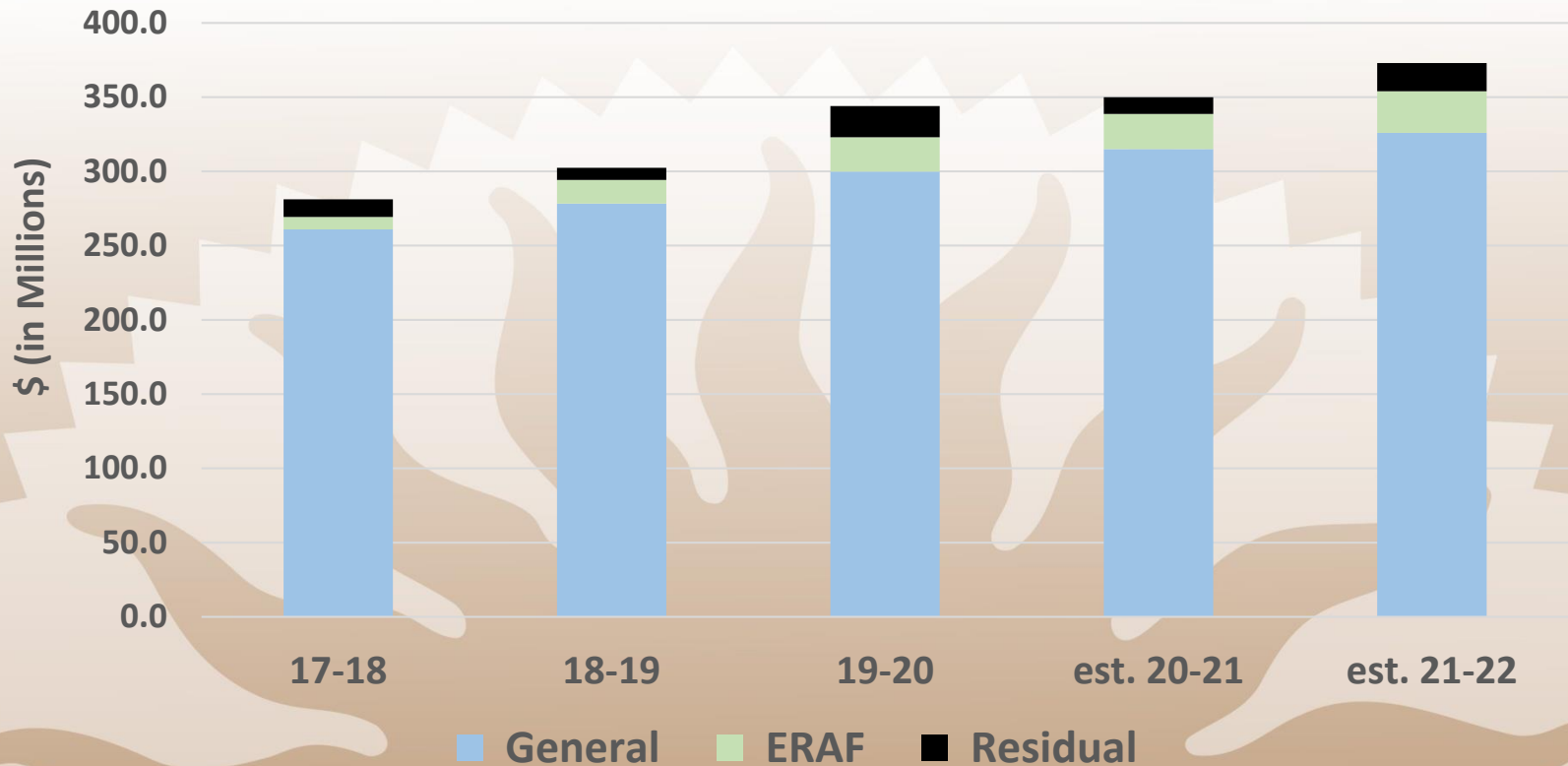
General Fund Sources



Total General Fund Sources: \$1,345,684,382

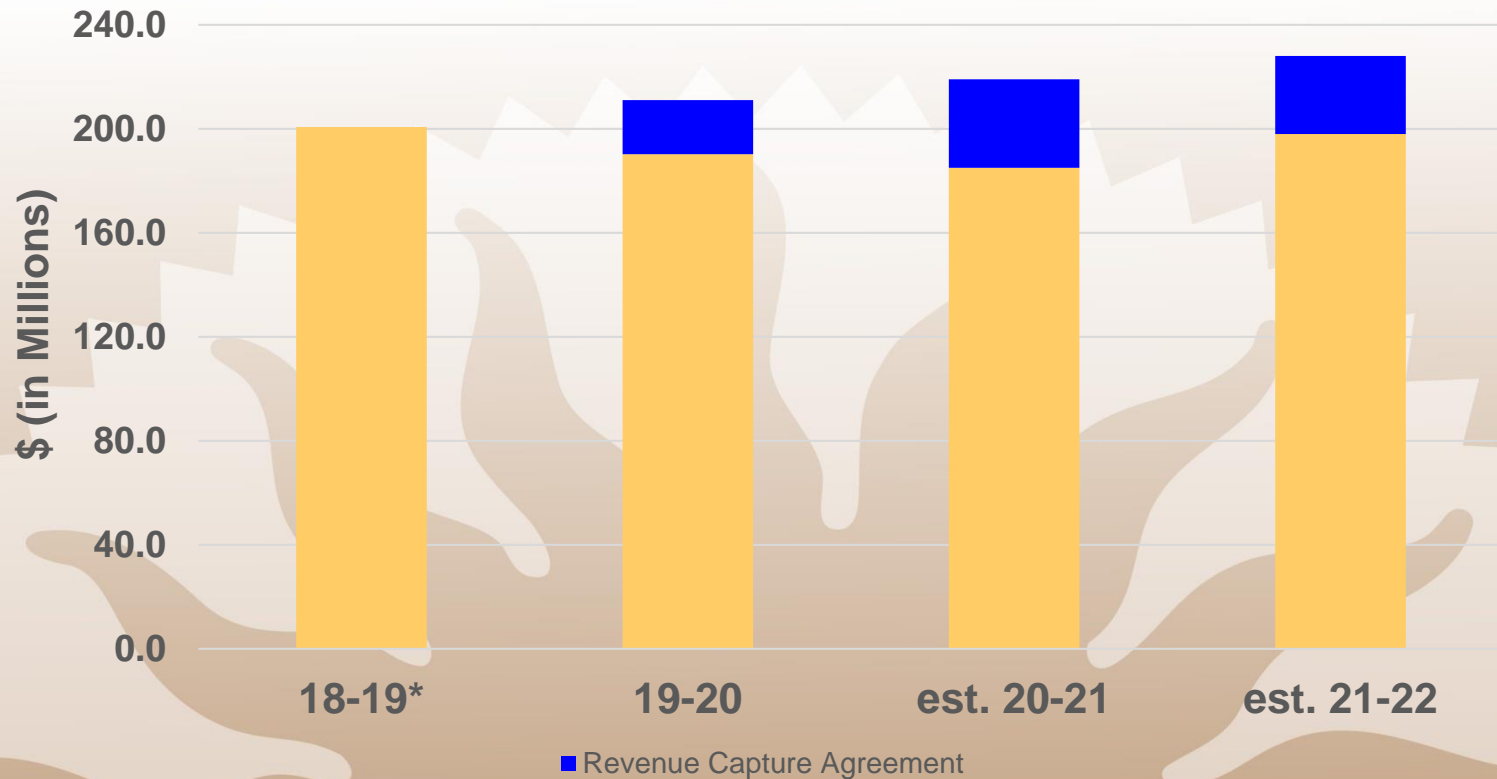
Property Tax

Secured Property Tax



Sales Tax

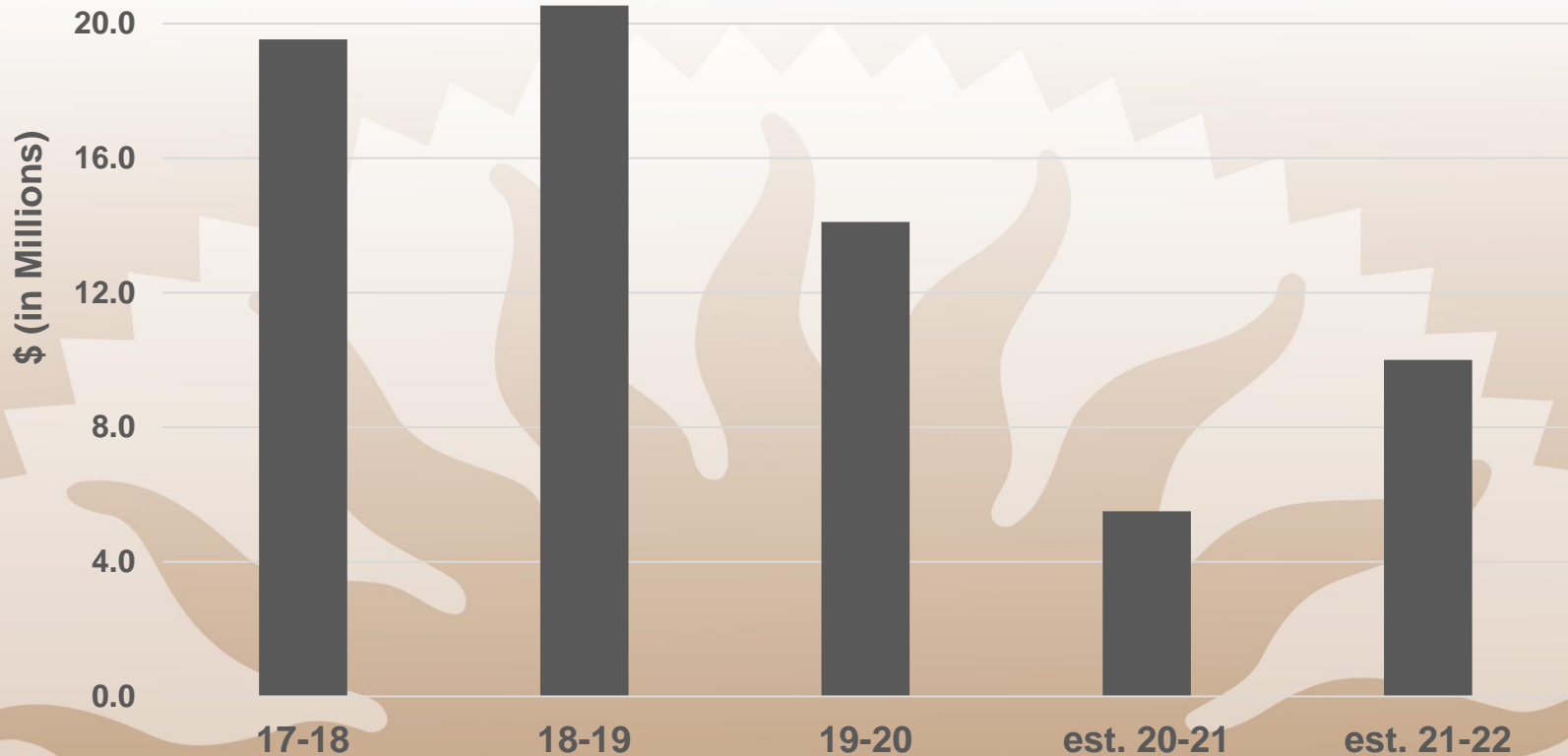
General Sales Tax Collections



*2018-2019 collections are reduced by \$9.1 million in this chart due to a CDTFA processing error that resulted in collections being received in 2018-2019 that were related to 2017-2018 activity.

Transient Occupancy Tax (TOT)

