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# 2026-2027 PROPOSED OPERATING BUDGET OVERVIEW

May 6, 2026



# PRESENTATION AGENDA

- Opening Remarks
- Proposed Budget Overview
- Budget Balancing Strategy and Recommended Budget Actions
- Next Steps in the Budget Process
- Economic Outlook

# 2026-2027 PROPOSED OPERATING BUDGET GENERAL FUND OPERATING MARGIN



## 2027-2031 Revised General Fund Five-Year Forecast (\$ in millions)<sup>1</sup>

	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	Five-Year Surplus/ (Shortfall)
<b>Incremental Surplus/ (Shortfall)</b>	(\$50.3) <sup>2</sup>	(\$26.8)	(\$11.8)	\$13.8	\$11.6	(\$63.5)
Total Cumulative (Shortfall)	(\$50.3) <sup>2</sup>	(\$77.1)	(\$88.9)	(\$75.1)	(\$63.5)	(\$63.5)

<sup>1</sup> Does not include 1) costs associated with services that were funded on a one-time basis in 2025-2026; 2) costs associated with unmet/deferred infrastructure and maintenance needs; and 3) one-time revenue sources or expenditure needs.

<sup>2</sup> This figure was revised from the \$56.0 million shortfall as presented in the Forecast released in March 2026 as a result of continued analysis of projected revenues and expenditures.

# 2026-2027 PROPOSED OPERATING BUDGET OVERVIEW



- Balanced all funds (General Fund, Special and Capital Funds)
- Fully resolves the General Fund projected shortfall of \$50.3 million on an ongoing basis while minimizing community and employee impacts, and still makes targeted investments
- Investment Priorities:
  - Reducing Unsheltered Homelessness
  - Improving Community Safety
  - Cleaning Up Our Neighborhoods
  - Growing Our Economy
  - Building More Housing

Other investment priorities included select areas of important and ongoing Core Service work within other community services, strategic support services, and infrastructure/technology

- Budgeted Positions (all funds) decrease by 85 positions, from 7,009 to 6,924

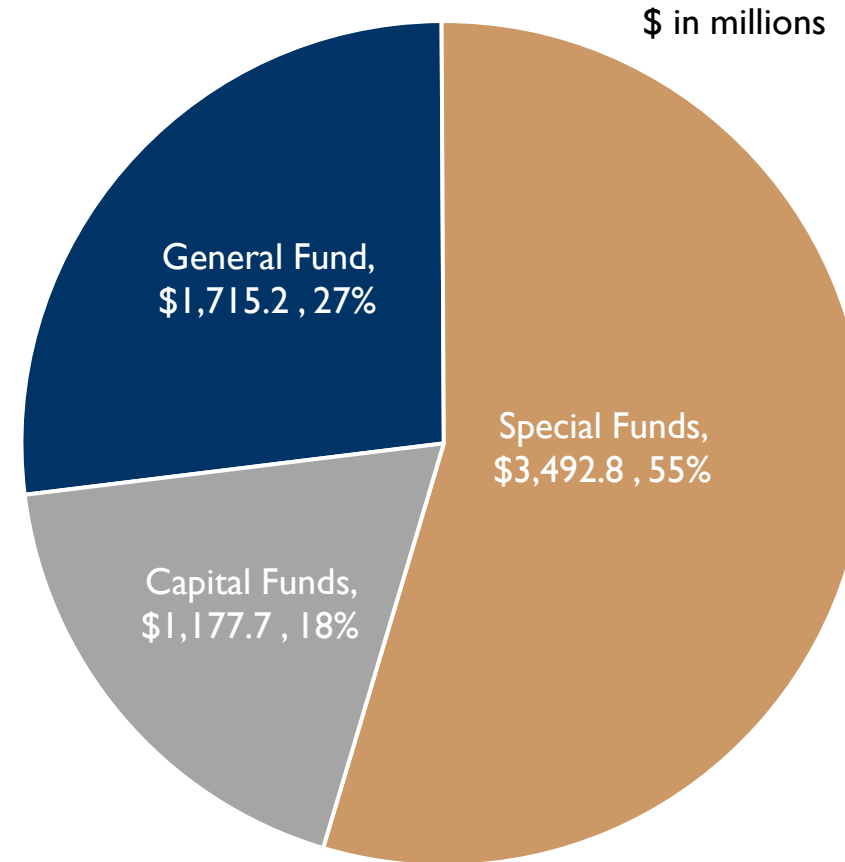
# 2026-2027 PROPOSED OPERATING BUDGET OVERVIEW



**2026-2027 PROPOSED CITY BUDGET <sup>1</sup>: \$5.5 billion**

**TOTAL NUMBER OF FUNDS: 152**

**TOTAL NUMBER OF POSITIONS (FTE): 6,924**

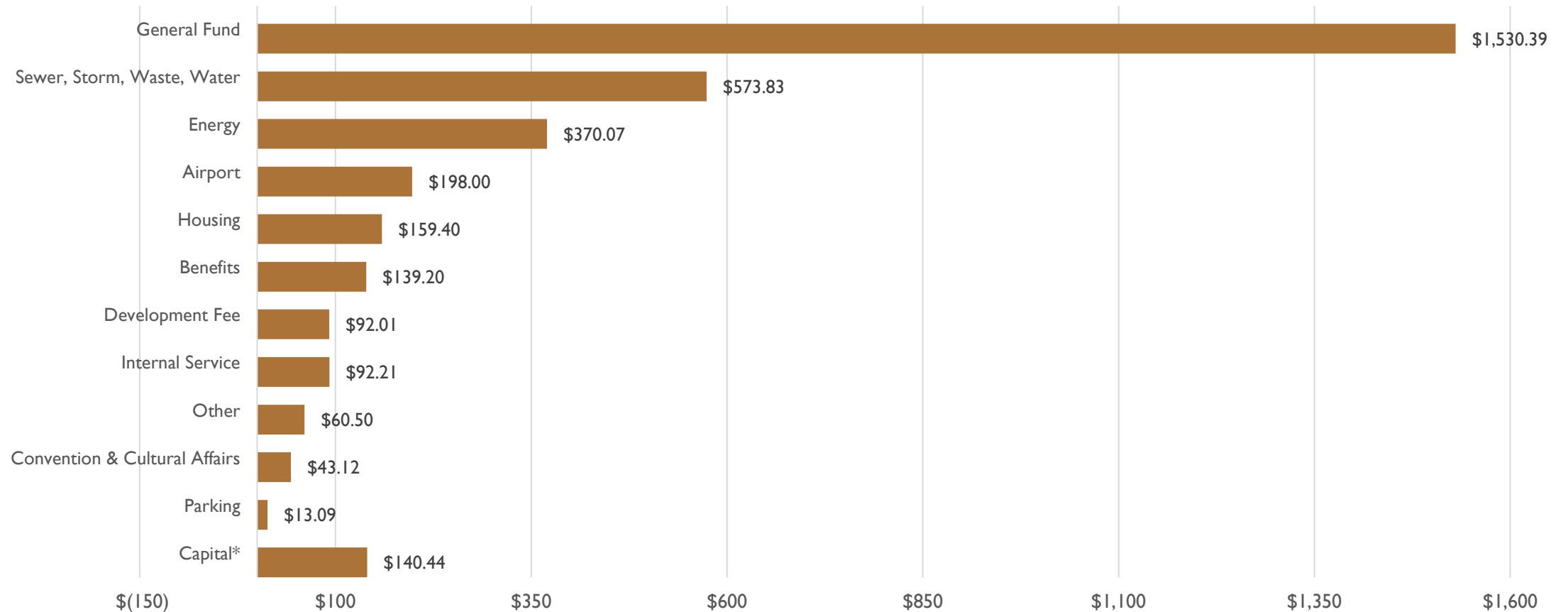


<sup>1</sup> An adjustment of \$921 million is necessary to arrive at the \$5.5 billion net 2026-2027 Proposed City Budget to avoid the double-counting of transfers, loans and contributions between City funds.

# 2026-2027 PROPOSED OPERATING BUDGET OVERVIEW – FUND CATEGORIES

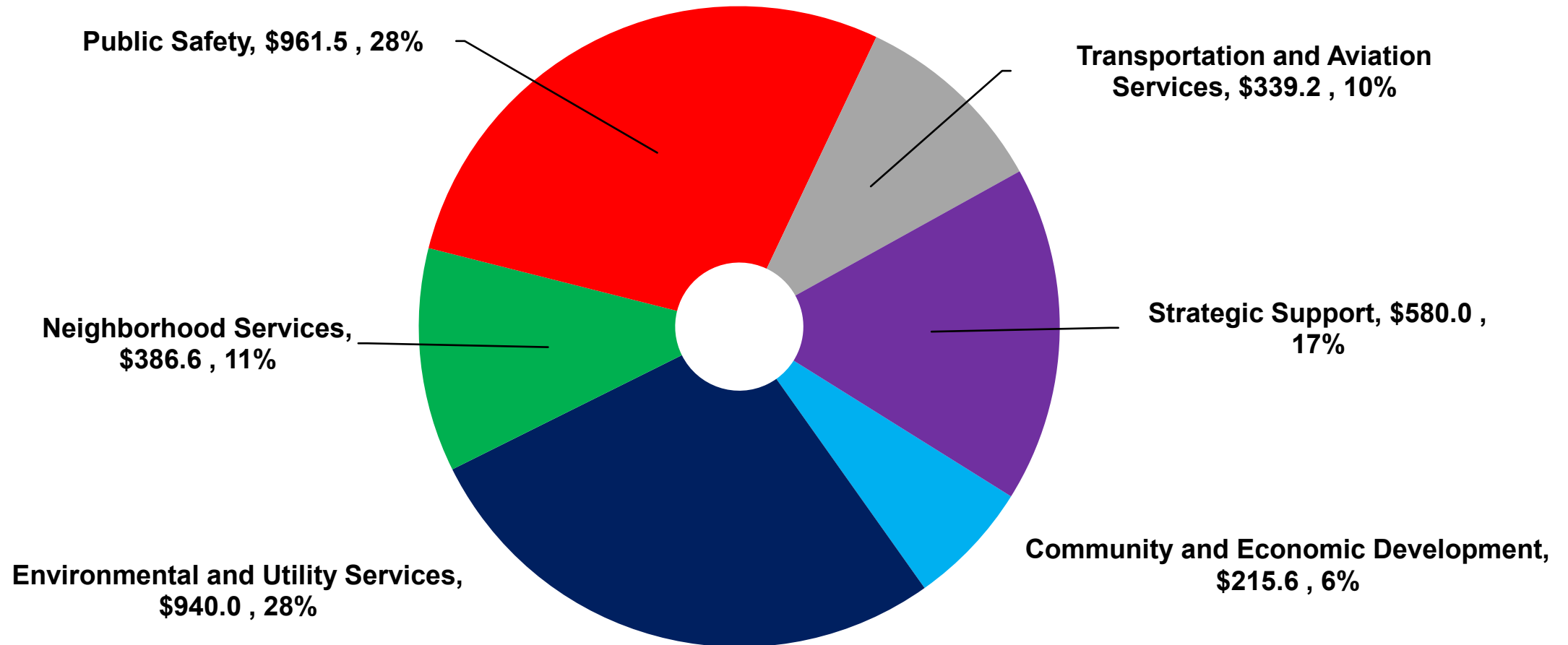


2025-2026 Proposed Operating Budget by Fund Category (exc. Transfers, Reserves, and Fund Balance)



\* Capital Fund expenditures include only personal services and overhead reimbursements.

