

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

The General Fund expenditure performance for 2022-2023 is discussed in detail in this section. This includes an overview of the General Fund expenditure performance, a discussion of significant departmental variances, and highlights of the non-departmental expenditures.

Overview

TABLE B
2022-2023 GENERAL FUND EXPENDITURE SUMMARY
COMPARISON OF BUDGET TO ACTUAL

Category	2022-2023 Modified Budget*	2022-2023 Actual**	Variance	% Variance
Personal Services	\$ 899,171,816	\$ 887,824,518	\$ (11,347,298)	(1.3%)
Non-Personal/Equipment/Other ¹	220,404,221	194,846,850	(25,557,371)	(11.6%)
City-Wide Expenses	748,714,795	518,580,503	(230,134,292)	(30.7%)
Capital Contributions	73,614,946	37,665,210	(35,949,736)	(48.8%)
Transfers	37,810,639	37,810,639	0	0.0%
Reserves	341,919,935	0	(341,919,935)	(100.0%)
TOTAL GENERAL FUND	\$ 2,321,636,352	\$ 1,676,727,720	\$ (644,908,632)	(27.8%)

* 2022-2023 appropriations as modified by Council through June 30, 2023, and 2021-2022 carryover encumbrances.

** Actual 2022-2023 expenses plus encumbrances.

As shown in Table B, General Fund expenditures and encumbrances through June 30, 2023 of \$1.7 billion were \$644.9 million, or 27.8%, below the modified budget total of \$2.3 billion. Approximately 53% of this savings was generated from unspent reserves (\$341.9 million), with the remaining savings generated from expenditure appropriations. Total 2022-2023 expenditures and encumbrances were \$70.0 million, or 4.4%, above the 2021-2022 level of \$1.6 billion. This variance is due to higher City-Wide Expenses (\$100.9 million), Non-Personal/Equipment/Other (\$19.1 million), and Transfers (\$7.4 million), partially offset by lower Personal Services (\$38.3 million) and Capital Contributions (\$19.2 million).

¹ The "Other" category expenditures are primarily comprised of budgets for the Mayor and City Council as well as the Parks, Recreation and Neighborhood Services fee activities program.

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As shown in Table C, the actual General Fund expenditures of \$1.7 billion were approximately \$15.7 million (0.9%) below the estimate used in the development of the 2023-2024 Adopted Budget. As part of the 2023-2024 Adopted Budget, a portion of these savings (\$5.6 million) was carried over to 2023-2024 with the accompanying revenue for grant or reimbursement-related projects and programs, or were savings assumed as part of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance (\$27.2 million). After accounting for these adjustments, the variance is reduced to \$10.1 million. In addition, actions totaling \$3.9 million are recommended in this report to reflect rebudget and clean-up adjustments. After accounting for these actions, the remaining General Fund expenditures savings totaled \$6.2 million, or 0.3% of the 2022-2023 Modified Budget.

**TABLE C
2022-2023 EXPENDITURE ESTIMATE TO ACTUAL VARIANCES**

	2022-2023 Estimate	2022-2023 Actual	\$ Variance	% Variance
Expenditures	\$1,692,444,257	\$1,676,727,720	\$(15,716,537)	(0.9%)

These net expenditure savings, when combined with the net variance associated with the General Fund revenues and higher than anticipated liquidation of prior year encumbrances, represent the additional ending fund balance that is available for allocation in 2023-2024. Specifically, as discussed earlier in this report, in 2023-2024, a total of \$18.6 million in additional fund balance is available, which is comprised of higher than estimated revenues of \$23.3 million, net expenditure savings of \$6.2 million, and a negative liquidation of prior year encumbrances (\$11.0 million) that was the result of transferring the American Rescue Plan encumbrances to the General Fund. Recommendations on the allocation of these additional funds are provided elsewhere in this report.

Following is a review of the General Fund expenditure categories, including a discussion of variances to the modified budget as well as a comparison to the prior year.

Personal Services expenditures of \$887.8 million ended the year \$11.3 million (1.3%) below budgeted levels, primarily due to vacancy savings, and \$38.3 million (4.1%) below the 2021-2022 expenditure levels of \$926.1 million. The reduction in Personal Services expenditures in comparison to 2021-2022 is primarily attributable to the reallocation of \$87.9 million of Police Department Personal Services costs from the General Fund to the American Rescue Plan Fund resulting from the City Council action on May 25, 2023, as previously described in this report. It is important to note that the reallocation of Police Department expenses was accompanied by an equal shift of community and economic recovery projects from the American Rescue Plan Fund to the General Fund – the total available budget for the Police Department and the various community and economic recovery workstreams remained unchanged. Departments with the highest variances in 2022-2023 include the following: Parks, Recreation and Neighborhood Services Department (\$3.8 million); Information Technology Department (\$1.7 million); Planning, Building and Code Enforcement Department (\$1.4 million); and Police Department (\$1.3 million).