TOT Collections – General Fund



FY21/22 Economic Outlook

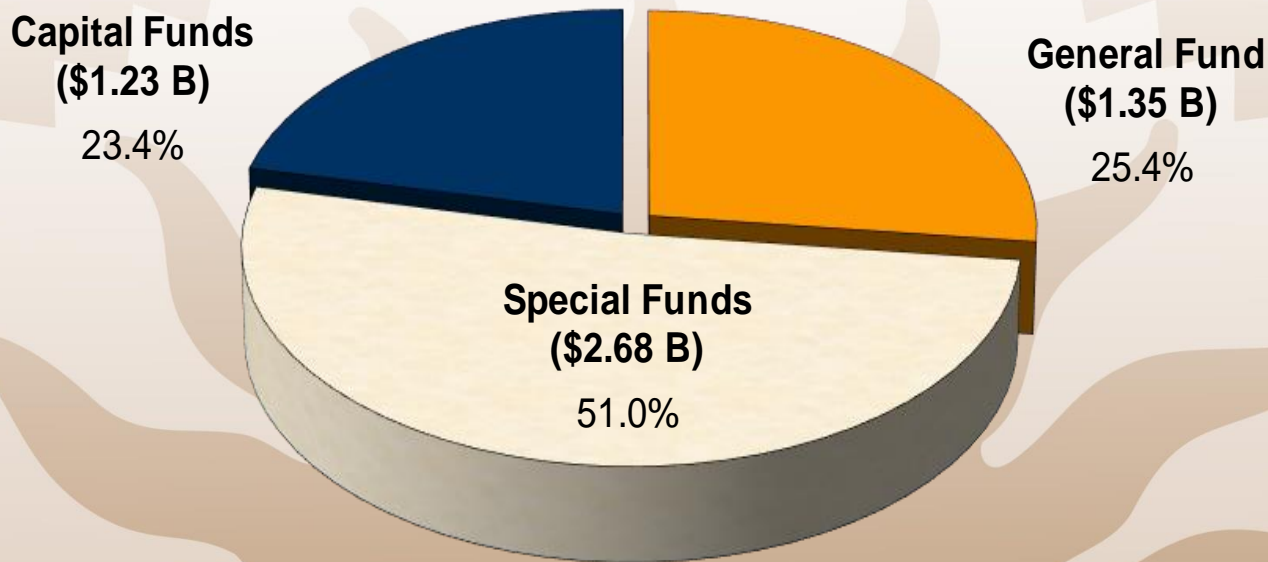
May 12, 2021

Office of Economic Development and Cultural Affairs



City of San José Proposed Operating Budget Overview

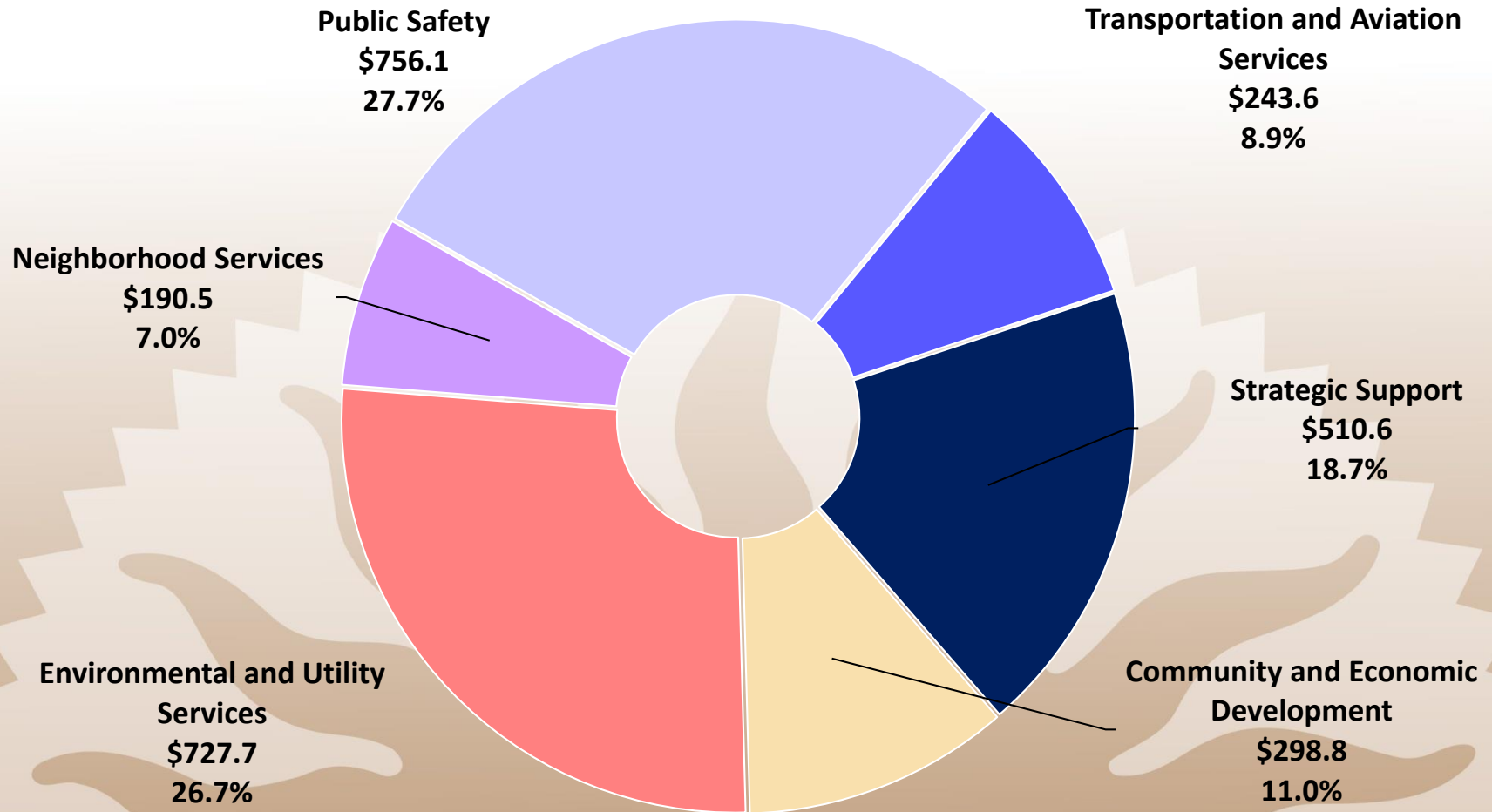
2021-2022 PROPOSED CITY BUDGET¹:	\$4.5 billion
TOTAL NUMBER OF FUNDS:	135
TOTAL NUMBER OF POSITIONS (FTE):	6,640



¹ An adjustment of \$711 million is necessary to arrive at the \$4.5 billion net 2021-2022 Proposed City Budget to avoid the double-counting of transfers, loans, and contributions between City funds.

2021-2022 Proposed Operating Budget

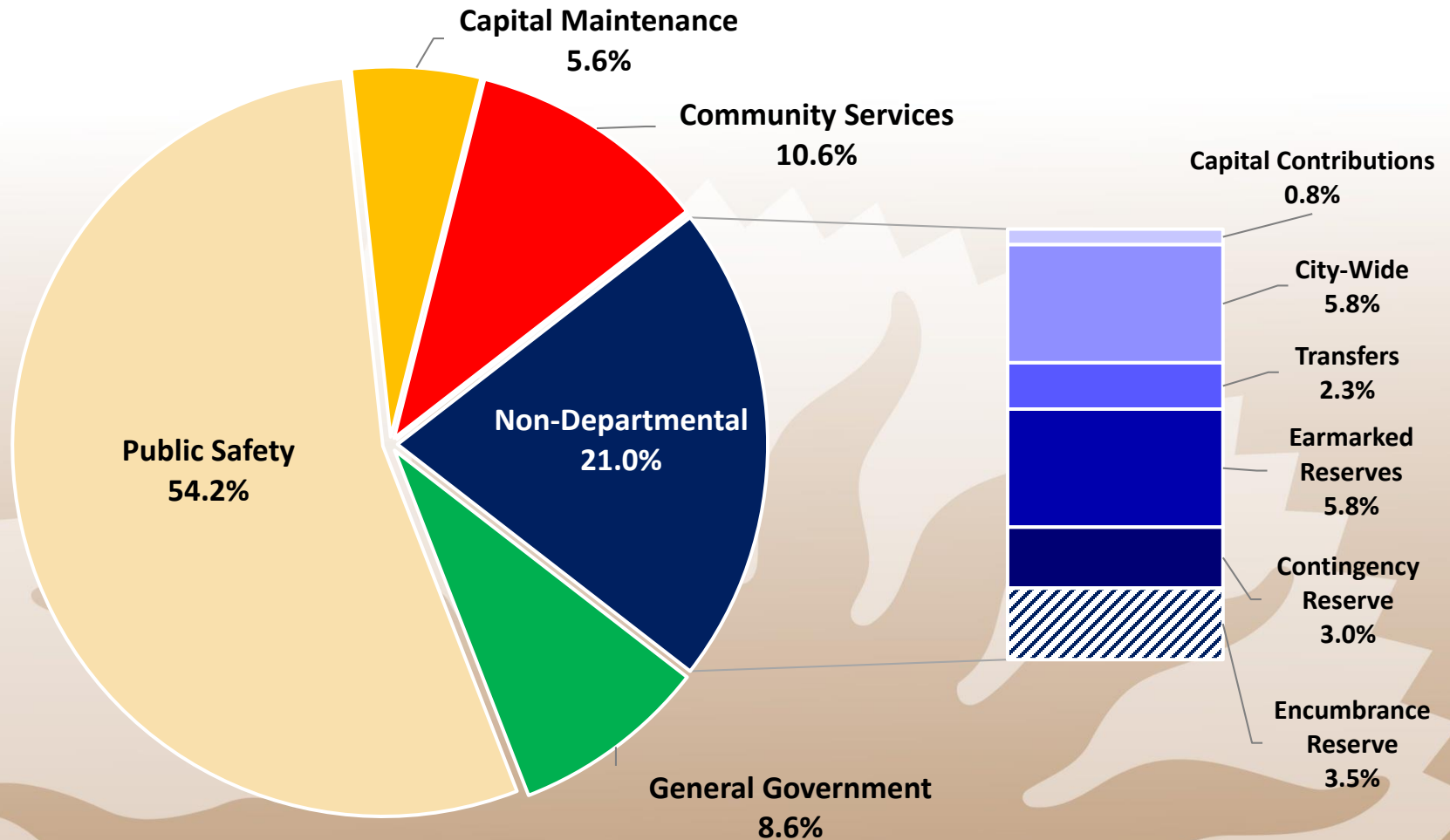
Uses by City Service Area (All Funds; \$ in Millions)



* Excludes Fund Balance, Transfers, Reserves, and Capital Project expenditures.