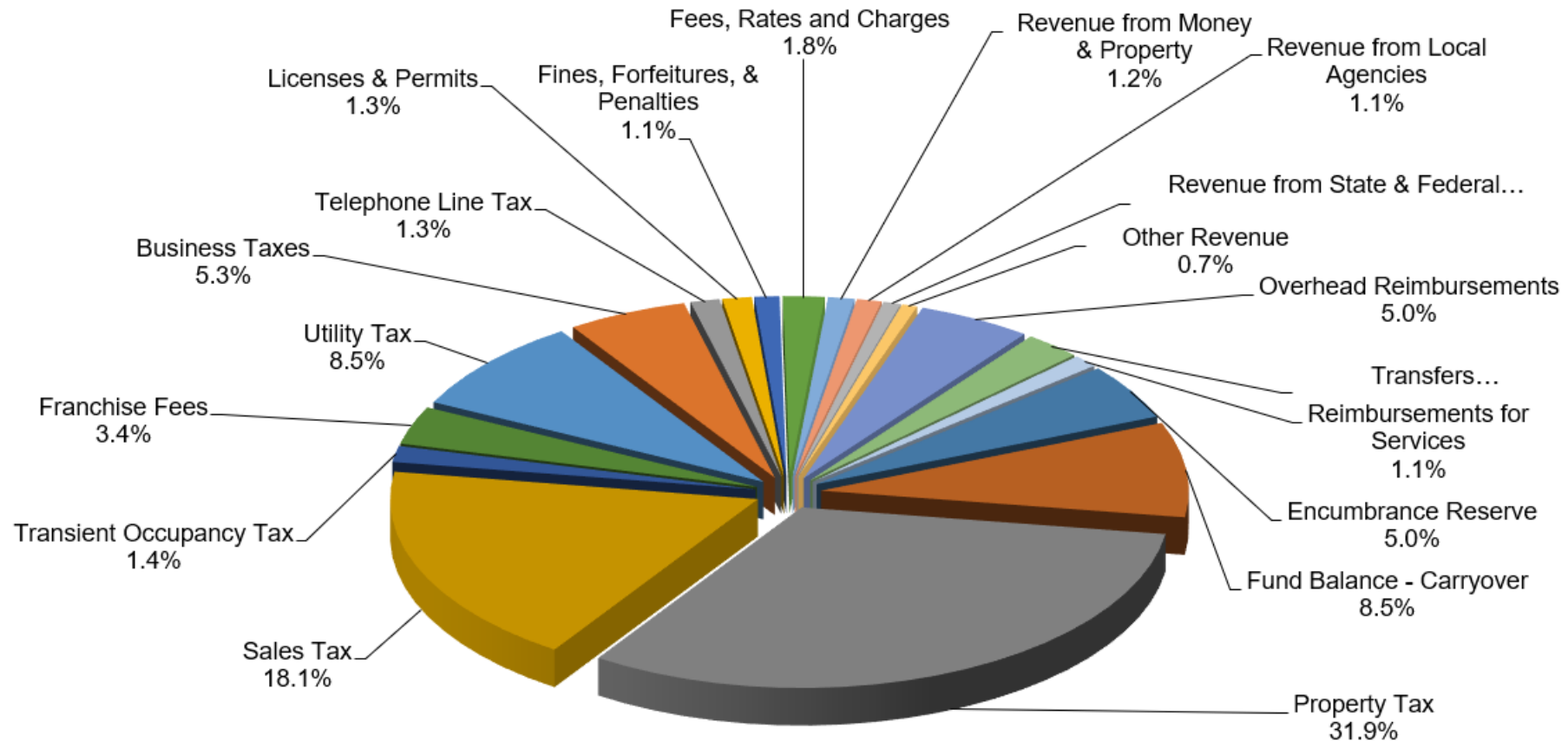
# 2026-2027 PROPOSED OPERATING BUDGET USES BY CITY SERVICE AREA (ALL FUNDS; \$ IN MILLIONS)



\* Excludes Fund Balance, Transfers, Reserves, and Capital Fund (project) expenditures.

