

Honorable Mayor and City Council:

I am proud to present the 2024-2025 Proposed Operating Budget, a balanced budget that performs the difficult task of strategically investing resources to meet important objectives of the City Council while also bringing the General Fund into closer structural alignment. This budget follows the direction provided by the Mayor and City Council with their approval of the Mayor’s March Budget Message for Fiscal Year 2024-2025, and considers other City Council and Administration priorities, recent community outreach and surveys, and the impacts of service reductions to the community.

The General Fund 2025-2029 Five-Year Forecast was used as the starting point in the development of the budget. For the General Fund, a revised Base Budget shortfall of \$4.5 million is projected for 2024-2025, followed by a shortfall of \$37.6 million in 2025-2026, with subsequent small shortfalls over the remaining three years of the Forecast. This relative lack of resources is exacerbated by the need to also consider substantial investments to implement the State of California’s regulatory requirements regarding the City’s Stormwater Permit, including addressing the impacts of unhoused individuals experiencing homelessness living adjacent to waterways, and the cost of programs funded on a one-time basis in 2023-2024 whose discontinuation would likely cause negative service impacts that no one would want. When taken together, it is appropriate to broaden the Base Budget shortfall amount and state that the City faces an estimated \$50 million service level/structural shortfall in the General Fund to resolve for planning purposes.

Keeping these considerations in mind, the Proposed Budget follows City Council direction to focus on targeted, strategic spending, while also addressing the service level/structural shortfall in 2024-2025 and setting aside enough ongoing resources to substantially address the estimated shortfall in 2025-2026. It is important to note that, even with a number of cost reductions and service delivery efficiencies, and corresponding position eliminations necessary to address the budget shortfall, the Administration anticipates that most, if not all, impacted employees will still have a place in the City – layoffs are not anticipated in this Proposed Operating Budget.

For the City’s many other dedicated funds (e.g., Airport Funds, Integrated Waste Management Fund, San José Clean Energy Fund, Sanitary Sewer Funds) budget actions considered various service delivery and infrastructure needs balanced within the available resources of each fund. All budgeted service levels considered associated impacts to rate payers during the Proposed Operating Budget’s preparation.

**Budget Town Halls**



- May 4**                    **12:30pm**  
Evergreen Islamic Center, 2486 Ruby Ave
- May 6**                    **6:00pm**  
Holy Family Catholic Parish, 4848 Pearl Ave
- May 9**                    **6:00pm**  
Bethel Church, 1201 S Winchester Blvd
- May 13**                  **7:00pm**  
3050 Berryessa Rd
- May 15**                  **7:30pm**  
Joyce Ellington Branch Library, 491 E Empire St
- May 20**                  **6:30pm**  
St Francis Episcopal Church, 1205 Pine Ave
- May 23**                  **7:00pm**  
Grace Church of Evergreen, 2650 Aborn Rd

**Budget Decision Milestones**

- May 8 -16**  
City Council Study Sessions
- May 14/June 10**  
Public Hearings on 2024-2025 Proposed Budgets and Fees & Charges
- June 3**  
2024-2025 Mayor’s June Budget Message Released
- June 11**  
Council Review/Approval of the 2024-2025 Mayor’s June Budget Message
- June 18**  
Adoption of the 2024-2025 Capital and Operating Budgets, 2025-2029 CIP, and the 2024-2025 Fees & Charges

## 2024-2025 PROPOSED OPERATING BUDGET

---

As guided by City Council's approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, this Proposed Budget prioritizes and reallocates the City's limited General Fund and other fund resources to continue work on some of our most challenging issues, including urgent action on homelessness, improving community safety, cleaning up San José, and attracting jobs and investment. Allocations also address select areas of urgent, important, and continuing core service work within other community services, strategic support services, and deferred infrastructure areas. A summary of the recommended key actions for these investment priorities is discussed later in this transmittal memorandum.