2021-2022 Proposed Operating Budget

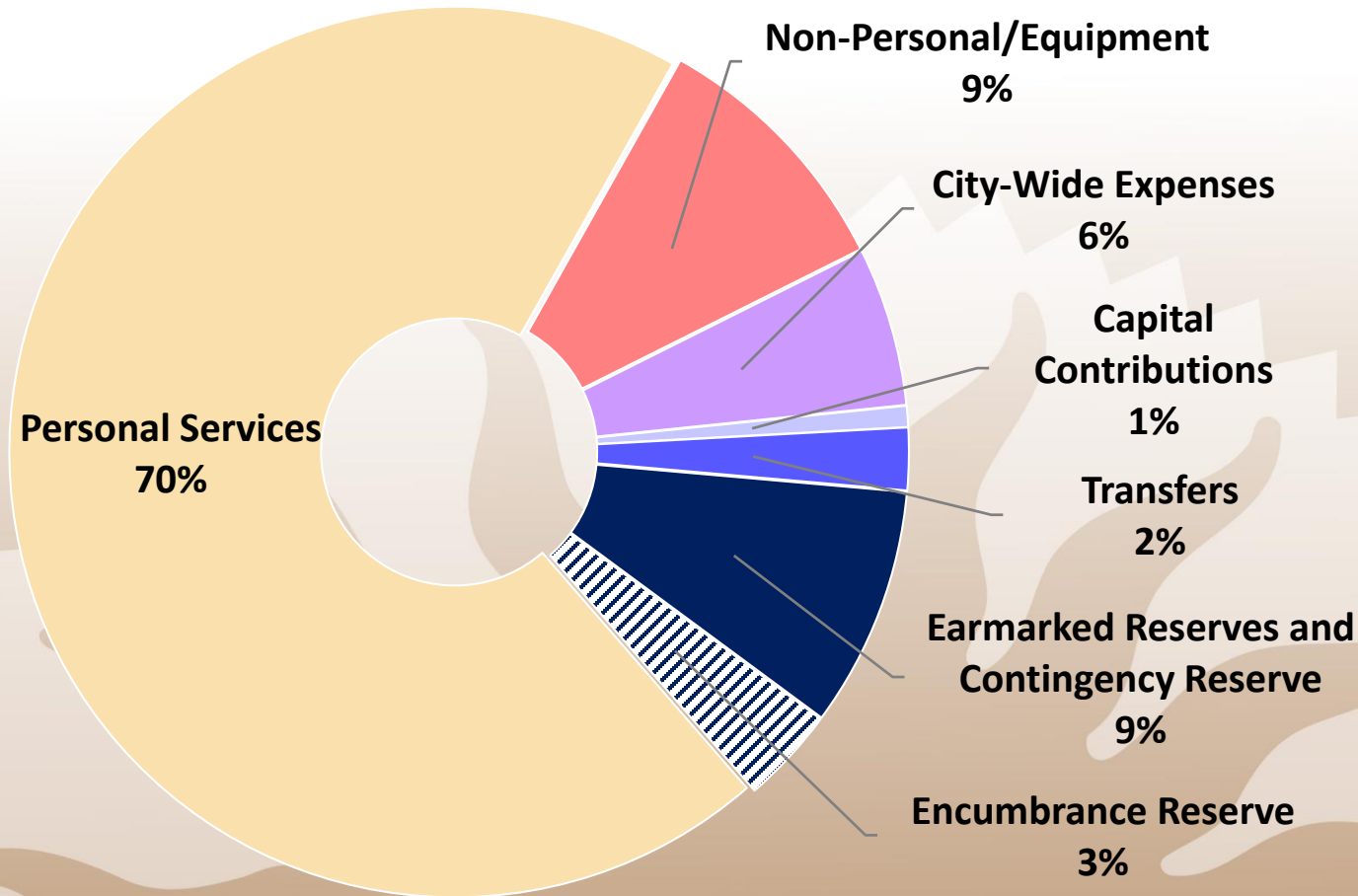
General Fund Uses



Total General Fund Uses: \$1,345,684,382

2021-2022 Proposed Operating Budget

General Fund Uses by Category



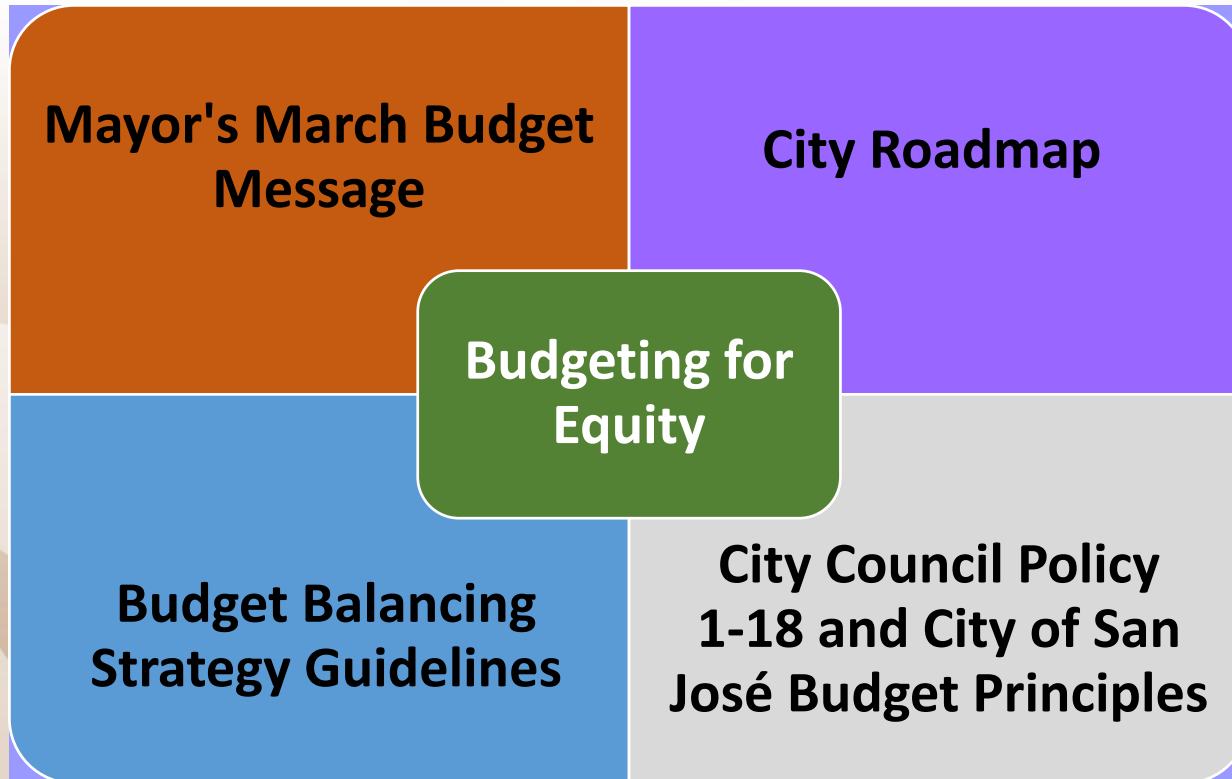
Total General Fund Uses: \$1,345,684,382

2021-2022 Proposed Budget Overview

- Balanced all funds (General Fund, special and capital funds)
- General Fund projected deficit of \$38.3 million resolved with a combination of ongoing (\$6.7 million) and one-time solutions (\$31.6 million)
 - Will need to bring the General Fund into structural balance in future years
- Investment Priorities:
 - Supporting an Equitable Recovery for a “Better Normal”
 - Back to Basics: a Cleaner, Safer San José
 - Accelerating Solutions to Homelessness and the Affordable Housing Crisis
 - Fiscal Resilience and Our Future
- Positions are up 0.7%, from 6,592 to 6,640

2021-2022 Proposed Budget Overview

Budget Balancing Considerations



2021-2022 Budget Balancing Strategy

General Fund

	\$ in millions	
	<u>2021-2022</u>	<u>Ongoing</u>
Total General Fund Deficit	\$ (38.3)	\$ (38.3)
Recommended Balancing Strategy		
– Changes in Sources	\$ 68.2	\$ 3.1
– Changes in Uses	29.9	(3.6)
Total Balancing Strategy	\$ 38.3	\$ 6.7
Amount Remaining Unsolved	\$ 0	\$ (31.6)

Impact of Only Partially Resolving the 2021-2022 Ongoing General Fund Shortfall

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Projected Revenues	\$1,230.56	\$1,272.70	\$1,317.80	\$1,366.90	\$1,414.30
Projected Expenditures	\$1,268.86	\$1,307.66	\$1,352.56	\$1,397.26	\$1,442.76
Annual Surplus/ (Shortfall)	(\$38.29)	(\$34.96)	(\$34.76)	(\$30.36)	(\$28.46)
Recommended 2021-2022 Ongoing Solutions	\$6.70	\$6.70	\$6.70	\$6.70	\$6.70
Revised Annual Surplus/(Shortfall)	(\$31.59)	(\$28.26)	(\$28.06)	(\$23.66)	(\$21.76)