# 2026-2027 PROPOSED OPERATING BUDGET

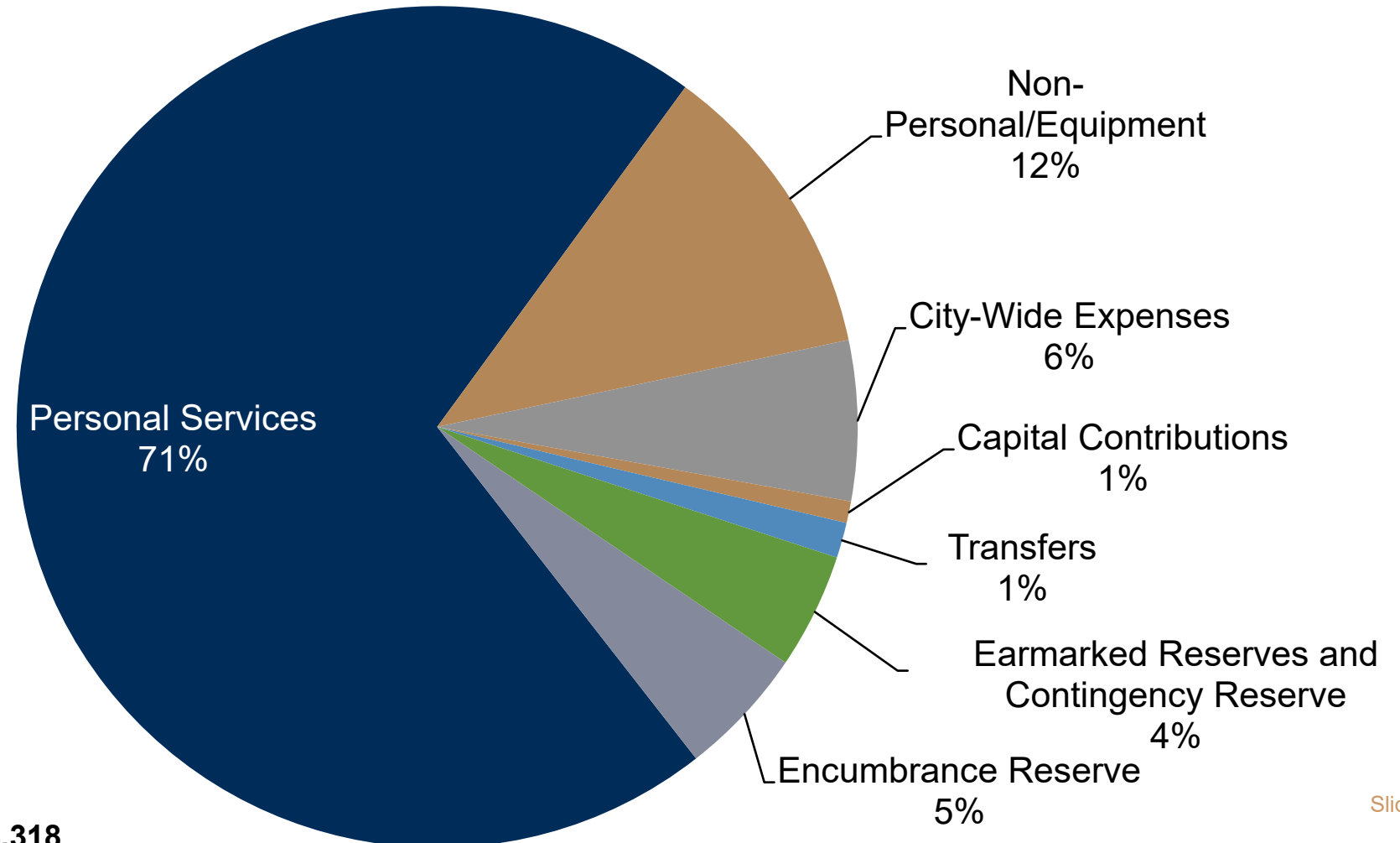
## GENERAL FUND SOURCES



Total General Fund Sources: \$1,715,206,318

# 2026-2027 PROPOSED OPERATING BUDGET

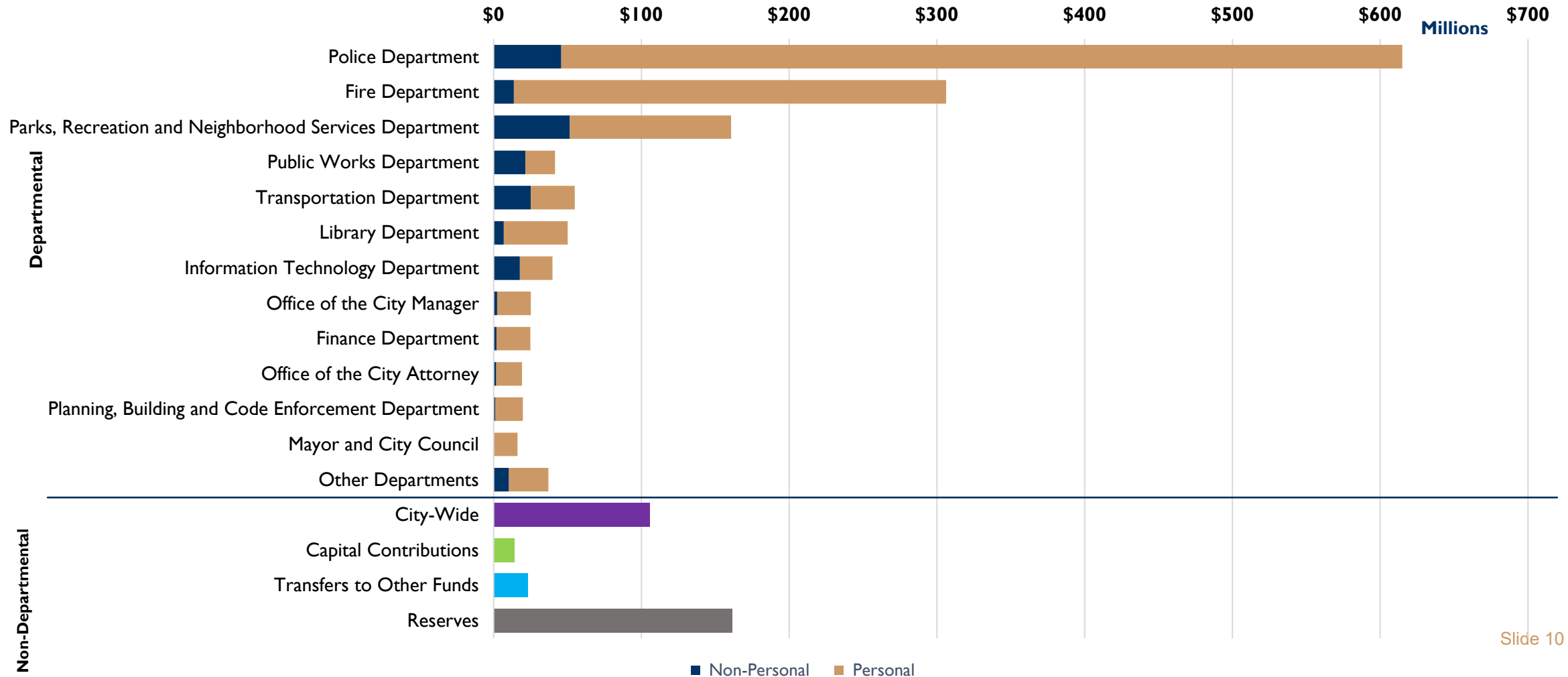
## GENERAL FUND USES BY CATEGORY



Total General Fund Uses: \$1,715,206,318

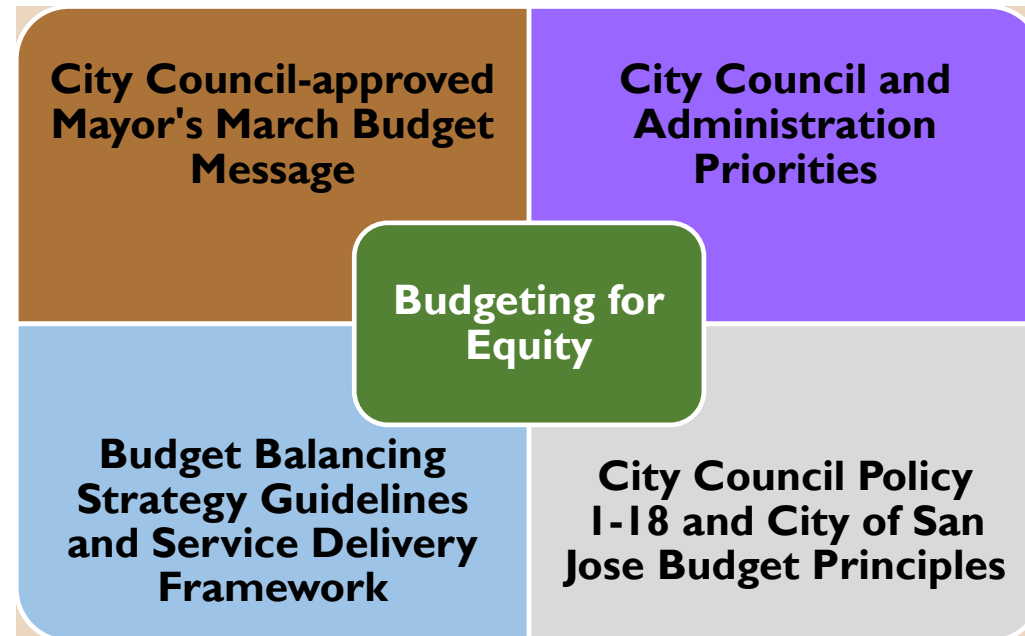
# 2025-2026 PROPOSED OPERATING BUDGET

## GENERAL FUND BUDGET BY CATEGORY



# 2026-2027 BUDGET BALANCING STRATEGY

## PROPOSED BUDGET DEVELOPMENT CONSIDERATIONS



Equity considerations were central to the development of the General Fund budget balancing strategy. To mitigate service impacts, the Administration focused on solutions that optimized and realigned service delivery to achieve ongoing costs savings without significant impacts and maximized strategies to increase revenues.

# 2026-2027 BUDGET BALANCING STRATEGY

## KEY GENERAL FUND BALANCING STRATEGIES



### Homelessness services savings without compromising outcomes within the Reducing Unsheltered Homelessness Focus Area

- Beautify San José – Reduction of \$4.2 million in 2026-2027 and \$6.4 million ongoing
- Interim Housing Portfolio – Reduction of \$1.2 million in 2026-2027 and \$14.2 million ongoing

### New or increased revenues

- Passage of Measure A (Transient Occupancy Tax Increase) - \$6.75 million in 2026-2027 and \$9.5 million ongoing
- Transfers from eligible special and capital funds to the General Fund - \$4.9 million in 2026-2027 and \$3.2 million ongoing
- Adjustments to fees and charges to maintain cost recovery levels - \$3.8 million

### Cost and service reductions

- Variety of targeted cost reductions totaling \$18.9 million in 2026-2027 and \$19.4 million ongoing
- Includes \$2 million from organizational realignments and optimizations with minimal negative impacts
- Includes a two-year deferral of Fire Station 32 and the Police Training Center (subject to reevaluation)

### Strategic use of the Budget Stabilization Reserve

- Allocates \$35.0 million for key deferred capital maintenance and technology investments, key City priorities, and bridge funding in 2026-2027 to all full phase-in of Beautify San José and Interim Housing Portfolio reductions

**Resolves over  
75% of the  
ongoing  
General Fund  
shortfall**

# 2026-2027 BUDGET BALANCING STRATEGY

## GENERAL FUND



	2026-2027	Ongoing
<b>Total General Fund Shortfall</b>	<b>\$ (50.3)</b>	<b>\$ (50.3)</b>
<b>Recommended Balancing Strategy</b>		
– Changes in Sources	\$ 66.3	18.4
– Changes in Uses	16.0	(31.9)
<b>Total Balancing Strategy</b>	<b>\$ 50.3</b>	<b>\$ 50.3</b>
<b>Amount Remaining</b>	<b>\$ 0</b>	<b>\$ 0</b>

# 2026-2027 PROPOSED BUDGET ACTIONS

## GENERAL FUND USES (\$ IN MILLIONS)



Use of Fund	2026-2027 Adjustments	Ongoing Adjustments
Unmet/Deferred Technology, Infrastructure, and Maintenance	\$21.9	\$0.7
Service Level Enhancements	\$7.3	\$4.2
Earmarked Reserves (Police Sworn Backfill, Essential Services, Children & Youth Master Plan)	\$7.5	\$0
Previously One-Time Funded Services (from 2025-2026)	\$3.7	\$1.3
Other Fee Programs/Grants/Reimbursements	\$3.4	\$1.8
New Infrastructure/Equipment Operations and Maintenance	\$0.2	\$0.3
Service Reductions/Service Delivery Efficiencies/Fund Shifts	(\$18.9)	(\$19.4)
Beautify San José	(\$4.2)	(\$6.4)
Use of Reserves (Committed Additions, Deferred Infrastructure, and Police Equipment Sinking Fund)	(\$3.6)	(\$0.3)
Interim Housing Construction and Operation	(\$1.3)	(\$14.2)
<b>Total</b>	<b>(\$50.3)</b>	<b>(\$50.3)</b>

# 2026-2027 PROPOSED BUDGET

## BUDGET STABILIZATION RESERVE



Budget Stabilization Reserve Framework	Amount (\$ million)
<p><b>Do not rely on the Budget Stabilization Reserve to address ongoing General Fund shortfalls given that the Reserve is a one-time source of funding.</b> The 2026-2027 Proposed Operating Budget does not recommend the use of the Budget Stabilization Reserve to address the ongoing General Fund shortfall.</p>	\$0
<p><b>Address one-time urgent, unfunded capital rehabilitation and technology projects at critical City facilities.</b></p>	\$8.32
<p><b>Consider limited, targeted investments for critical one-time services/projects or to yield long-term savings or efficiencies.</b></p>	\$11.48
<p><b>Phase-in ongoing reductions over a two-year period, as necessary and on a limited basis, to allow the transition or wind down of the impacted services.</b></p>	\$15.20
<p><b>2026-2027 Proposed Operating Budget Total Budget Stabilization Reserve Use</b></p>	\$35.00

# 2026-2027 PROPOSED BUDGET BUDGET STABILIZATION RESERVE



*Ensure sufficient funding remains to address potential shortfalls should the General Fund's budgetary position worsen further in 2025-2026 or 2026-2027, either due to unexpected revenue loss or unforeseen expenditures*

## **Anticipated Budget Stabilization Reserve Balance in 2026-2027 = \$32.5 million**

Potential Future Impacts to the Reserve:

- City's Education Revenue Augmentation Funding (ERAF) – 20% ongoing loss beginning in 2025-2026 (\$9 - \$10 million annually). Claw back to 2020-2021 of \$35 - \$39 million
- Cardroom Business Tax – Potential loss of up to \$25 million beginning in 2026-2027
- Other critical capital needs
- Other unexpected revenue loss or expenditure need

**General Purpose Reserves should be 10% of General Fund expenditures; currently at 4.9%**

# 2026-2027 PROPOSED BUDGET

## CONTINGENCY PLAN

Service impacts will be significantly more impactful if Measure A does not pass

May also be needed to address unexpected revenue shortfalls or expenditure needs

Contingency Plan (Table 6)						
Reduction Proposal Title	Department	2026-2027 FTE	2026-2027 Amount (\$)	Ongoing FTE	Ongoing Amount (\$)	
<b>Community Services</b>						
Sunday Library Branch Hours Elimination	Library	(25.70)	(2,315,018)	(25.70)	(2,441,173)	
San José Learns Reduction	Library	-	(500,000)	-	(500,000)	
Safe Summer Initiative Grant Program Elimination	PRNS	-	-	-	(599,588)	
Aquatics and Swimming Program Reduction	PRNS	-	-	(8.11)	(474,155)	
Regional Parks Monday Closure and Maintenance Staffing	PRNS	(5.28)	(333,978)	(5.28)	(384,762)	
BEST Grant Program Reduction	PRNS	-	(200,000)	-	(200,000)	
Tree & Sidewalk Hardship Grants Elimination	Transportation	-	-	-	(513,000)	
<b>Neighborhood Services Sub-Total</b>		<b>(30.98)</b>	<b>(3,348,996)</b>	<b>(39.09)</b>	<b>(5,112,678)</b>	
<b>Public Safety</b>						
Downtown Foot Patrol Elimination	Police	(4.00)	(1,090,320)	(4.00)	(1,172,228)	
Bureau of Field Operations Sworn Overtime Reduction	Police	-	(750,000)	-	(1,000,000)	
Automated License Plate Reader Cameras Reduction	Police	-	(420,000)	-	(840,000)	
<b>Public Safety Sub-Total</b>		<b>(4.00)</b>	<b>(2,260,320)</b>	<b>(4.00)</b>	<b>(3,012,228)</b>	
<b>Strategic Support, Appointees, and Mayor/Council</b>						
Information Technology Project Management Staffing	IT	(2.00)	(486,098)	(2.00)	(530,289)	
Employment and Hiring Staffing	HR	(1.00)	(157,254)	(1.00)	(171,550)	
City Attorney Staffing	Attorney	(1.00)	(236,727)	(1.00)	(258,248)	
City Auditor Staffing	Auditor	-	-	(1.00)	(142,324)	
City Clerk Staffing	Clerk	(1.00)	(132,855)	(1.00)	(144,933)	
Mayor/Council	Mayor/Council	-	(127,750)	-	(127,750)	
<b>Strategic Support, Appointees, and Mayor/Council Sub-Total</b>		<b>(5.00)</b>	<b>(1,140,684)</b>	<b>(6.00)</b>	<b>(1,375,094)</b>	
<b>Total Reduction</b>		<b>(39.98)</b>	<b>(6,750,000)</b>	<b>(49.09)</b>	<b>(9,500,000)</b>	

# COMMUNITY AND ECONOMIC DEVELOPMENT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Growing Our Economy

Business Outreach and Development Staffing (\$536,000)/City Manager's Office of Economic Development and Cultural Affairs

Major Events Staffing and Programming (\$350,000)/City Manager's Office of Economic Development and Cultural Affairs

Sports Authority (\$250,000)/City-Wide Expenses

Downtown Stitching Districts (\$250,000)/City-Wide Expenses

Enhanced Infrastructure Financing District Assessment (\$100,000)/City-Wide Expenses

East Side Revitalization Plan (\$50,000)/City Manager's Office of Economic Development and Cultural Affairs

Storefront Activation Grant Program (\$50,000)/City-Wide Expenses

### Building More Housing

Tri-Element General Plan Update Consultant Services (\$500,000)/Planning, Building and Code Enforcement