Summary information items that can easily be found in this transmittal memorandum include: Total Proposed Budget; Position Impacts; General Fund Forecast; Proposed Budget Development Considerations; General Fund Budget Balancing Plan; Measure E, Interim Housing, Affordable Housing, and Stormwater Permit Implementation; Summary of Homeless Spending in 2024-2025, City Service Area Highlights and Key Budget Actions with detailed budget proposals outlined by title and the section where they can be found throughout the Proposed Operating Budget document; and Fees and Charges Adjustments.

It is important to note that though this transmittal memorandum primarily discusses the incremental changes to the budget and new or reallocated funding to implement new, or modify and enhance, existing services levels, the 2024-2025 Proposed Operating Budget is a comprehensive document that contains budgetary and performance data for each City Service Area (CSA) and department, linking the expected service delivery environment to expected actions and outcomes, facilitated through the spending in dozens of Core Services and hundreds of Budget Programs.

Based on the hard work of City staff, this Proposed Operating Budget successfully and responsibly allocates ongoing funding to the priorities identified in the March Budget Message, continues to make progress on bringing the General Fund into structural alignment with service level demands, and considers existing funding sources across the over 140 City funds. Each funding source is brought into balance to sustainably continue City programming and services in accordance with City Council direction, priorities, and policies.

### Investment Priorities

The Mayor's March Budget Message, as approved by the City Council, identified the following investment priorities:

- ✓ *Urgent Action on Homelessness*
- ✓ *Improving Community Safety*
- ✓ *Cleaning Up San José*
- ✓ *Attracting Jobs and Investment*

Other investment priorities included select areas of important and ongoing core service work within other community services, strategic support services, and deferred infrastructure areas.

## 2024-2025 PROPOSED OPERATING BUDGET

### Total Proposed Budget

The 2024-2025 Proposed Budget totals \$5.3 billion for all City funds (General, Special, and Capital). This amount is \$764.0 million (12.5%) less than the 2023-2024 Adopted Budget (Table 1 below). The Proposed Budget, however, does not yet include funds that will be rebudgeted and added to the final 2024-2025 Adopted Budget to complete multi-year projects. Once these rebudgets are included, the total amount of the budget will increase.

<b>2024-2025 Proposed Budget — All Funds (Table 1)</b>			
	<b>2023-2024 Adopted</b>	<b>2024-2025 Proposed</b>	<b>% Change</b>
General Fund	\$ 2,092,480,477	\$ 1,615,128,471	(22.8%)
Special Funds	3,362,611,337	3,434,414,734	2.1%
<Less: Operating Transfers>	(940,383,884)	(857,113,680)	(8.9%)
<b>Net Operating Funds</b>	<b>4,514,707,930</b>	<b>4,192,429,525</b>	<b>(7.1%)</b>
Capital Funds	1,588,248,927	1,149,492,039	(27.6%)
<Less: Capital Transfers>	(4,030,000)	(6,952,000)	72.5%
<b>Net Capital Funds</b>	<b>1,584,218,927</b>	<b>1,142,540,039</b>	<b>(27.9%)</b>
<b>Total</b>	<b>\$ 6,098,926,857</b>	<b>\$ 5,334,969,564</b>	<b>(12.5%)</b>

### Position Impacts

The Proposed Budget includes a net decrease to the overall position count throughout the organization. The Base Budget included the elimination of 66 positions, as these positions were funded on a one-time basis only in the 2023-2024 Adopted Budget. The Proposed Budget adds a net 12 positions, primarily due to the investments in Beautify San José and in support of the City's Stormwater Permit implementation. Overall, the net level of staffing decreases by 54 positions, from 7,040 full-time equivalent (FTE) positions in the 2023-2024 Adopted Budget to 6,986 positions in the 2024-2025 Proposed Budget, as shown in Table 2 below.