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Non-Personal/Equipment/Other expenditures of \$194.8 million ended the year \$25.6 million (11.6%) below budgeted levels, but \$19.1 million (10.9%) above the 2021-2022 expenditure level of \$175.7 million. The departments with the largest Non-Personal/Equipment/Other variances included: Police Department (\$7.7 million); Parks, Recreation and Neighborhood Services Department (\$3.5 million, including Fee Activities); Information Technology Department (\$2.3 million); Transportation Department (\$2.0 million); and City Manager's Office (\$1.8 million). The Mayor and City Council appropriations also ended the year \$3.5 million below the modified budget. The majority of the Non-Personal/Equipment/Other savings were rebudgeted to 2022-2023 as part of the 2023-2024 Adopted Budget (\$17.0 million) or are recommended to be rebudgeted in the Annual Report (\$1.4 million), resulting in net savings of \$7.1 million.

In the City-Wide Expenses category, expenditures and encumbrances of \$518.6 million ended the year \$230.1 million below the budgeted level of \$748.7 million. Of this amount, \$212.5 million was rebudgeted in the 2023-2024 Adopted Budget (including \$5.5 million that was offset by revenue sources); and additional rebudgets or technical clean-ups of \$1.6 million are recommended in this report, leaving a balance of \$16.0 million. Of this balance amount, \$3.0 million was assumed as savings in the development of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance estimate, resulting in a balance of \$13.0 million. The 2022-2023 City-Wide Expenses were \$100.9 million above the 2021-2022 expenditure level of \$417.7 million, in large part due to the reallocation of expenditures from the American Rescue Plan Fund to the General Fund, as described above.

In the Capital Contributions category, expenditures of \$37.7 million ended the year \$35.9 million below the budgeted level of \$73.6 million. A total of \$34.1 million was rebudgeted to 2023-2024 in the Adopted Budget, with a remaining available savings amount of \$1.8 million. As part of this report, additional rebudget or technical clean-up adjustments totaling \$1.5 million are recommended, reducing the Capital balance to \$320,000. Savings of \$3.0 million was assumed in the development of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance estimate; however, this savings was not realized due to higher than anticipated expenditures. The 2022-2023 expenditure level of \$37.7 million was \$19.2 million below the 2021-2022 level of \$56.8 million.

The Transfers category expenditures of \$37.8 million ended the year at the budgeted amount.

The largest single category of remaining funding available in 2022-2023, as planned, is the Reserves category (\$341.9 million), including Earmarked Reserves (\$268.2 million), the 2022-2023 Ending Fund Balance Reserve (\$27.7 million), and the Contingency Reserve (\$46.0 million). No reductions to the \$46.0 million Contingency Reserve occurred in 2022-2023.

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Review of General Fund Expenditure Performance

This section provides more detailed information on the departmental and non-departmental performance, including a discussion of significant variances.

Departmental expenditures (\$1.1 billion) represented almost 65% of the total 2022-2023 General Fund expenditures. As can be seen in Table D on the following page, all departments remained within their total budget allocation and expended a cumulative 96.7% of their budgets, generating overall savings of \$36.9 million (3.3%). Of this amount, \$18.5 million was rebudgeted in the 2023-2024 Adopted Budget; additional rebudgets and technical clean-up adjustments of \$1.5 million are recommended in this report, leaving a balance of \$16.9 million. Savings of \$21.2 million was assumed in the development of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance estimate; however, this savings was not realized due to higher than anticipated expenditures.

Of the 19 City departments/offices, 15 had expenditure savings of less than \$1.0 million and 10.0% of their budget. The remaining four departments/offices had expenditure savings in excess of \$1.0 million and 10% of their budget in 2022-2023, and included the following: Environmental Services; Information Technology; Mayor and City Council; and Planning, Building and Code Enforcement. Those departments with General Fund expenditure variances of over 10.0% and \$1.0 million are discussed in detail in the following section. In addition, the year-end status of expenditures for both the Police and Fire Departments is also summarized.

Non-Departmental expenditures totaled \$594.1 million, or approximately 35% of the total 2022-2023 General Fund expenditures. The unexpended balance at year-end totaled \$608.0 million; reserves of \$341.9 million represent the largest portion of unexpended funds and were almost entirely carried over or used in the 2023-2024 Adopted Budget as planned. Excluding reserves, the unexpended non-departmental balance at year-end totaled \$266.1 million. As discussed previously, rebudgets for City-Wide Expenses and Capital Contributions categories totaling \$246.6 million were included in the 2023-2024 Adopted Budget, savings of \$6.0 million was assumed in the development of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance estimate, and \$2.4 million in rebudget and technical clean-up adjustments are recommended in this report.