Historic Buildings Inventory (\$250,000)/Planning, Building and Code Enforcement

Building Development Fee Program Staffing (\$143,000)/Planning, Building and Code Enforcement

Planning Development Fee Program Staffing (\$73,000)/Planning, Building and Code Enforcement

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Recruitment Staffing (-\$308,000)/Planning, Building and Code Enforcement and Housing

Communications Staffing (-\$211,00)/Housing

Administrative Staffing (-\$146,000)/City Manager's Office of Economic Development and Cultural Affairs

San José Works – Youth Jobs Initiative (-\$200,000)/City-Wide Expenses

# ENVIRONMENTAL AND UTILITY SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Important and Ongoing Core Service Work

Residual Solids Management Operations Dredges (\$2.4 million)/Environmental Services

South Bay Water Recycling Metering and Pressure Monitoring Improvements (\$2.0 million)/ Environmental Services

Sanitary Sewer Cost-of-Service Study (\$575,000)/Environmental Services

Storm Drain Inlet Marking Compliance (\$375,000)/Environmental Services and Transportation

Fire Stations and Former Fire Training Center PFAS Investigation and Clean-up (\$350,000)/ Environmental Services

Enhanced Street Sweeping for 100% Trash Load Reduction Compliance (\$341,000)/Environmental Services and Transportation

Strategic Load Management Staffing (\$300,000)/Energy

Solid Waste Enforcement Program Staffing (\$179,000)/Environmental Services

Energy Hedging Program Review (\$175,000)/Energy

Risk Management and Contracts Administration Compliance (\$159,000)/Energy

Demand Side Power Portfolio Management Staffing (\$159,000)/Energy

# NEIGHBORHOOD SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Reducing Unsheltered Homelessness

Homelessness Response Division Staffing (Continuation)  
(\$622,000)/Housing

PATH-CITED Grant Staff Funding (\$604,000)/Housing

Enhanced Engagement Program Staffing (Continuation)  
(\$476,000)/Housing

Homelessness Response and Housing Production Staffing Alignment  
(\$204,000)/Housing

Interim Housing Construction and Operations  
(-\$1.25 million in 2026-2027 and \$14.2 million ongoing)/City-Wide  
Expenses

### Cleaning Up Our Neighborhoods

Enhanced Vacant/Dangerous Downtown Building Inspection  
(Continuation) (\$175,000)/Planning, Building and Code Enforcement

BeautifySJ Grants (\$50,000)/City-Wide Expenses

Beautify San José Program Optimization (-\$4.2 million in 2026-2027  
and \$6.25 million ongoing)/Parks, Recreation and Neighborhood  
Services

### Other Important and Ongoing Core Service Work

Fee Program Updates (\$1.5 million, offset with revenues)/Parks,  
Recreation and Neighborhood Services

Alum Rock Park and City Parks/Open Spaces Vegetation  
Management (\$1.0 million)/Parks, Recreation and Neighborhood  
Services

Animal Care and Services – Trap, Neuter, and Release and Spay and  
Neuter Services Expansion (\$289,000)/Parks, Recreation and  
Neighborhood Services

# NEIGHBORHOOD SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Biblioteca Latinoamericana Facility Renovation Closure  
(-\$821,000)/Library

San José Recreation Preschool Program  
(-\$439,000)/ Parks, Recreation and Neighborhood Services

King Library California Room Public Access Closure  
(-\$388,000)/Library

Nonfunctional Turf Removal Water Savings  
(-\$384,000)/Parks, Recreation and Neighborhood Services

Parks Maintenance Redistricting, Citywide Sports Programming, and  
Lease Management (-\$332,000)/Parks, Recreation and Neighborhood  
Services

Viva CalleSJ and Viva Parks Events  
(-\$302,000)/Parks, Recreation and Neighborhood Services

BEST Grant Program (-\$142,000)/City-Wide Expenses

# PUBLIC SAFETY CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Increasing Community Safety

Police Department Sworn Backfill Reserve  
(\$5.0 million)/General Fund Capital, Transfers and Reserves

Police Sworn Compensatory Time Buydown (\$1.9 million)/Police

Bureau of Field Operations Overtime (\$1.0 Million)/Police

Police Equipment Replacement (\$915,000)/Police

Community Paramedicine Pilot Program (\$764,000)/Fire

Artificial Intelligence Report Writing Tool (\$750,000)/Police

Coyote and Guadalupe River Trail Patrol (Continuation)  
(\$650,000)/Police

Fire Station Privacy Enhancements (\$570,000)/General Fund Capital,  
Transfers and Reserves

Fire Alerting System Network (\$475,000)/ General Fund Capital,  
Transfers and Reserves

Automated License Plate Reader Cameras (\$420,000)/Police

911 Call Center Upgrades FF&E (\$350,000)/General Fund Capital,  
Transfers and Reserves

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Fire Station 32 Two-Year Deferral (-\$4.7 million)/Fire

Unstaffed Unit Reduction (-\$3.1 million)/Police

Police Training Center Two-Year Deferral (-\$778,000)/Police

Police Administration Building Front Lobby Hours – Friday Closure  
(-\$605,000)/Police

Wildland Engine Staffing Reconfiguration (-\$491,000)/Fire

Disaster Preparedness and Emergency Response Modeling Software  
(-\$310,000)/City Manager’s Office of Emergency Management

School Crossing Guard Program (-\$300,000)/Police

Emergency Medical Services Staffing (-\$220,000)/Fire

Bureau of Field Operations Administrative Staffing (-\$174,000)/Police

# TRANSPORTATION AND AVIATION SERVICES CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Increasing Community Safety

Automated Speed Enforcement Program (\$412,000)/Transportation	Quick Build Projects on Priority Safety Corridors Staffing (Continuation) (\$174,000)/Transportation
Senter Road Multimodal Safety Improvement Project Staffing (Continuation) (\$223,000)/Transportation	

### Growing Our Economy

Airport Real Estate Development (\$150,000)/Airport

### Other Important and Ongoing Core Service Work

Urban Forestry Grant (\$1.8 million)/City-Wide Expenses	Downtown Parking Rates and Hours (\$106,000) /Transportation
Willow Glen On-Street Parking (\$297,000)/Transportation	New Traffic Infrastructure Assets Operations (\$105,000)/Transportation
Airport Facilities Landscape Management (\$200,000)/Airport	Airport FAA Mandated Wildlife Staffing (Continuation) (\$64,000)/Airport

### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Traffic Capital Vacant Positions Eliminations (-\$381,000)/Transportation	Traffic Safety Data Collection Staffing and Funding Shift (-\$111,000)/Transportation
Tree and Sidewalk Program Staffing (-\$124,000)/Transportation	Virtual Machine Migration to Cloud (-\$20,000)/Transportation

# STRATEGIC SUPPORT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Other Important and Ongoing Core Service Work

Information Technology Equipment Refresh (\$5.0 million)/Information Technology

9-1-1 Dispatch Backup Generator Replacement (\$3.5 million)/  
General Fund Capital, Transfers, Reserves

City Hall Water Intrusion Remediation (\$2.0 million)/ General Fund  
Capital, Transfers, Reserves

Customer Experience Transformation (\$3.9 million)/City-Wide  
Expenses

Privacy and AI Automation Staffing (\$825,000)/Information Technology  
Cybersecurity Operations Staffing and Services  
(\$554,000)/Information Technology

Office of Racial and Social Equity - Immigrant Community Support  
Services (\$500,000)/City Manager's Office

City-Wide Grants Management Software (\$500,000)/Finance

Fleet Maintenance Services Staffing (\$380,000)/Public Works

San José 311 Migration (\$276,000)/Information Technology

Legal Representation Staffing (Municipal Code Enforcement)  
(Continuation) (\$221,000)/City Attorney's Office

Underutilized Vehicles Redistribution (\$135,000)/Public Works

# STRATEGIC SUPPORT CSA

## KEY BUDGET ACTIONS (PARTIAL LIST)



### Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues

Public Works Department Staffing Plan – Capital Improvement Plan  
(-\$3.0 million)/Public Works

Mayor and City Council Offices (-\$383,000)/Mayor and City Council  
Budget and Finance Applications Support Staffing  
(-\$236,000)/Information Technology

Workforce Development Pipeline Staffing  
(-\$212,000)/Human Resources

Transfer to the Vehicle Maintenance and Operations Fund  
(-\$250,000)/General Fund Capital, Transfers, Reserves

Unanticipated/Emergency Repair and Maintenance  
(-\$200,000)/General Fund Capital, Transfers, Reserves

Help Desk Staffing (-\$193,000)/Information Technology

Legal Representation Staffing (-\$160,000)/City Attorney's Office

Office of the City Manager - City Manager's Chief of Staff Realignment  
(-\$148,000)/City Manager's Office

Finance Administration Staffing (-\$144,00)/Finance

Payment Processing Staffing (-\$139,000)/Finance

Utility Billing Staffing (-\$139,000)/Finance

In-Person Interpretation Services (-\$125,000)/City Clerk

# RECOMMENDED BUDGET ACTIONS

## FEEES AND CHARGES ADJUSTMENTS



### Utilities

- Storm Sewer Service Fee: No fee increase
- Sewer Service and Use Charge Fee: 1% overall revenue increase
- Recycle Plus Rates: 7% increase for single-family and 4% for multi-family dwellings
- Municipal Water System Rates: revenue increase of 8% increase (rates will vary by user)

### Development Fee Programs

- Building Development Fee Program fee decreases approximately 1.1%.
- Planning Development Fee Program: No fee increase
- Fire Development Fee Program: 3% fee increase
- Public Work Development Fee Program: 3% fee increase

# BUDGET STUDY SESSIONS



**Wednesday, May 6 - 9:00am – 12:00pm**

Overview, Community and Economic Development CSA

**Thursday, May 7 - 9:30am – 12:00pm**

Transportation & Aviation Services CSA, Environmental & Utility Services CSA

**Monday, May 11 - 9:30am – 5:00pm**

Neighborhood Services CSA, Public Safety CSA, Strategic Support CSA/Appointees, Fees and Charges, Capital Program Overview

**Wednesday, May 13 & Thursday, May 14 - 9:00am – 12pm**

Held should additional discussion be required

# NEXT STEPS FOR REVIEW, INPUT, AND APPROVAL



May 6 <sup>th</sup> through 14 <sup>th</sup>	City Council Budget Study Sessions
May 18 <sup>th</sup>	Virtual Budget Town Hall
May 12 <sup>th</sup> /June 8 <sup>th</sup>	Budget Public Hearings
June 1 <sup>st</sup>	Mayor's June Budget Message Released
June 8 <sup>th</sup>	Final Public Hearing
June 9 <sup>th</sup>	Council Review/Approval of Mayor's June Budget Message and Proposed Budget
June 16 <sup>th</sup>	Adoption of the 2026-2027 Budget and Fees and Charges

# 2026-2027 PROPOSED OPERATING BUDGET OVERVIEW

Jim Shannon  
*Budget Director*

Bonny Duong  
*Assistant Budget Director*

Claudia Chang  
*Deputy Budget Director*

Selena Ubando  
*Financial Status Coordinator*

Bryce Ball  
*Operating Budget Coordinator*

Jennifer Tell  
*Capital Budget Coordinator*

A nighttime photograph of a city skyline. On the left is a tall, modern skyscraper with a grid-like facade. In the center is a large, illuminated glass dome structure. To the right are several other modern buildings with lit windows. The sky is dark blue.