<b>Changes in Position Count (All Funds) from 2023-2024 Adopted to 2024-2025 Proposed Budget (Table 2)</b>	
<b>2023-2024 Adopted Budget</b>	<b>7,040 positions</b>
<i>2024-2025 Base Budget Changes</i>	<i>(66) positions</i>
<i>2024-2025 Proposed Budget Changes – General Fund</i>	<i>20 positions</i>
<i>2024-2025 Proposed Budget Changes – Other Funds</i>	<i>(8) positions</i>
Total Net 2024-2025 Position Changes	(54) positions
<b>2024-2025 Proposed Budget</b>	<b>6,986 positions</b>

## 2024-2025 PROPOSED OPERATING BUDGET

---

### General Fund Forecast

In February 2024, the Administration released the 2024-2025 City Manager’s Budget Request and 2025-2029 Five-Year Forecast and Revenue Projections document to estimate the budget condition of the General Fund and selected Capital Funds over the next five years. The Forecast initially anticipated an ongoing shortfall of \$3.6 million in 2024-2025. That shortfall has been revised slightly downward to \$4.5 million due to a number of factors, including corrections to personal services costs within the Base Budget and minor revisions to several revenue categories.

Table 3 below displays the incremental General Fund shortfalls estimated over the next five years. It is important to note that the shortfall anticipated in 2025-2026 assumes that the \$4.5 million shortfall for 2024-2025 is fully resolved with ongoing solutions. Any portion of a shortfall not fully resolved would be carried over to the following year.

### 2025-2029 Revised General Fund Five-Year Forecast

(\$ in millions)<sup>1</sup>

(Table 3)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Five-Year Surplus/ (Shortfall)
<b>Incremental Surplus/ (Shortfall)</b>	(\$4.5) <sup>2</sup>	(\$37.6)	(\$17.8)	(\$13.9)	(\$6.7)	(\$80.5)

<sup>1</sup> Does not include 1) costs associated with services funded on a one-time basis in 2023-2024; 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 \$3.6 million shortfall as presented in the February 2024 Forecast as a result of continued analysis of projected revenues and expenditures.

As described previously and in greater detail in the 2025-2029 Five-Year Forecast<sup>1</sup>, the projected shortfalls omitted significant new expenditures necessary to implement the State of California’s regulatory requirements for the new Stormwater Permit, as well as the cost of programs previously funded on a one-time basis in the General Fund. When considering these two categories of service level needs, from a practical perspective, the projected service level/structural shortfall in 2024-2025 grows to over \$50 million.

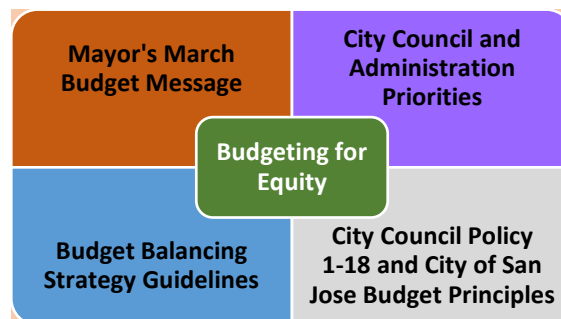
To make matters more challenging, even if the 2024-2025 shortfall is fully addressed on an ongoing basis, additional ongoing solutions of \$37.6 million would be required to resolve the shortfall currently projected for 2025-2026. As a result, City Council’s approval of the Mayor’s March Budget Message directed the Administration to take a multiyear approach to balancing the General Fund. The Proposed Operating Budget fully meets this direction by establishing a 2025-2026 Future Deficit Reserve, setting aside ongoing funding of \$20.0 million. This prudent approach positions the City to better weather another difficult budget development process next fiscal year by significantly reducing the currently-projected shortfall in 2025-2026 from \$37.6 million to \$17.6 million.

---

<sup>1</sup> 2024-2025 City Manager’s Budget Request and 2025-2029 Five-Year Forecast and Revenue Projections: <https://www.sanjoseca.gov/home/showpublisheddocument/109520/638448994635200000>

## Proposed Budget Development Considerations

The Proposed Budget must balance a variety competing community and organizational needs while ensuring that the resources contained within all City funds remain in balance and thoughtfully deployed. While the budget development process was informed by a variety of factors, the inputs shown at right are the key drivers that provided the strategic approach to address these needs.