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Review of General Fund Expenditure Performance

**TABLE D
TOTAL GENERAL FUND EXPENDITURES**

Departmental	2022-2023 Modified Budget	2022-2023 Expenditures	\$ Variance	% Variance
City Attorney	\$ 20,326,160	\$ 20,013,451	\$ (312,709)	(1.5%)
City Auditor	2,807,980	2,500,398	(307,582)	(11.0%)
City Clerk	3,314,171	3,308,986	(5,185)	(0.2%)
City Manager	24,117,590	22,101,640	(2,015,950)	(8.4%)
Economic Development	6,804,578	6,594,426	(210,152)	(3.1%)
Environmental Services	5,852,562	4,682,356	(1,170,206)	(20.0%)
Finance	23,042,339	21,228,313	(1,814,026)	(7.9%)
Fire	282,667,407	281,250,843	(1,416,564)	(0.5%)
Housing	763,206	642,740	(120,466)	(15.8%)
Human Resources	13,319,093	12,826,941	(492,152)	(3.7%)
Independent Police Auditor	1,615,831	1,203,337	(412,494)	(25.5%)
Information Technology	33,500,052	29,501,796	(3,998,256)	(11.9%)
Library	43,299,346	43,148,438	(150,908)	(0.3%)
Mayor and City Council	17,933,782	14,417,791	(3,515,991)	(19.6%)
Parks, Recreation & Neighborhood Services	105,557,591	98,310,808	(7,246,783)	(6.9%)
Planning, Building & Code Enforcement	17,997,341	15,556,158	(2,441,183)	(13.6%)
Police	422,562,447	413,538,345	(9,024,102)	(2.1%)
Public Works	48,310,845	48,215,119	(95,726)	(0.2%)
Transportation	45,783,716	43,629,482	(2,154,234)	(4.7%)
Subtotal	1,119,576,037	1,082,671,368	(36,904,669)	(3.3%)
<hr/> Non-Departmental				
City-Wide Expenses	748,714,795	518,580,503	(230,134,292)	(30.7%)
Capital Contributions	73,614,946	37,665,210	(35,949,736)	(48.8%)
Transfers	37,810,639	37,810,639	-	0.0%
Earmarked Reserves	268,244,935	-	(268,244,935)	(100.0%)
Contingency Reserve	46,000,000	-	(46,000,000)	(100.0%)
Ending Fund Balance Reserve	27,675,000	-	(27,675,000)	(100.0%)
Subtotal	1,202,060,315	594,056,352	(608,003,963)	(50.6%)
TOTALS	\$ 2,321,636,352	\$ 1,676,727,720	\$ (644,908,632)	(27.8%)

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Discussion of Significant Departmental Variances and Other Issues

Following is a discussion of those departments with significant variances and a summary of the performance in the City's two largest General Fund departments, Police and Fire.

Police Department

On an overall basis, Police Department expenditures totaled \$413.5 million, or 97.9% of its General Fund budget of \$422.6 million, including encumbrances, resulting in savings of \$9.0 million. Of these savings, \$6.9 million was rebudgeted as part of the 2023-2024 Adopted Budget.

Due to Federal debt ceiling negotiations between the President and the U.S. Congress that had the potential to claw back any unobligated American Rescue Plan funding, on May 25, 2023, the City Council approved the reallocation of funding with the American Rescue Plan Fund and the General Fund to ensure the completion of community and economic recovery activities previously authorized by the City Council. These actions included reductions in Personal Services budget and expenditures of Police Department personal services costs from the General Fund to the American Rescue Fund. It is important to note that the reallocation of Police Department expenses was accompanied by an equal shift of community and economic recovery projects from the American Rescue Plan Fund to the General Fund – the total available budget for the Police Department and the various community and economic recovery workstreams remained unchanged.

Personal Services expenditures totaled \$376.8 million (99.7% expended) with savings of \$0.8 million after accounting for rebudgets, which closely aligned to year-end estimates and budget actions to increase Personal Services funding by \$5.0 million. Prior to these adjustments, Personal Services expenditures were estimated to exceed budgeted levels by approximately 1%, primarily due to elevated overtime usage and payouts.

The Department continued to experience elevated sworn overtime usage and payouts during 2022-2023 with expenditures of \$55.5 million accounting for 96.9% of the Police Department's 2022-2023 Modified Budget for overtime of \$57.3 million, 21.0% above 2021-2022 levels. Overtime hours in 2022-2023 increased by approximately 14.7% over the previous year, from 502,726 to 576,483. The elevated overtime usage is attributable to backfilling of vacant street-ready sworn positions with existing staff.

A total of \$36.7 million (82.6%) of the Department's Non-Personal/Equipment budget (including encumbrances) was expended, generating savings of \$7.7 million. Excluding the remaining balances for centrally-determined details (\$2.6 million) – which include electricity, gas, and water utilities, as well as vehicle operations, maintenance and replacement – the Police Department ended the year with approximately \$5.2 million, or 11.6%, of its Non-Personal/Equipment appropriation remaining, with the majority of this balance rebudgeted as part of the Adopted Budget and in this document for activities continuing into 2023-2024.