**FY26/27**

# **Economic Context**

**May 6, 2026**

**Jen Baker  
Director**

**City Manager's Office of Economic Development and Cultural Affairs**

# | Agenda

- **San José's Economic Landscape**
- **Corporate Trends**
- **Employment Dynamics**
- **City Revenues**



# | San José's Economic Landscape



# San José's Economic Landscape

## Levels of Analysis

### National



Trade and Tariffs



Energy Market



Immigration

### State



Energy Generation and Demand



Competitiveness



Regulatory Environment



Housing Pressures

### Local



AI Investment



Dynamic Tech Sector



Population and Labor Market



Development Pipeline



High Cost of Living

# San José's Economic Landscape

## Benchmarking Performance

### United States

- Population: +0.5%
- GDP: +2.1%
- Employment: +0.1%
- Unemployment: 4.3%

### California

- Population: - 0.02%
- GDP: +0.8%
- Employment: +0.5%
- Housing stock: +0.9%
- Unemployment: 5.4%

### Santa Clara County

- Population: +0.3%
- GDP: +3.5%
- Employment: +0.6%
- Housing stock: +0.6%
- Unemployment: 4.2%

# San Jose's Economic Landscape

## Capacity To Grow

### NORTH SAN JOSE

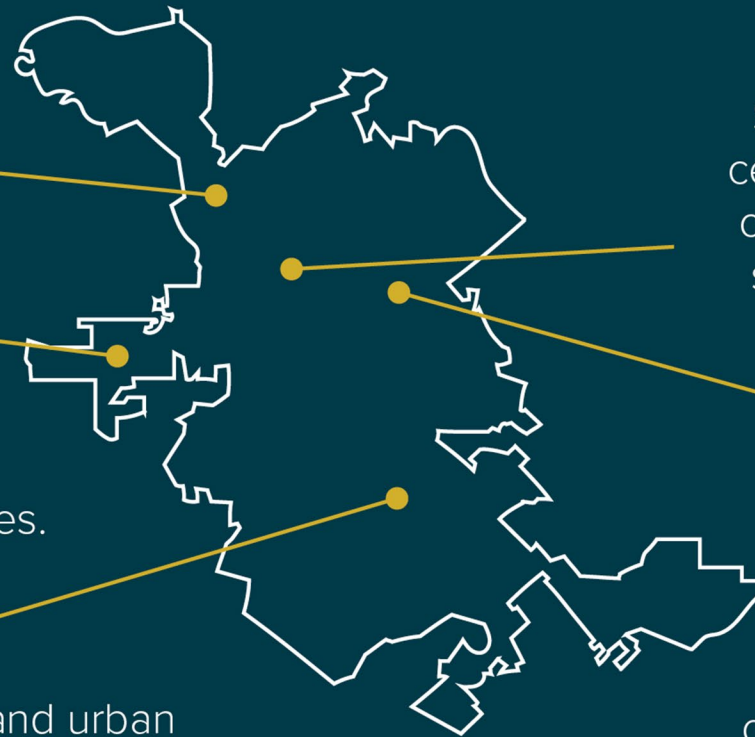
80,000+ jobs and 6,000 acres of land. Silicon Valley's largest live-work innovation center, supported by additional 1MW of power capacity.

### WEST SAN JOSE

450K+ sq. ft. of available office space, entertainment, and hospitality serving regional visitors, high-income consumers, and high-profile businesses.

### SOUTH SAN JOSE

Industrial technology parks and urban villages supported by an additional 1MW of power capacity increase and established industrial areas.



### DOWNTOWN

Silicon Valley's lively urban center, combining 1M+ sq. ft. of Class A office space with sports, arts, entertainment, and hospitality.

### EAST SAN JOSE

A vibrant historic commercial district rich in culture, with emerging business districts, 2.7M sq. ft. of retail space, and opportunities for neighborhood-serving businesses.



# | Corporate Trends



# Corporate Trends

## Narrative

Employment

### E-commerce giant shuts down office as layoffs rise

In the latest move, the online retailer has shut a primary California office, adding to restructuring.

Apr 18, 2026 9:03 AM EDT

BUSINESS → ECONOMY • News

### Tech company and biotech firm slash jobs in San Jose as layoffs linger

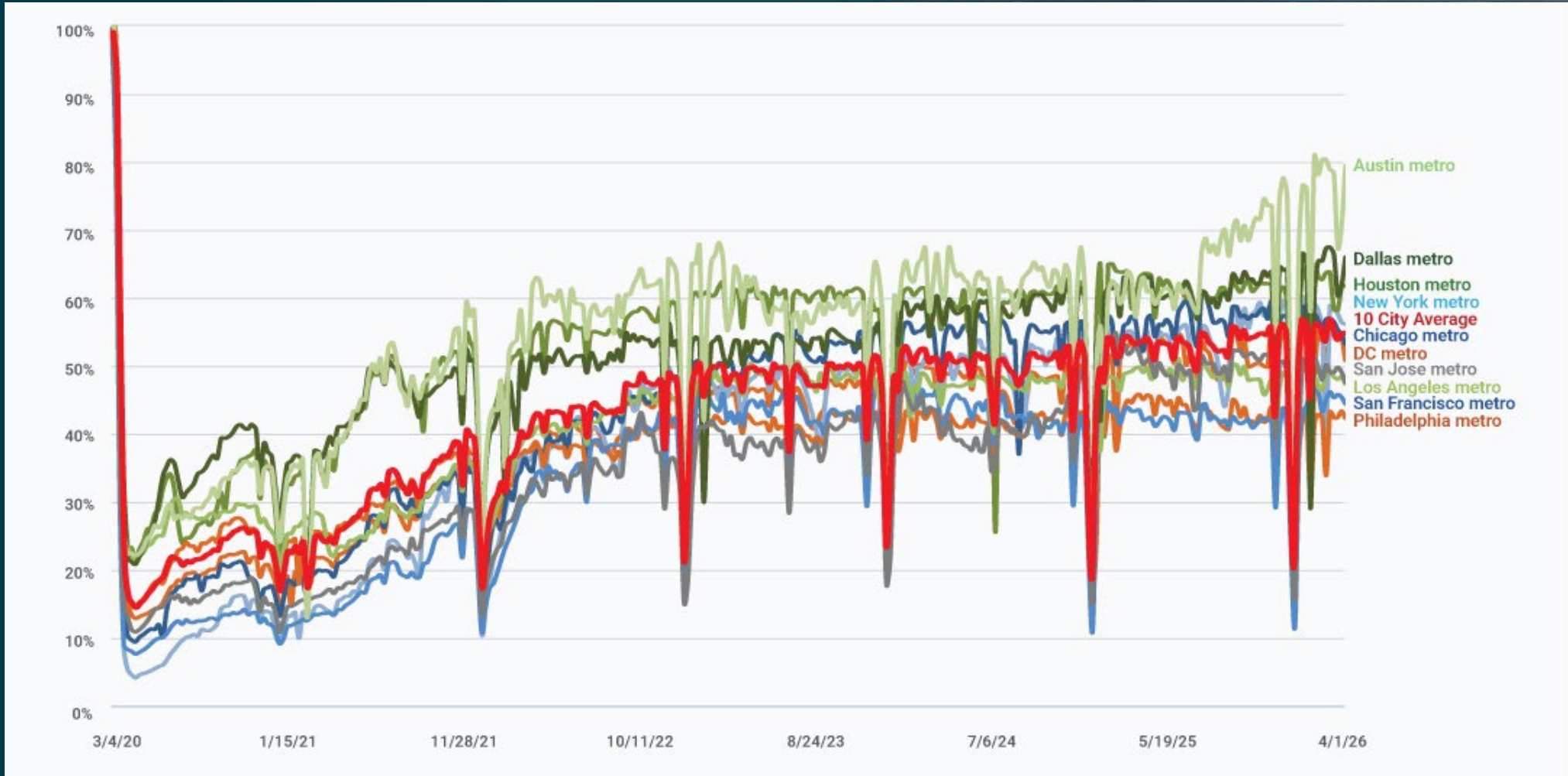
Staffing reductions will be permanent, the companies warn

## Reality

- Unemployment has been steady for **3+** years
- Employment totals have continued to gradually rise
- Total layoffs through WARN represent slightly more than **0.5%** of total employment in city
- Since 2023, San José jobs have remained relatively stable, with year-to-year changes under **4.5%**
- Layoffs have cooled from recent highs

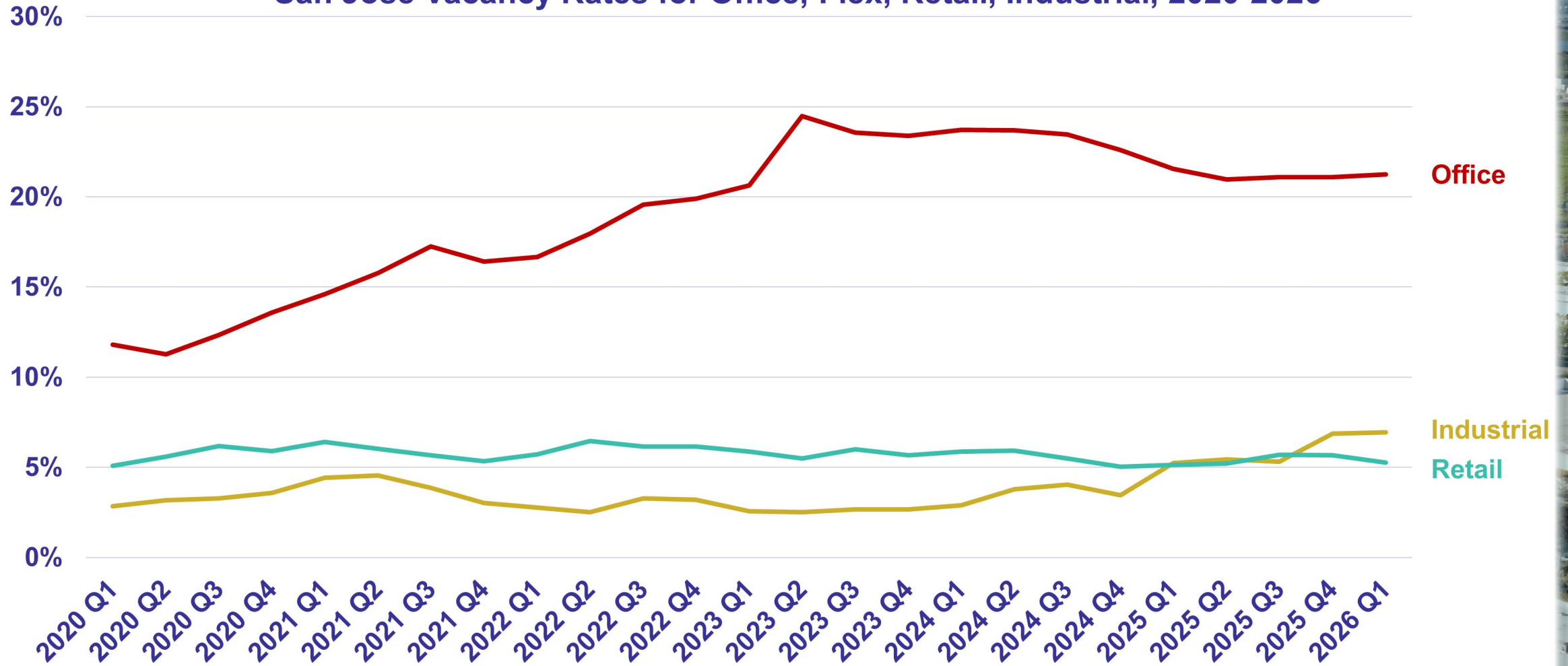
# Corporate Trends

## Office Use Stabilizing at New Baseline



# Corporate Trends

## San José Vacancy Rates for Office, Flex, Retail, Industrial, 2020-2026



# Corporate Trends

## Growth Industry Activity

### Point2 Secures Investment from Maverick Silicon, with Participation from NVentures and UMC

Published Tuesday, April 21, 2026  
Updated Tuesday, April 21, 2026 |

### Groq Raises \$750 Million as Inference Demand Surges

SEP 17, 2025

BUSINESS > REAL ESTATE • News

### Apple starts to set up shop for San Jose expansion

Company's move to new San Jose offices will bring hundreds of jobs to the South Bay city