Recommended minimum amount needed to be reserved for next year in the American Rescue Plan Fund

2021-2022 Budget Balancing Strategy

Changes in General Fund Sources

	\$ in millions	
	2021-2022	Ongoing
Beginning Fund Balance	64.2	0.0
American Rescue Plan Revenue Loss Reimbursement	45.0	0.0
2021-2022 Future Deficit Reserve	11.1	0.0
2020-2021 Excess Revenue/Expenditure Savings	6.0	0.0
Business Tax Billing System Replacement Reserve	1.3	0.0
Other Reserve Liquidations	0.8	0.0
Grants/Reimbursements/Fees	2.1	1.5
UASI Grant – Office of Emergency Management	0.6	0.0
Fire Department Non-Development Fee Changes	0.5	0.5
Family Camp Suspension	(0.2)	0.0
Other Fee Programs/Reimbursements/Grants	1.3	1.0
Other Revenue	0.0	0.2
Office of Equality Assurance – Labor Compliance	0.2	0.2
Transfer from the Integrated Waste Management Fund (CDDD)	(0.2)	0.0
Overhead from Other Funds	1.9	1.4
Total Change in Sources	\$ 68.2	\$ 3.1

2021-2022 Budget Balancing Strategy

Changes in General Fund Uses

	\$ in millions	
	<u>2021-2022</u>	<u>Ongoing</u>
Unmet/Deferred Technology, Infrastructure, and Maintenance	18.9	0.0
2020-2021 Previously One-Time Funded Services	8.7	1.2
Earmarked Reserves (Essential Services, IT Sinking Fund, Police Redistricting Reserve)	7.1	0.0
New Facilities Operations and Maintenance	3.1	4.8
Service Level Enhancements	3.0	1.0
Other Fee Programs/Grants/Reimbursements	1.0	0.2
Cost Reductions/Service Delivery Efficiencies/Funding Shifts	(7.2)	(5.9)
Use of Reserves (Deferred Maintenance, Committed Additions)	(4.7)	(4.9)
Total Change in Uses	\$ 29.9	\$ (3.6)

Recommended Budget Actions

Supporting an Equitable Recovery for a “Better Normal”

- Resilience Corps (\$20.0 million)/**Attachment D**
- Digital Inclusion and Data Equity (\$7.35 million)/**Attachment D**
- San José Small Business and Manufacturing Recovery Initiative (\$1.0 million)/**Attachment D**
- Office of Racial Equity (\$967,000)/**City Manager’s Office**
- Library Branch Hours and Operations for Lower Resourced Communities (\$900,000)/**Library**
- San José Al Fresco (\$700,000)/**Attachment D**
- Storefront Activation Program (\$650,000)/**Attachment D**
- San José Aspires Administrative Support (\$538,000)/**Attachment D**
- Summer Learning Loss and SJ Learns (\$500,000)/**Attachment D**

Recommended Budget Actions

Supporting an Equitable Recovery for a “Better Normal”

- Energy Saving Retrofits (\$500,000)/**Attachment D**
- Language Access Coordination Reserve (\$200,000)/**General Fund Capital, Transfers, and Reserves**
- Disability Community Engagement and Service Evaluation (\$150,000)/**City Manager’s Office**
- Racial Equity Action Plan (\$100,000)/**Housing**

Recommended Budget Actions

Back to Basics: a Cleaner, Safer San José

- BeautifySJ Consolidated Model (\$20.8 million)/**PRNS and Attachment D**
- Placemaking/San José Abierto Program (\$4.2 million)/**PRNS and Attachment D**
- New Public Safety Facilities M&O (\$2.0 million, Fire Stations 37 and 20)/**Fire**
- Guadalupe River Park & Coyote Creek Clean-Up (\$1.4 million)/**Attachment D**
- Beautify San José Street Landscape Maintenance Program (\$1.0 million)/**Transportation**
- Vehicle Abatement Program –Proactive Patrol and Complaint Response (\$900,000)/**Attachment D**
- Downtown Automated Public Toilets(\$800,000)/**Attachment D**

Recommended Budget Actions

Back to Basics: a Cleaner, Safer San José

- Foot Patrol in Downtown and High Needs Neighborhoods (\$750,000)/**Police**
- San José 311 Enhancements (\$750,000)/**Information Technology**
- Traffic Safety and Illegal Sideshows (\$500,000)/**Police**
- Project Hope (\$500,000)/**PRNS**
- SJ Bridge Public Restrooms (\$300,000)/**Attachment D**
- Welch Park and Eastridge Recreation (\$121,000)/**PRNS**
- BeautifySJ Grants (\$100,000)/**Attachment D**

Recommended Budget Actions

Accelerating Solutions to Homelessness and the Affordable Housing Crisis

- Interim Housing Operations (\$17.5 million)/**Attachment D**
- Homeless Services Outreach Assistance and Resources (SOAR) Program (\$13.0 million)/**Attachment D**
- Emergency Interim Housing Site Identification and Construction (\$2.5 million)/**Attachment D**
- Accessory Dwelling Unit Staffing (\$658,000)/**PBCE**
- Homeless Response and Coordination Staffing (\$400,000)/**Housing**
- Policy Studies and Consulting Services (\$280,000)/**Housing**
- Pre-Development Consulting Services (\$275,000)/**Housing**
- Affordable Housing Portfolio Management Staffing (\$173,000)/**Housing**

Recommended Budget Actions

Fiscal Resilience and Our Future

- Transfer to the Communications Construction and Conveyance Tax Fund (Radio Replacement, \$5.25 million)/**General Fund Capital, Transfers, and Reserves**
- Self-Contained Breathing Apparatus Equipment Replacement (\$3.0 million)/**Fire**
- Essential Services Reserve (\$3.0 million)/**General Fund Capital, Transfers, and Reserves**
- Transfer to the Public Safety and Infrastructure Bond Fund (Fire Station 20, \$2.3 million)/**General Fund Capital, Transfers, and Reserves**
- Closed Landfill Compliance (\$2.3 million)/**General Fund Capital, Transfers, and Reserves**

Recommended Budget Actions

Fiscal Resilience and Our Future

- Information Technology Sinking Fund Reserve (\$2.0 million)/**General Fund Capital, Transfers, and Reserves**
- Cultural Facilities Rehabilitation Projects (\$907,000)/**General Fund Capital, Transfers, and Reserves**
- Police Administration Building Boiler and Chiller Replacement (\$525,000)/**General Fund Capital, Transfers, and Reserves**
- Pension Obligation Bonds Consulting Services Reserve (\$200,000)/**General Fund Capital, Transfers, and Reserves**
- Development Services Imaging and Call Center Staffing (-\$1.2 million)/**PBCE**
- Overtime Usage (-\$660,000)/**Fire**
- Fee Activities Program Expenditure Reduction (-\$525,000)/**PRNS**

Recommended Budget Actions

Fiscal Resilience and Our Future

- Reprographics Contractual Services Savings (-\$462,000)/**All Depts.**
- Workplace Safety Staffing(-\$300,000)/**Fire**
- Bureau of Field Operations Administration Staffing (-\$248,000)/**Police**
- Emergency Medical Services Staffing (-\$245,000)/**Fire**
- Office of Civic Innovation – Management Staffing (-\$244,000)/**City Manager's Office**
- Electrical Maintenance Staffing (-\$228,000)/**Public Works**
- Facilities Preventative Maintenance (-\$214,000)/**Public Works**
- Community Center Operations Support (-\$226,000)/**PRNS**
- Crime Evidence and Warehouse Unit Staffing (-\$198,000)/**Police**

Recommended Budget Actions

Other Notable Actions

Community and Economic Development

- Environmental Review Staffing (\$658,000)/**PBCE**
- Economic Development Pre-Development Activities (\$100,000)/**City-Wide**