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Overtime consists of both overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The Police Department continues to diligently work to fill vacancies in both sworn and civilian positions. While the goal is to fill vacancies and eliminate the need to backfill positions, the normal duration for the academy and field training is approximately 10-12 months, requiring overtime to backfill vacancies in patrol until the new recruits are ready to serve as solo beat officers. Effective vacancy levels, which includes vacancies, field training officers, academy recruits, and sworn personnel on disability, modified, or other leaves, reduce the amount of street-ready sworn officers available and is the most significant contributing factor to overtime usage. The effective vacancy rate was 21.5% as of June 30, 2023. Historically, the effective vacancy rate has averaged 20.4% (based on the 5-year period between 2017-2018 and 2021-2022), resulting in the buildup of compensatory time balances for sworn personnel, for which there is a limit of 480 hours after which sworn personnel are paid in overtime for any additional hours worked.

In accordance with the POA MOA, the Police Department is enforcing compensatory time controls by requiring all sworn staff, outside of the Bureau of Field Operations (BFO), to reduce compensatory time balances by the end of each calendar year, or to submit a request for an extension and to prioritize compensatory time as requested time off (outside of sick leave purposes). On November 22, 2021, the Chief issued an order to reduce compensatory time balances for any sworn staff member who believes they will not be able to take the excess time off before the end of the calendar year. This order requires sworn staff to submit a plan to their immediate supervisor each year, consistent with MOA section 13.6.5.1, by December 1, excluding sworn staff assigned to Patrol. Each plan must outline how a sworn staff member will reduce their compensatory time by March 31. This direction is intended to reduce the number of officers reaching the 480-hour limit. The plans have been implemented, but due to the needs of the Department (staffing, workload, and specific assignments), there has been limited flexibility in allowing staff to take time off; however, the Department has seen a large majority of individuals taking at least a portion of their excess time off, which has contributed to a reduction in compensatory time hours across the Department. Additionally, on December 13, 2022, the City Council approved a new POA MOA which contains a provision to require all vacation requests for an employee whose compensatory time balance has reached 300 hours to come from the employee's compensatory time balance until the balance falls below 240 hours. Finally, the Police Chief's Office and City Manager's Office are meeting to identify more detailed trends and alternative approaches around workload and overtime that account for the need to ensure appropriate levels of public safety response while also managing within existing budgetary levels, especially given the growing number of vacant sworn positions and smaller than desired recruit academies.

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	June 2022	June 2023	% Change from 2022 to 2023	% Change from 2021 to 2022
# of Sworn Personnel at 480-hour limit	435	385	(11.5%)	(3.1%)
# of Sworn Personnel between 240 and 480 hours	294	335	13.9%	6.9%
Sworn Compensatory Time Balance Liability (hours)	353,242	345,354	(2.2%)	(0.8%)
Sworn Compensatory Time Balance Liability (\$)	\$27.0 M	\$28.9 M	6.9%	(0.2%)
YTD Overtime Expenses for Staff at 480-hour limit (\$)	\$18.8M	\$22.5M	19.8%	(2.4%)

The table below provides a summary of sworn staffing vacancies and street-ready officers. There are currently two active academies, February 2023 (15 recruits expecting to graduate in September 2023) and the June 2023 (27 recruits). The June 2022 academy graduated on February 3, 2023 with 22 officers and the October 2022 academy graduated on May 26, 2023 with 19 officers. As of June 30, 2023, of the 1,173 authorized sworn staff, 82 were in training (7.0%) and 73 were on disability/modified duty/other leaves (6.2%).

	2021-2022 (as of 07/01/2022)	2022-2023 (as of 06/30/2023)
Authorized Sworn Positions	1,153	1,173
(Vacancies)/Overstaff	(13)	(97)
Filled Sworn Positions¹	1,140	1,076
Field Training Officer/Recruits	(87)	(82)
Street-Ready Sworn Officers Available	1,053	994
Disability/Modified Duty/Other Leaves	(93)	(73)
Street-Ready Sworn Officers Working	961	921

¹ Filled sworn positions and authorized sworn positions may vary due to vacancies or the approval of over-strength (temporary) positions. The Police Department has special authority under the City's Sworn Hire Ahead Program to overstaff sworn positions to get a head start on training recruits due to retirement and other separation.

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Fire Department

Overall, the Fire Department expended \$281.3 million (99.5%) of its 2022-2023 Modified General Fund Budget, resulting in savings of \$1.4 million, of which \$352,870 was rebudgeted during the development of the 2023-2024 Adopted Operating Budget. Personal Services expenditures totaled \$268.3 million, or 99.8% of the total budget (\$268.9 million, which was increased by \$1.6 million at year-end), ending the fiscal year with savings of \$607,597. Non-Personal/Equipment expenditures and encumbrances totaled \$13.0 million, or 94.1% of the total budget (\$13.8 million), resulting in savings of \$808,966, of which \$298,870 (36.9%) was rebudgeted for activities continuing into 2023-2024.