TECHNOLOGY

### Google grabs another big office for \$435M Bay Area cluster

The tech giant has picked up another building for a campus of offices and warehouses in San Jose

### Lambda Raises Over \$1.5B from TWG Global, USIT to Build Superintelligence Cloud Infrastructure



LAMBDA  
NOVEMBER

### Figure Exceeds \$1B in Series C Funding at \$39B Post-Money Valuation

# Corporate Trends

New, Expanded, or Reaffirmed Presence in San José

TERADYNE



ANTORA



Lambda



IONNNA



LUCID



NOKIA

PwC

Google



nextpay



FIGURE

# Corporate Trends

## Small and Family-Owned Businesses & Entrepreneurship

### The Hottest Toy of the Year Is Made by a Tech Startup You've Never Heard Of

How an obscure company pivoted, then pivoted again, nearly ran out of money—and built a hit product

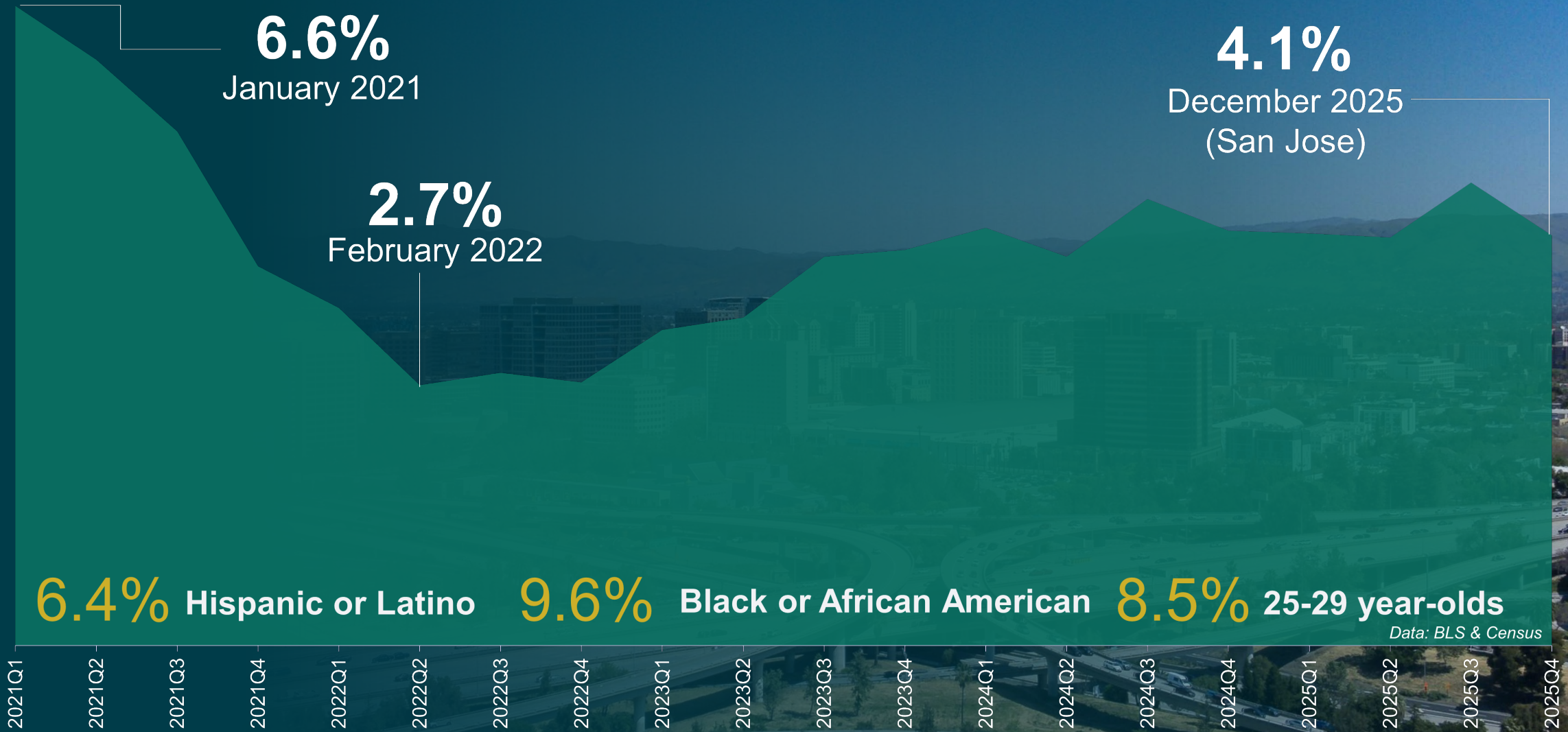


# | Employment Dynamics



# Employment Dynamics

## San José's Unemployment Rate Remains Stable



# Employment Dynamics

## San Jose MSA 2025 vs 2024

### Sector Gains



Health care &  
Social Assistance

**+ 8,300**



Construction

**+ 1,900**



Manufacturing

**+ 1,100**

### Sector Losses



Finance

**- 700**



Transportation &  
Warehousing

**- 800**



Accommodation &  
Food Service

**- 500**

### Dynamic Activity



Tech

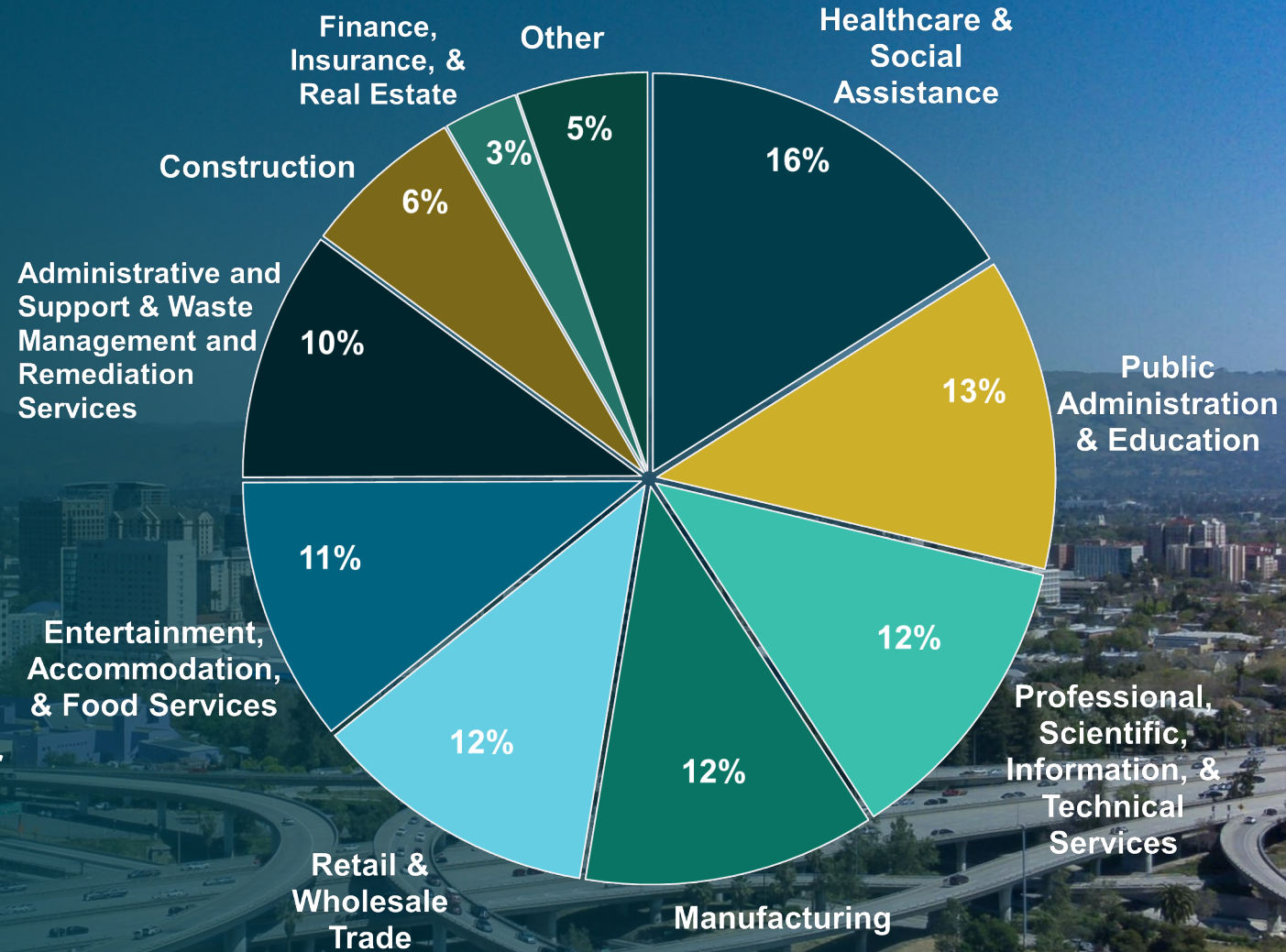
**+1,900**

# Employment Dynamics

## Industry Mix Supports Stability

### Workforce Demographics

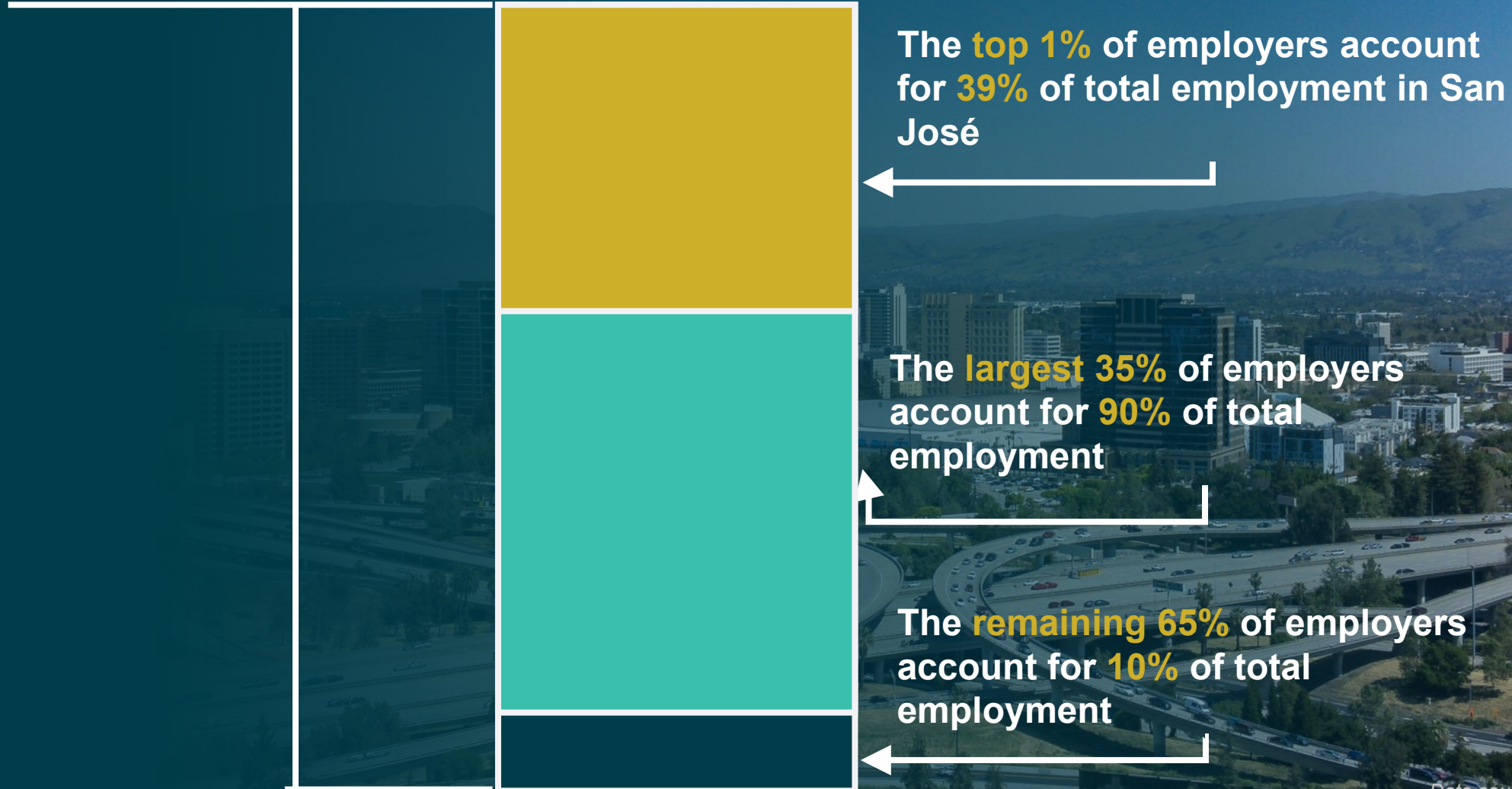
- The average wage for a job in San Jose is **\$128,139**, but 20% of the population lives on less than **\$55,376** per year
- About **49%** of residents hold a bachelors degree, while **22%** hold a graduate degree or higher.