Environmental and Utility Services

- South Bay Water Recycling System Maintenance and Operations (\$3.5million)/**Environmental Services**
- Regional Wastewater Facility Chemical Supplies (\$1.5 million)/**Environmental Services**
- Solid Waste Enforcement and Compliance Staffing (\$982,000)/**Environmental Services**
- Sanitary Sewer Maintenance Equipment (\$625,000)/**Transportation**
- Climate Smart San José Plan Implementation (\$500,000)/**City-Wide**

Recommended Budget Actions

Other Notable Actions

Neighborhood Services

- Police Activities League Facilities Support (\$328,000)/**PRNS**
- Fiscal and Employee Services Support Staffing (\$242,000)/**PRNS**
- Volunteer Management (\$113,000)/**PRNS**

Transportation and Aviation

- Pavement Markings Staffing (\$332,000)/**Transportation**
- Airport Closed Circuit Television Storage (\$350,000)/**Airport**
- Our City Forest (\$225,000)/**Transportation**

Strategic Support

- Learning and Development Roadmap (\$500,000)/**City-Wide**
- Cost Allocation Plan Review (\$302,000)/**Finance**

Recommended Budget Actions

Other Notable Actions

Strategic Support

- Digital Privacy Staffing (\$212,000)/**Information Technology**
- Commercial Paper Program Fees (\$175,000)/**City-Wide**
- Office of Equality Assurance Labor Compliance Staffing (\$163,000)/**Public Works**
- Community Emergency Response Training Program (\$161,000)/**City Manager's Office**
- Emergency Operations Staffing (\$157,000)/**Public Works**

Recommended Budget Actions

Fee and Charges Adjustments

- **Utilities:**
 - Storm Sewer Service Fee: No increase
 - Sewer Service and Use Charge Fee: No increase
 - Recycle Plus Rates: 17% increase for single-family and 7% for multi-family dwellings
 - Municipal Water System Rates: average 9% increase (rates will vary by user)
- **Development Fee Programs:** fee increases of approximately 3% to 8% recommended
- **Other Fee Programs:** fee changes to generally maintain cost recovery, with exceptions
 - PRNS cost recovery rate drops from 59% to 26%

Budgeting for Equity

Zulma Maciel
Office of Racial Equity, Director

Budgeting for Equity

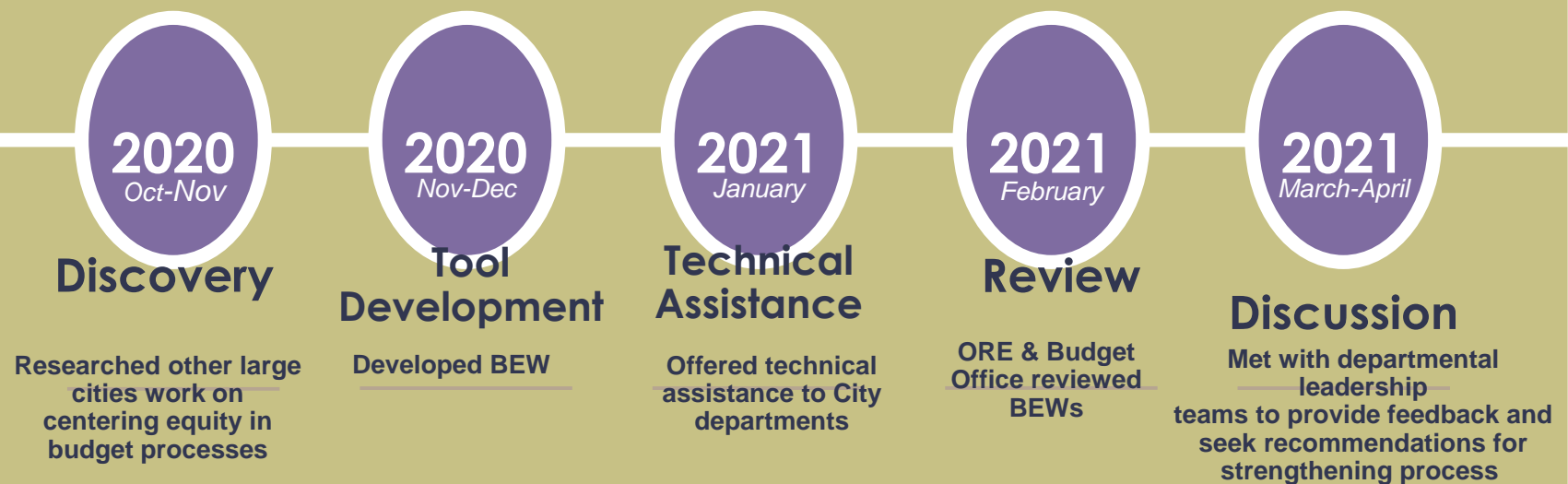
Local government

- ✓ Can reduce pain experienced by disadvantaged parts of the community and the community as a whole

Path Forward

- ✓ Lay strong foundation to build direct linkages between budgeting and equitable decision-making
- ✓ Apply race-conscious approach
- ✓ Ask equity-focused questions and deliver measurable benefits

Budgeting for Equity Worksheet (BEW) Process



Racial Equity Principles in Budgeting for Equity

Focus on impact: Consider how the department's budget proposal package impacts the well-being of the community

Leverage City Data: Disaggregate and analyze existing data or gather evidence to support or guide your proposal package development



Center Community Voices: To the extent feasible, include the considerations of those for whom the resources/services are intended, especially communities of color

Establish Accountability: Use performance measures to assess progress - how much, how well, and the extent to which anyone is better off

Applying Equity in Budgeting

Allocate resources where they are
most needed most by:

Ask who benefits &
who is burdened



Collect & Analyze
Data



Conduct Community
Engagement



Challenges & Opportunities

EQUITY FRAMEWORK

Targeted Restoration of Library Services in the
2021-2022 Proposed Operating Budget

Jill Bourne, City Librarian

EQUITY FRAMEWORK FOR LOCATING LIBRARY SERVICES

Goal: Given limited resources, adapt services to areas of community need by using data

Integration and analysis of datasets:

Internal Library Data:

- Avg. Monthly Computer bookings
- Avg. Monthly wifi sessions
- Avg. Monthly visits

Social Progress Index Indicators

- Housing & Homelessness
- Access to Basic Knowledge
- Access to Info + Communications
- Access to Advanced Education
- Inclusiveness

Census Data

- Population under 18
- Population over 60
- Households earning less than \$15K annually

Additional Data Sets

- CDBG Low-Mod Census tract scores
- EOC Digital Inclusion Priority Index
- SCC Public Health-COVID data

TARGETING LIBRARY SERVICES

Branches Serving Lower-Resourced Communities	Branches Serving Higher-Resourced Communities
East Branch	Pearl
Alum Rock	Rose Garden
Tully	Berryessa
Educational Park	Willow Glen
Hillview	Santa Teresa
Bascom	Cambrian
Biblioteca	Almaden
Seven Trees	Vineland
Edenvale	Calabazas
West Valley	Village Square
Joyce Ellington	
Evergreen	
Alviso*	

*Alviso's small population makes comparative data unreliable. Due to the geographically isolated nature of the Alviso Branch, staff recommends including it as a low-resourced community.