Since the release of a 2001 Overtime Audit, information has been provided on the Fire Department's annual vacancy and absence rates and their impact on overtime usage. Through 2011-2012, this information was reported to the Public Safety, Finance and Strategic Support (PSFSS) Committee. The Administration's recommendation to incorporate the Fire Department's annual vacancy and absence rates and their impact on overtime into the Annual Report was approved by the PSFSS Committee on March 21, 2013. Overall, the average sworn vacancy rate of 6.81% through June 2023 is higher than the vacancy rate of 5.84% experienced this time last year, and above the budgeted rate of 2.5%.

The Fire Department successfully hired 37 Firefighters in 2022-2023: Firefighter Recruit Academy 22-01 was completed in November 2022 with 12 graduates; Firefighter Academy 22-02 was completed in February 2023 with 10 graduates; and, concurrently, the Department used funding approved in the 2021-2022 Annual Report to conduct their first Lateral Firefighter Recruit Academy (Academy 23-01), which successfully added 15 Firefighter/Paramedics to the organization in May 2023.

In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of June, of the 30 current authorized staffing level, the Fire Department had 30 sworn personnel on administrative assignments.

Overtime funding and relief staffing levels are also reviewed annually to ensure they are appropriately measured, funded, and managed for sworn minimum staffing requirements. Understanding absence and vacancy rates is important as absence rates are a major personal services cost driver and the associated impact on overtime requires close departmental management. During 2022-2023, overtime was primarily used to backfill vacancies and absences of line duty positions (vacation, modified duty, sick, disability, and other absences) and for deployments.

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Mutual Aid and Strike Team resources were deployed to assist with 12 wildland fires across California. Reimbursements from the State of California for deployments were received in the amount of \$2.6 million. Additional reimbursements (\$13,974) were received from the Federal Emergency Management Agency for Task Force 3 Trainings. The Department additionally maintained 190 daily minimum line positions to staff all fire companies at 34 operating fire stations in 2022-2023. Daily absences and/or vacant positions are backfilled by available relief personnel or off-duty personnel are called in to work (on overtime). Maintaining this daily minimum staffing level optimized operational effectiveness and was in conformance with the Memorandum of Agreement between the City of San José and International Association of Firefighters (IAFF), Local 230. Total absence hours of 376,781 in 2022-2023 decreased by approximately 10.3% from 420,000 in 2021-2022.

Environmental Services

With 2022-2023 expenditures of \$4.7 million, including encumbrances, the Environmental Services Department expended 80.0% of their \$5.9 million General Fund budget, resulting in savings of \$1.2 million. Personal services expenditures were 89.6% expended with savings of \$303,000, which is primarily attributable to several vacancies in the Climate Smart program and Watershed Protection Division.

Non-personal/equipment expenditures ended the year at 70.5% expended or encumbered, or \$867,000 below the budgeted level of \$2.9 million, including encumbrances. This savings is primarily attributable to savings in the Climate Smart program, Municipal Environmental Compliance, and the Watershed Protection Division General Funded activities. Due to staffing vacancies, there were delays in project implementation and delivery in 2022-2023 resulting in savings. Unexpended one-time funding from the Climate Smart program totaling \$201,000 (\$150,000 included as part of the 2023-2024 Adopted Budget process and \$51,000 recommended in this report) has been rebudgeted from 2022-2023 to 2023-2024 to ensure designated Climate Smart program activities are performed.

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Information Technology

Information Technology Department (ITD) expenditures, including encumbrances, totaled \$29.5 million in 2022-2023. This expenditure level is \$4.0 million, or 11.9%, below the budgeted level of \$33.5 million. Personal services expenditure savings (including fee activity) totaled \$1.7 million in 2022-2023, which was primarily due to vacancies throughout the Department. At the end of 2022-2023, there were 18 vacant positions (16.5% vacancy rate). Non-personal/equipment expenditures and encumbrances totaling \$13.8 million ended the year \$2.3 million below the budgeted level; the savings was the result of non-essential spending savings, including technology projects, training, upgrades, contractor work, and replenishing inventories. A significant portion of this savings (\$1.9 million) was rebudgeted as part of the 2023-2024 Adopted Budget for the Emergency Operations Center and Communication Room FF&E, IT Project Management, and Development Services Dues and Subscriptions. After accounting for the rebudgets captured in the 2023-2024 Adopted Budget and 2022-2023 Annual Report, remaining non-personal/equipment savings totaled \$399,000.