- About **31%** of workers commute 25+ miles, compared to **52%** traveling under 10 miles



# Employment Dynamics

## Large Employers Anchor Jobs, Small Businesses Define Community

425,900 Total Jobs



The **top 1%** of employers account for **39%** of total employment in San José

The **largest 35%** of employers account for **90%** of total employment

The **remaining 65%** of employers account for **10%** of total employment

# Employment Dynamics

## Major Private Employers



*\*As measured by Business license database and others*

# Employment Dynamics

## Income Growth Driving Demand

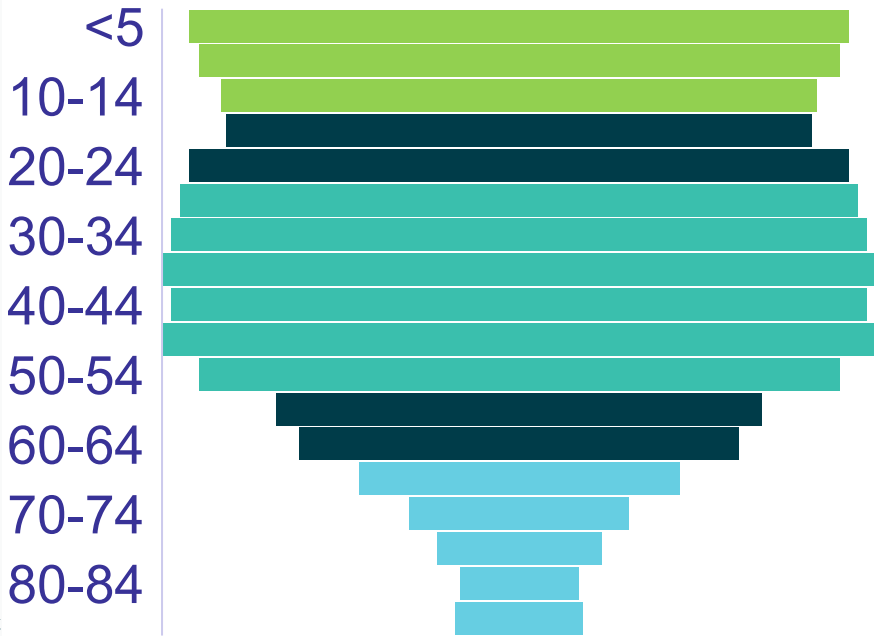
- High incomes reflect a skilled workforce, raise labor costs
- Higher earnings can fuel local spending
- Taxpayer trends help flag shifts in the resident workforce

CDTFA Resident Income & State Tax Paid			
	2013	2023	10-year +/-
Taxpayers	460,000	480,000	4.3%
Aggregate Income	\$35,710,000,000	\$71,955,000,000	101.5%
Average Taxable Income	\$78,000	\$150,000	92.3%
State Tax	\$1,735,000,000	\$4,319,000,000	148.9%

# Employment Dynamics

## Looking Ahead at the San José Workforce

2010



21% in  
2010



15% in  
2024



45% in  
2010



43% in  
2024

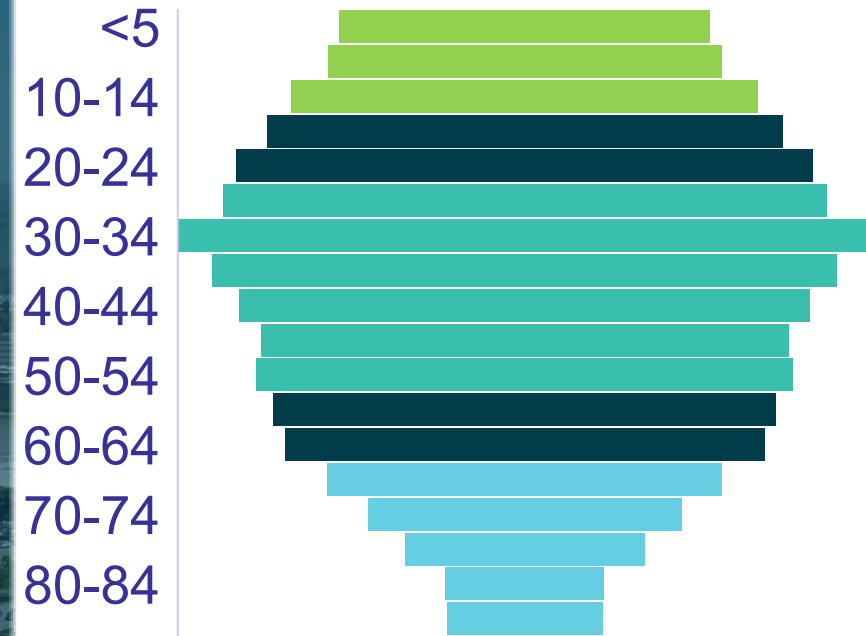


10% in  
2010



16% in  
2024

2024



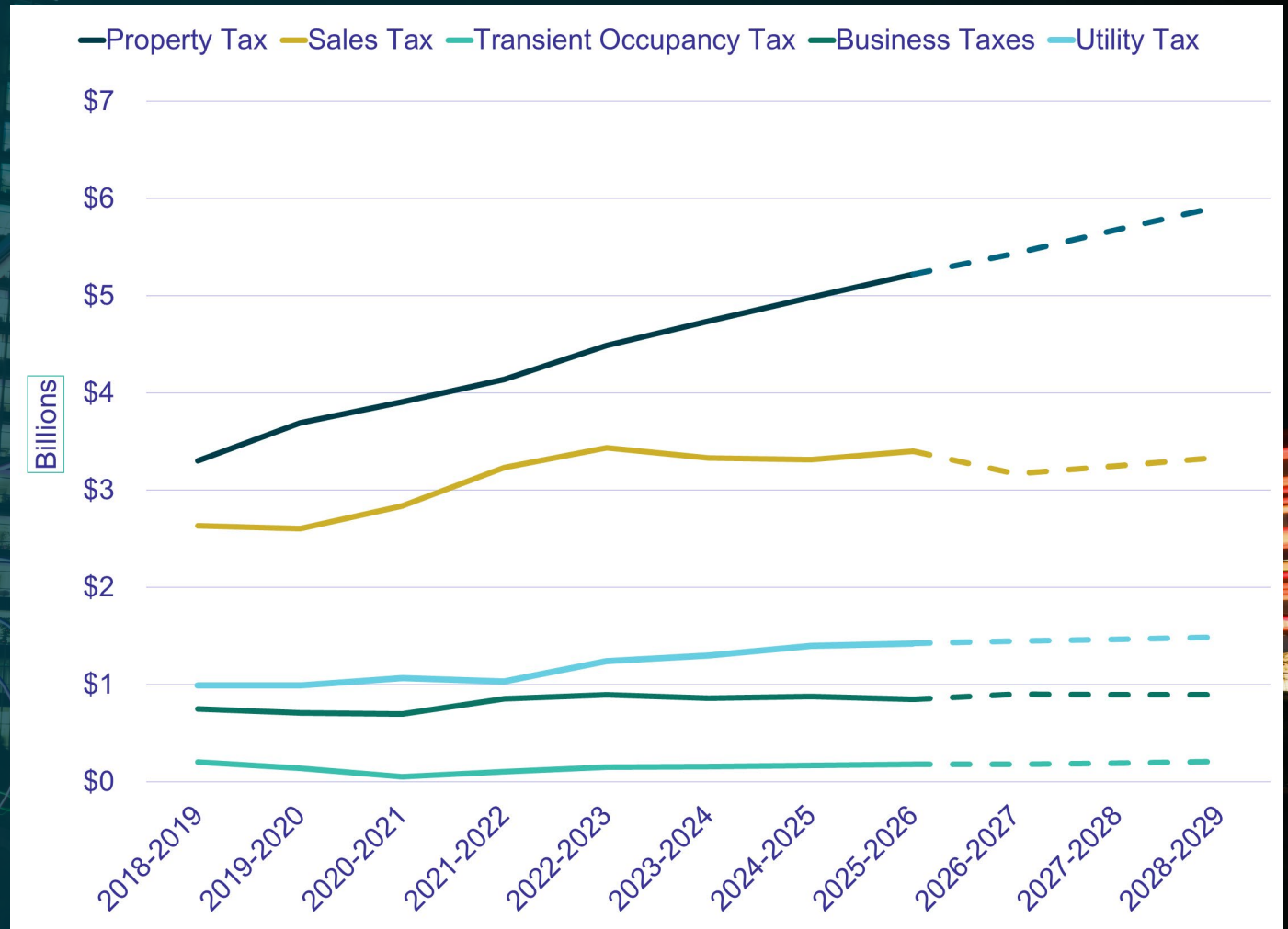
# | City Revenue Trends



# City Revenue Trends

## Tax Revenues and Market Forces

- Revenues have grown since 2020, but down in real terms, **-0.8%** after inflation
- Sales tax trends show uneven growth across sectors
- County pool share of sales tax has increased significantly from **12%** to **25%**, driven by online sales
- B2B activity remains a core component of the City's sales tax