VEHICLE ABATEMENT PROGRAM EQUITY JOURNEY

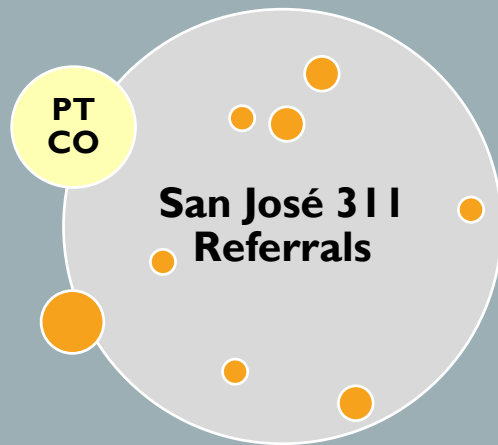
Heather Hoshii, Division Manager, Parking and Downtown Operations

Wednesday, May 12, 2021

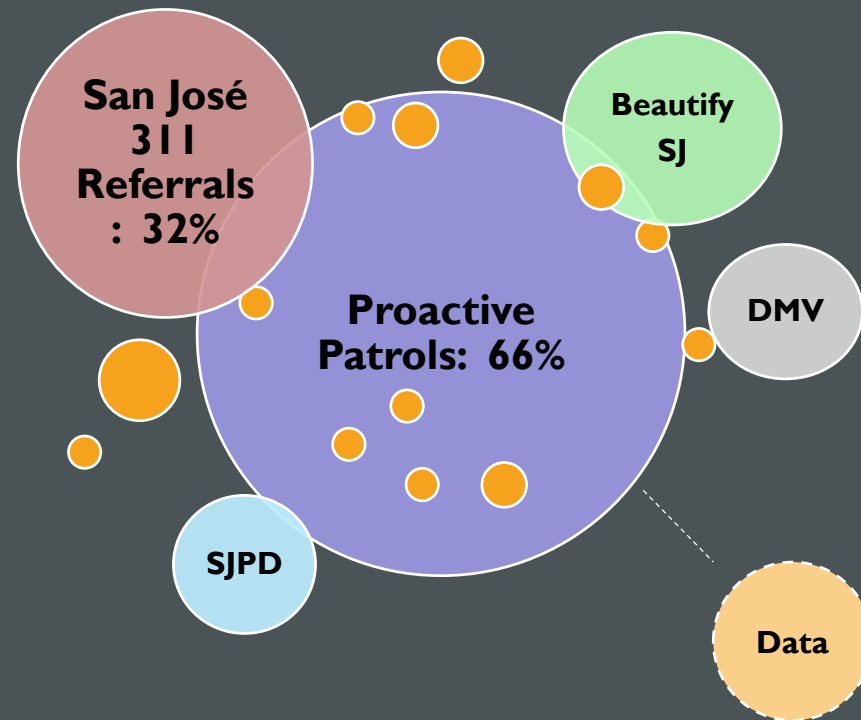


INTEGRATING EQUITY WITHIN VEHICLE ABATEMENT

- Pre-pandemic, a single input source was used to allocate resources and direct service delivery
- 98% of service requests were received via San José 311
- Resources were allocated to areas within the city reporting the most, not necessarily where the need was

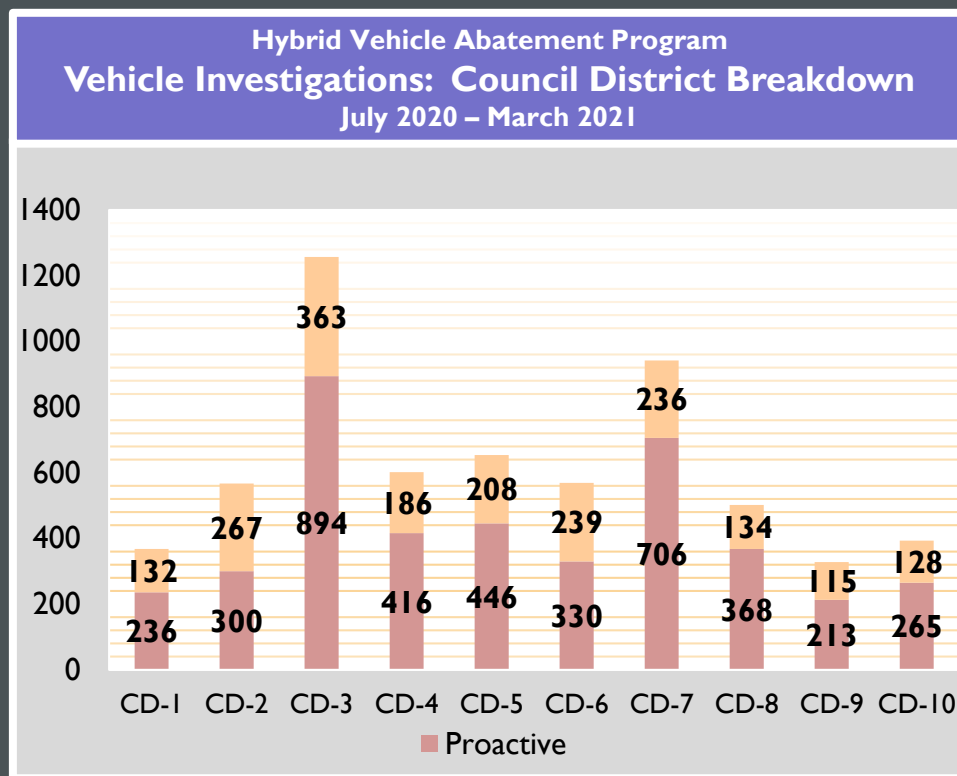


- The Hybrid Vehicle Abatement Program balances multiple input sources to allocate resources and direct service delivery
- Data analysis is helping to identify service gaps and where resources are needed



IDENTIFYING THE SERVICE NEED

- Proactive: every city street is patrolled approximately every 14-days and vehicles that are inoperable or contributing to blight and safety are investigated
- Reactive: service requests received via SanJose311 are triaged identifying vehicles that are inoperable or contributing to blight and safety