Mayor and City Council

With total expenditures and encumbrances of \$14.4 million, the Mayor’s Office, the City Council Offices, and Council General expended 80.4% of their total General Fund budgets of \$17.9 million, resulting in savings of \$3.5 million at year-end. Of the total savings, \$3.0 million was realized in the City Council Offices, \$539,000 was realized in the Mayor’s Office, and \$4,000 was realized in Council General as outlined in the following table:

2022-2023 Actual Expenditure Performance

	2022-2023 Modified Budget	2022-2023 Actuals	Variance
Council District 1	\$ 1,263,194	\$ 1,007,159	\$ 256,035
Council District 2	1,009,844	926,007	\$ 83,837
Council District 3	1,023,962	890,443	\$ 133,519
Council District 4	1,642,689	999,355	\$ 643,334
Council District 5	1,358,699	1,064,944	\$ 293,755
Council District 6	1,348,763	1,163,354	\$ 185,409
Council District 7	1,263,584	946,421	\$ 317,163
Council District 8	1,068,868	857,627	\$ 211,241
Council District 9	1,496,069	1,065,436	\$ 430,633
Council District 10	1,295,481	877,109	\$ 418,372
Mayor’s Office	5,108,749	4,570,104	\$ 538,645
Council General	53,880	49,832	\$ 4,048
	\$ 17,933,782	\$ 14,417,791	\$ 3,515,991

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Mayor and City Council

In the 2023-2024 Adopted Budget, anticipated 2022-2023 savings of \$3.1 million (\$2.86 million in the City Council Offices and \$268,000 in the Mayor's Office) were rebudgeted. Actual year-end savings, however, exceeded these estimates. Based on year-end performance, additional rebudgets totaling \$389,000 are recommended in this report.

Planning, Building and Code Enforcement

The Planning, Building and Code Enforcement Department (PBCE) ended the year at \$15.6 million expended, which is \$2.4 million below the 2022-2023 Modified Budget level of \$18.0 million. After accounting for rebudgets included in the 2022-2023 Adopted Operating Budget (\$701,000), the resulting net variance for the Department totals \$1.7 million. Personal services expenditures in 2022-2023 totaled \$14.2 million, which represents 91.1% of the 2022-2023 Modified Budget level of \$15.6 million. The savings are primarily the result of vacant positions in Non-Development Fee Programs (Community Code Enforcement) and Code Enforcement Inspector positions in the Multiple Housing and Solid Waste Code Enforcement Programs. During 2022-2023, PBCE experienced an average vacancy rate of approximately 20%. Non-personal/equipment 2022-2023 expenditures totaled \$1.4 million, which is \$1.0 million (41.7%) below the 2022-2023 Modified Budget of \$2.4 million. Approximately \$701,000 was anticipated and rebudgeted as part of the 2023-2024 Adopted Budget and \$293,000 included in this 2022-2023 Annual Report, bringing the variance down to \$68,000. The remaining savings are due, in part, to contractual services, software license and maintenance, and consultant services.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

The non-departmental categories consist of City-Wide Expenses, Capital Contributions, Transfers, Earmarked Reserves, Contingency Reserve, and the Ending Fund Balance Reserve. An overview of the expenditure performance in these categories is provided below:

TABLE E
2022-2023 NON-DEPARTMENTAL GENERAL FUND EXPENDITURES
(In \$000s)

Category	2022-2023 Modified Budget	2022-2023 Actual	Variance	% Variance
City-Wide Expenses	\$ 748,714,795	\$ 518,580,503	\$ (230,134,292)	(30.7%)
Capital Contributions	73,614,946	37,665,210	(35,949,736)	(48.8%)
Transfers	37,810,639	37,810,639	-	0.0%
Earmarked Reserves	268,244,935	-	(268,244,935)	(100.0%)
Contingency Reserve	46,000,000	-	(46,000,000)	(100.0%)
Ending Fund Balance Reserve	27,675,000	-	(27,675,000)	(100.0%)
TOTAL	\$ 1,202,060,315	\$ 594,056,352	\$ (608,003,963)	(50.6%)

City-Wide Expenses

The City-Wide Expenses category consists of funding that is related to more than one department or that is not directly associated with a department's ongoing operations. Committed expenditures in this category totaled \$518.6 million, or 69% of the 2022-2023 Modified Budget, resulting in savings of \$230.1 million. Of this amount, \$212.5 million was rebudgeted in the 2023-2024 Adopted Budget (including \$5.5 million that was offset by revenue sources); and additional rebudgets or technical clean-ups of \$1.6 million are recommended in this report, leaving a balance of \$16.0 million. Of this balance amount, \$3.0 million was assumed as savings in the development of the 2022-2023 Ending Fund Balance/2023-2024 Beginning Fund Balance estimate, resulting in a balance of \$13.0 million.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

The major ongoing expenditures in the City-Wide Expenses category are detailed below.