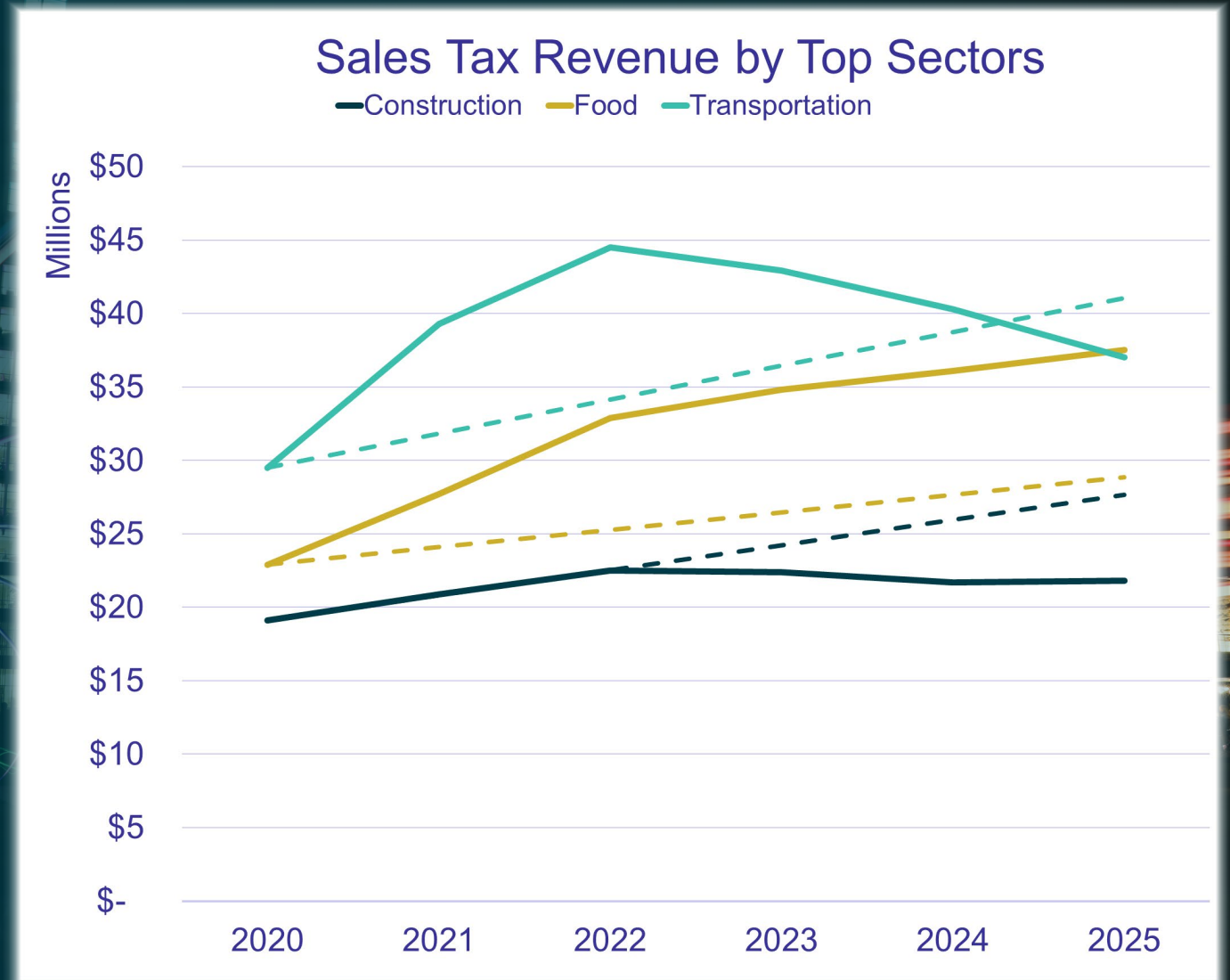


# City Revenue Trends

## Sales Tax Recovery with Uneven Growth

- **Average 30% of overall inflation since 2020**
- **Net increase of 8% in taxable sales**
- **Food sales outpacing inflation, other sectors lagging behind inflation**
- **Construction has experienced nearly 50% inflation since 2020**

Year	Taxable sales
2015	40.9 Billion
2020	48.3 Billion
2025	61.3 Billion



# City Revenue Trends

## Employment Lands Support Long-Term Fiscal Capacity

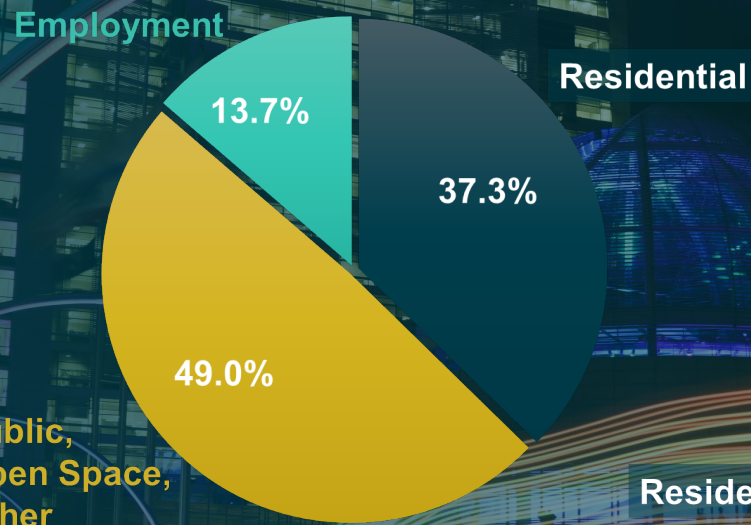
- Employment lands support jobs, business activity, and multiple City revenue sources beyond property tax

- Fiscal analysis shows residential uses as net-cost uses, while commercial and industrial uses generate positive net revenue.

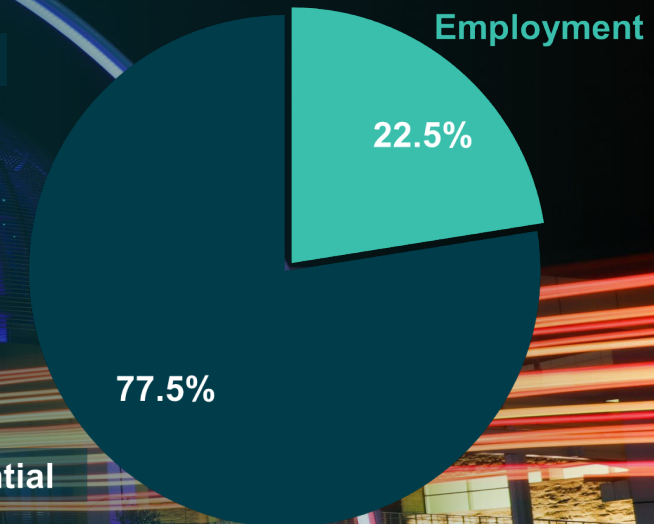
- Single Family:  $-\$28,000/\text{ac}$
- Industrial:  $+\$60,000/\text{ac}$

- Preserving employment land helps San José grow jobs, attract investment, and support long-term service funding

Percentage of Land Area



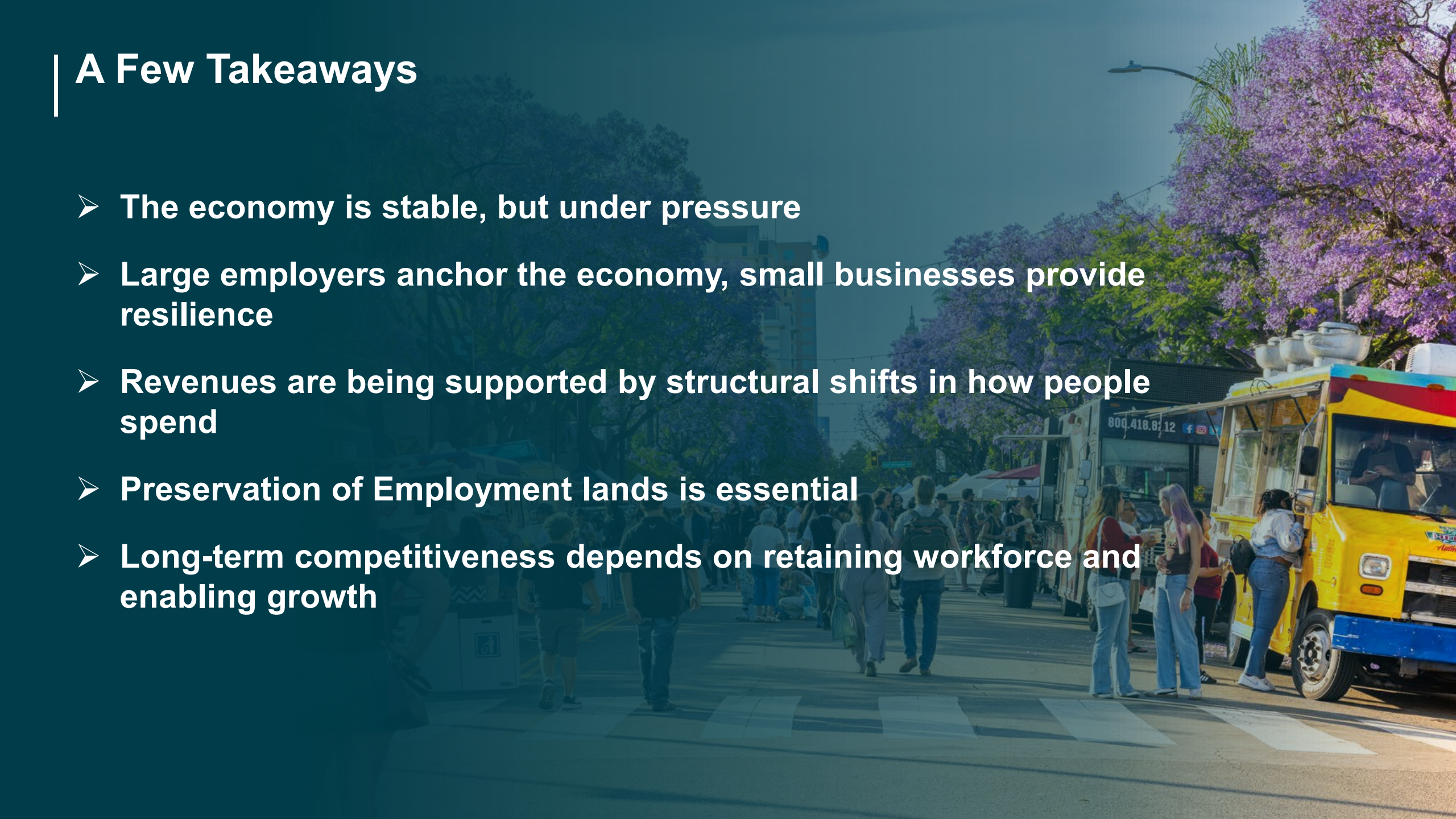
Percentage of Property Tax Roll



- **Employment Lands Property Tax Rolls: 57.2 million dollars**
- **Residential Lands Property Tax Rolls: 197.2 million dollars**

# A Few Takeaways

- The economy is stable, but under pressure
- Large employers anchor the economy, small businesses provide resilience
- Revenues are being supported by structural shifts in how people spend
- Preservation of Employment lands is essential
- Long-term competitiveness depends on retaining workforce and enabling growth



# Acknowledgements

A vibrant street scene featuring a yellow food truck with a rainbow-colored roof and a blue bumper. The truck is parked on a street lined with lush purple wisteria trees. A crowd of people is walking along the sidewalk, and a building is visible in the background. The scene is set during the day with bright sunlight.

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