UNREPORTED VEHICLE IMPOUNDS

Hybrid Vehicle Abatement Program

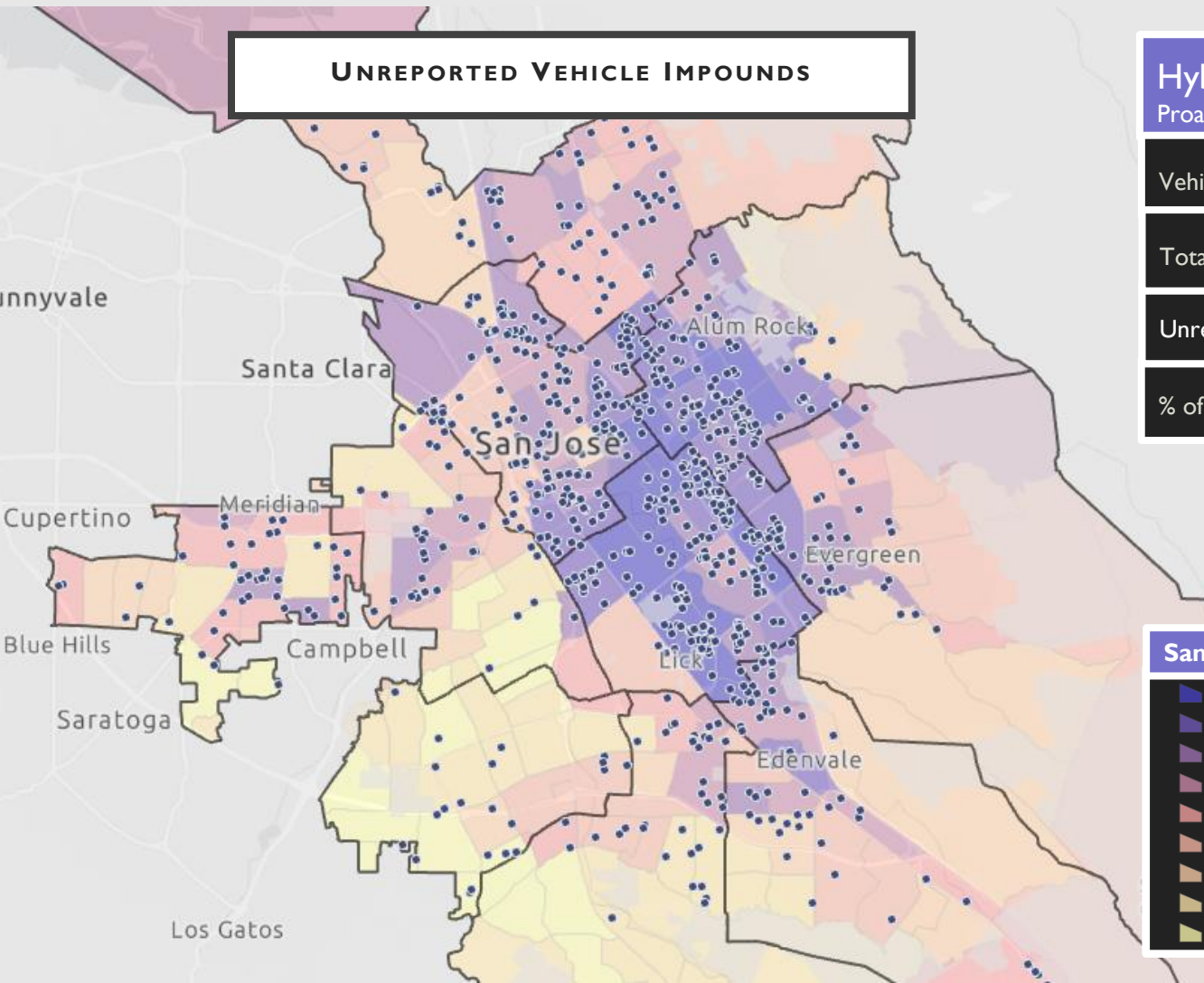
Proactive Patrols July 2020-March 2021

Vehicles Investigated: 4,174

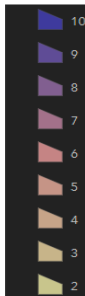
Total Impounds: 1,359

Unreported Vehicle Impounds: 885

% of Proactive Patrol Impounds Unreported: 65%



San Jose Equity Atlas [Beta]



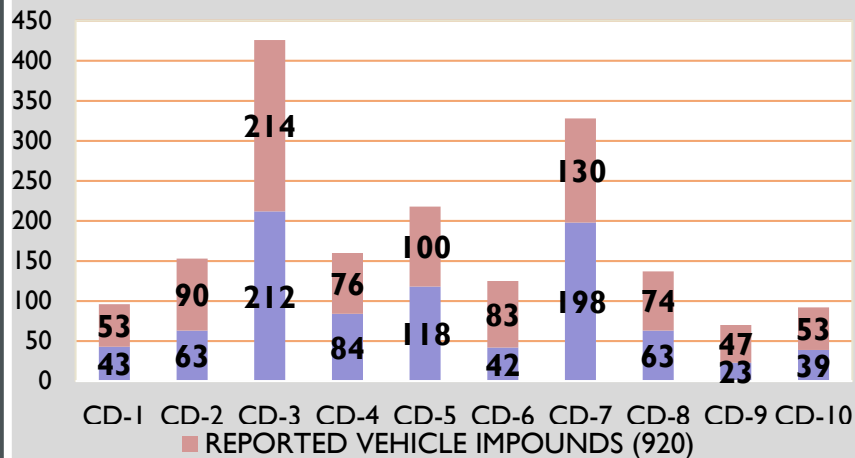
COMBINED SCORE

The combined score includes both race and income data. The higher the number, the higher the concentration of both people of color and low income households in the noted census tract.

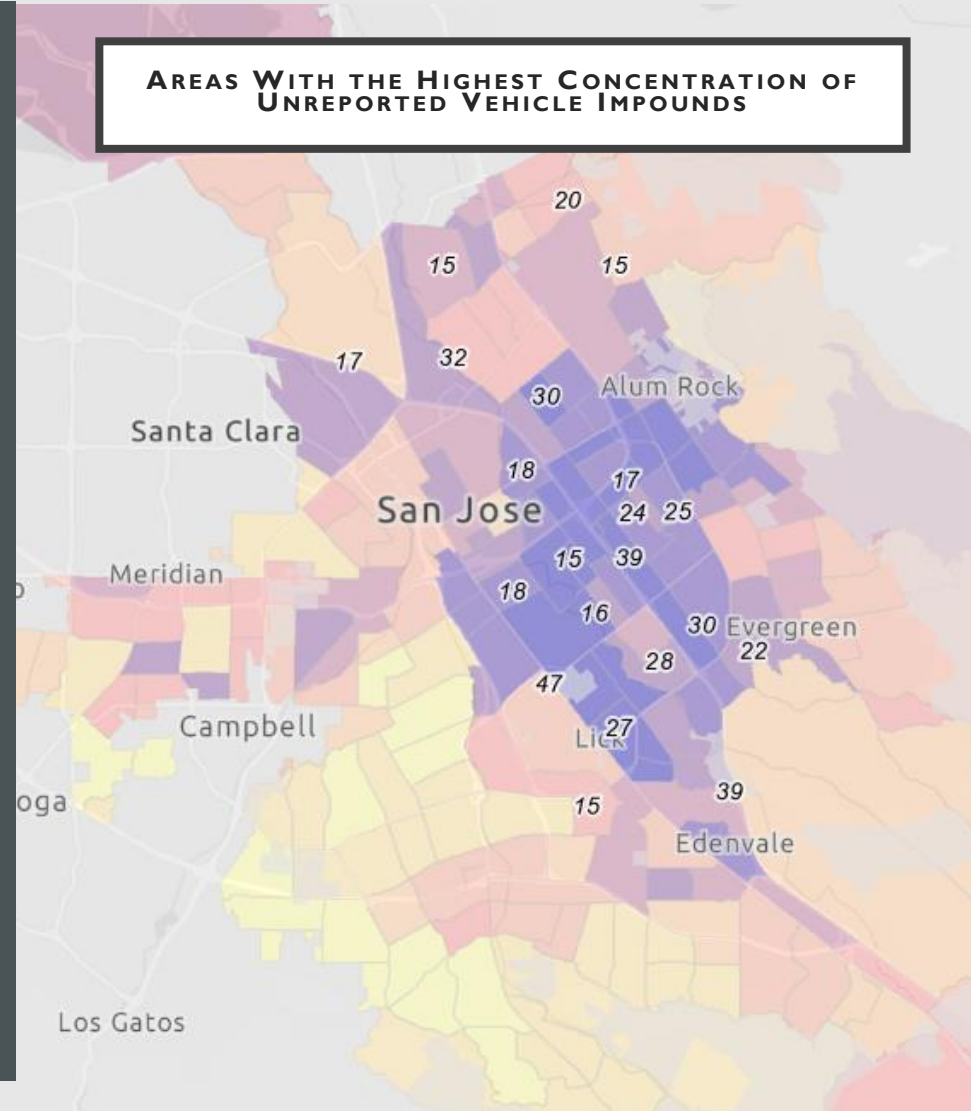
FOCUSING ON SERVICE NEED

- High concentrations of unreported impounds are occurring in CD 3, 5, and 7
- Areas with the greatest need for proactive patrols are noted within low-income and neighborhoods of color

Hybrid Vehicle Abatement Program
Vehicle Impounds: Council District Breakdown
 July 2020 – March 2021



AREAS WITH THE HIGHEST CONCENTRATION OF UNREPORTED VEHICLE IMPOUNDS



Next Steps

May 12 th through 17 th	City Council Budget Study Sessions
May 13 th , 15 th , 19 th	Community Budget Meetings
May 18 th /June 15 th	Public Budget Hearings
June 7 th	Mayor's June Budget Message Released
June 15 th	Council Review/Approval of Mayor's June Budget Message and Budget
June 22 nd	Adoption of the 2021-2022 Budget and Fees and Charges

2021-2022 Proposed Operating Budget Overview

Jim Shannon
Budget Director

Selena Ubando
Financial Status Coordinator

Bonny Duong
Assistant Budget Director

Bryce Ball
Operating Budget Coordinator

Claudia Chang
Deputy Budget Director