- Total Workers' Compensation Claims payments of \$21.5 million were \$1.1 million, or 4.7%, below the 2022-2023 Modified Budget of \$22.6 million. This spending level compares favorably to prior year actuals of \$23.4 million. Workers' Compensation Claims appropriations for the Fire and Police Departments ended the year just below budgeted levels at 2.9% and 3.7% respectively. The remaining Workers' Compensation Claims appropriations for Transportation, Public Works, PRNS, and Other Departments were also within budgeted levels, albeit with slightly more savings (of 8.4%, 9.4%, 13.4%, and 15.3% respectively).
- San José BEST and Safe Summer Initiative Programs expenditures of \$7.1 million were \$866,000, or 10.9%, below the 2022-2023 Modified Budget of \$8.0 million. In comparison, expenditures in 2021-2022 of \$6.2 million were \$1.1 million or 14.8% below the Modified Budget. As part of the development of the 2023-2024 Adopted Budget, an estimated \$445,000 in savings were rebudgeted from 2022-2023 to 2023-2024, with an additional \$132,000 recommended to be rebudgeted as part of this report. If the actions in this report are approved, the 2023-2024 Modified Budget for San José BEST and Safe Summer Initiative Programs would total \$7.3 million.
- Expenditures for Homeless Rapid Rehousing of \$4.9 million ended the year \$940,000 below the 2022-2023 Modified Budget of \$5.9 million but \$2.1 million above the prior year expenditure level of \$2.8 million. As part of the development of the 2023-2024 Adopted Budget, an estimated \$900,000 in savings were rebudgeted from 2022-2023 to 2023-2024, with an additional \$40,000 recommended to be rebudgeted as part of this report. If the actions in this report are approved, the 2023-2024 Modified Budget for Homeless Rapid Rehousing would total \$4.9 million.
- Elections and Ballot Measures expenditures totaled \$4.6 million in 2022-2023, which is 9.1% below the Modified Budget of \$5.0 million and significantly above the 2021-2022 expenditures of \$3,000. The low level of expenditures in 2021-2022 were due to the timing of payments, the County of Santa Clara did not invoice for election costs until 2022-2023. Savings of approximately \$450,000 in 2022-2023 were anticipated and rebudgeted as part of the 2023-2024 Adopted Budget, resulting in a total 2023-2024 Adopted Budget of \$4.3 million. This funding level should be sufficient to cover costs of the general election in November and presidential primary election in March 2024.
- Sick Leave Payments Upon Retirement expenditures of \$3.5 million ended the year \$1.5 million below the annual allocation of \$5.0 million, consistent with prior year expenditures of \$3.4 million, which were \$1.6 million below the 2021-2022 annual allocation of \$5.0 million. The 2023-2024 Modified Budget amount is \$3.35 million.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

- General Liability Claims payments of \$3.4 million were \$13.2 million below the 2022-2023 Modified Budget of \$16.6 million and \$4.5 million below the 2021-2022 expenditure level of \$7.9 million. As part of the 2023-2024 Adopted Budget, an estimated \$13.0 million in savings were rebudgeted from 2022-2023 to 2023-2024, with an additional \$200,000 recommended to be rebudgeted as part of this report. If the actions in this report are approved, the 2023-2024 Modified Budget for General Liability Claims payments would total \$19.2 million.

Capital Projects

In 2022-2023, the General Fund provided funding totaling \$73.6 million for capital projects. Of this amount, approximately \$35.9 million was unexpended at year-end. The projects with the largest unexpended balances included:

Capital Projects	Unexpended Funds (\$000s)
Fire Apparatus Replacement	\$8,336
The Tech Interactive Controls Module Improvements	3,518
Police Athletic League Stadium Turf Replacement	2,789
Closed Landfill Compliance	2,097
Fire Training Center Relocation	1,511
City Hall Rehabilitation Projects	1,055
City Hall Waterproofing	918
City Hall Security Upgrades	898
Police Administration Building Boiler and Chiller Replacement	871
Emergency Power Generation for City Facilities	847
Vehicle Prevention Program	822
City Hall Carpet Replacement	650
City Hall Office Renovation	537
Emergency Operations Center Relocation	405
All Other Projects	10,694
Total Unexpended Capital Projects	35,950

Of the \$35.9 million unexpended at the end of 2022-2023, a total of \$34.1 million was rebudgeted to 2023-2024 in the Adopted Budget, leaving a balance of \$1.8 million. . As part of this report, additional rebudget or technical clean-up adjustments totaling \$1.5 million are recommended, reducing the Capital balance to \$320,000.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

The recommended upward and downward rebudget adjustments as well as augmentations for various appropriations are reflected in *Section IV – Recommended Budget Adjustments and Clean-Up/Rebudget Actions* of this document.

Transfers

In the Transfers category, expenditures of \$37.8 million ended the year at budgeted levels.

Reserves

General Fund Reserve categories include Earmarked Reserves (\$268.2 million), Ending Fund Balance Reserve (\$27.7 million), and the Contingency Reserve (\$46.0 million), which totaled \$341.9 million as of June 30, 2023. The 2023-2024 Adopted Budget assumed that \$342.4 million would be available at year-end, with reserves either re-established in 2023-2024 or used as a funding source for the 2023-2024 Adopted Budget.

Earmarked Reserves

Earmarked Reserves totaled \$268.2 million on June 30, 2023, the largest of which were the: Budget Stabilization Reserve (\$61.0 million); Revenue Loss Reserve (\$60.0 million); Measure E - 15% Homeless Support Programs Reserve (\$30.3 million); Measure E - 30% Low-Income Households Reserve (\$24.6 million); Measure E – 40% Extremely Low Income Households Reserve (\$18.3 million); Workers Compensation / General Liability Catastrophic Reserve (\$15.0 million); Community and Economic Recovery Reserve (\$10.2 million); Salary and Benefits Reserve (\$9.6 million); Information Technology Sinking Fund Reserve (\$6.5 million); Measure E – 10% Homeless Prevention and Rental Assistance Reserve (\$4.1 million); Fire Station FF&E Reserve (\$3.8 million); Google Parking Lots Option Payment Reserve (\$3.8 million); Artificial Turf Capital Replacement Reserve (\$3.4 million); Code Enforcement Permit System Reserve (\$2.8 million); Measure E – 5% Moderate-Income Households Reserve (\$2.1 million); FEMA Non-Reimbursable Expenses Reserve (\$2.0 million); Sick Leave Payments Upon Retirement Reserve (\$2.0 million); Berryessa Flea Market Vendor Business Transition Fund Reserve (\$1.9 million); 2023-2024 Recruitment Centralization Pilot Program Reserve (\$1.1 million); Police Redistricting Implementation Reserve (\$1.0 million); and, the Police Property Facility Relocation Reserve (\$1.0 million). Most of these Earmarked Reserves were either rebudgeted or used as a funding source for development of the 2023-2024 Adopted Budget.

Ending Fund Balance Reserve

The 2022-2023 Ending Fund Balance Reserve of \$27.7 million was proactively set aside to help ensure sufficient fund balance would be available at the end of 2022-2023 to meet the budgeted estimate used for the development of the 2023-2024 Adopted Budget.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

Annually, as part of the development of the General Fund Forecast and Adopted Budget for the following year, a certain amount of current year unrestricted ending fund balance is estimated to be available at the end of the year as a funding source for the following year's budget. This ending fund balance is expected to be generated from additional revenues above budgeted levels, expenditure savings, and the liquidation of carryover encumbrances during the year. In the 2023-2024 Adopted Budget, it was assumed that \$64.5 million would be generated from these sources. The establishment of the 2022-2023 Ending Fund Balance Reserve at \$27.7 million set aside a portion of this funding, with the assumption that the remaining amount would be realized by year-end.

Contingency Reserve

The City Council has established a budget policy of maintaining a minimum 3% Contingency Reserve in the General Fund. At the end of 2022-2023, the Contingency Reserve totaled \$46.0 million and remained unspent during the year. As part of the development of the 2023-2024 Adopted Budget, the full Contingency Reserve was rebudgeted and increased by \$1.0 million, and actions are included in this report to increase the reserve by \$3.0 million to ensure compliance with the Council Policy of maintaining a minimum 3% Contingency Reserve in the General Fund. It is important to note, however, that if this Contingency Reserve is ever needed, it is only sufficient to cover General Fund payroll expenditures for approximately two weeks in the event of an emergency.

Further reserve adjustments totaling a net decrease of \$353,270 are recommended in this report, including increasing the: Community and Economic Recovery Reserve (\$1.35 million); Solid Waste Code Enforcement Reserve (\$680,000); and, the City Attorney's Office Outside Litigation Reserve (\$510,000). The reallocation of \$500,000 from the Measure E – Interim Housing Maintenance Reserve (15% HSP) is also recommended to the corresponding City-Wide Expenses appropriation to support projected maintenance of interim housing sites. Additional adjustments are recommended to select Measure E reserves to reconcile the corresponding programmatic allocations with prior year revenue performance and expenditure savings (net decrease of \$2.3 million), as well as to reconcile the Artificial Turf Capital Replacement Reserve with associated revenues (-\$97,993).

Recommended expenditure adjustments and clean-up actions can be found in *Section IV – Recommended Budget Adjustments and Clean-Up/Rebudget Actions* of this report. Adjustments are in the following categories: Required Technical/Rebalancing Actions, Grants/Reimbursements/Fees, and Urgent Fiscal/Program Needs as described in detail in the General Fund Recommended Budget Adjustments Summary. In addition, clean-up actions can also be found in this section with a detailed description of recommended actions found in the introduction of that section.