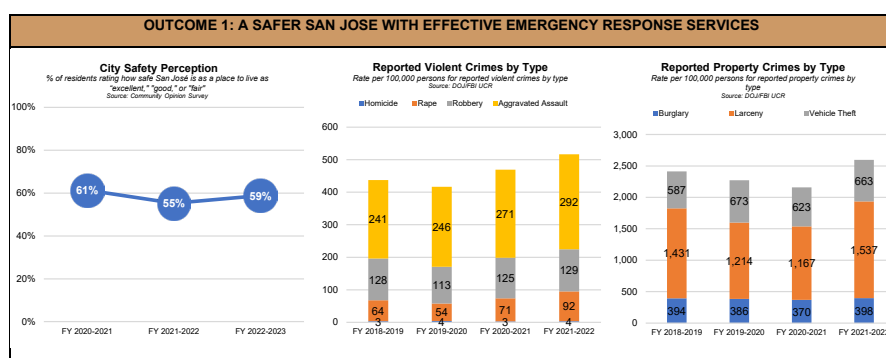
The Mayor’s March Budget Message for Fiscal Year 2024-2025, as approved by the City Council, identified the main investment priorities for the budget process, and directed us to employ the Budget Balancing Strategy Guidelines<sup>2</sup> that outlined a number of general approaches to use in the development of the budget. City Council Policy 1-18<sup>3</sup> and the City of San José Budget Principles<sup>2</sup> further ensured that the Administration applied best budgetary practices and worked to align ongoing revenues with ongoing expenditures. Throughout the year, the City Council also identified new or revised desired service levels to benefit the community, and the Administration identified areas for additional investment or reallocation to address organizational risks and service delivery gaps.

Unfortunately, budgetary constraints significantly limit the City’s ability to meet desired service levels in all areas and, in fact, require ongoing cost and service reductions along with some minimal revenue increases to bring the General Fund into structural alignment while also continuing or enhancing those services consistent with City Council direction as included in the March Budget Message. Due to the nature of the City’s work, service reductions could have a disproportionate impact on already disadvantaged communities. As a result our obligation during the budget process was to intentionally consider equity regarding budget actions, asking questions such as: who is burdened by the action, what steps could be taken to mitigate the impact, and are there other feasible cost reduction strategies that would have less of an impact? All of these factors, and others, were included in the Proposed Budget development process.

### CITY SERVICE AREA

To deepen our ability to understand the impact of services within different segments of the community, we are in the second of a three-year process to revamp the outcomes, strategic objectives, performance measures, and activity and workload highlights displayed in the Proposed and Adopted Budgets. This approach was piloted in the 2023-2024

### PUBLIC SAFETY



Adopted Operating Budget with revisions to the Neighborhood Services CSA, at both the CSA and Department Core Service level, along with the development of a “Community Indicators Dashboard” that aligns with the revised outcomes. This process continues in the 2024-2025 Proposed Operating Budget, with revisions and updates to the Community and Economic Development and Public Safety CSAs. Actions are included in this budget to complete this work with the remaining CSAs and their associated Department Core Services for presentation in the 2025-2026 Proposed Budget.

<sup>2</sup> Included at the end of this transmittal memorandum.

<sup>3</sup> Included in the *Budget Policies and Practices* section of this budget document.

## 2024-2025 PROPOSED OPERATING BUDGET

---

### General Fund Budget Balancing Plan

The City Council's approval of the Mayor's March Budget Message for Fiscal Year 2024-2025 directed the City Manager to bring forward a Proposed Budget that addresses the \$4.5 million Base Budget shortfall and allows for investments the areas identified in the March Budget Message by considering the following strategies:

- ❖ Identifying cost savings and efficiencies that do not result in service impacts;
- ❖ Eliminating vacant positions, the removal of which is expected to have minimal service impacts;
- ❖ Reducing or eliminating current services, including the consideration of budget reductions for Mayor and City Council Offices, that – while important and valued by many – must be considered in order to bring the General Fund into structural alignment and still fund the City Council's most critical priorities as identified in this message; and
- ❖ Identifying any revenue sources that could be used to offset these service reductions, including new contributions from state and regional partners and the potential reallocation of a portion of Measure E resources over a multi-year period, for the provision of necessary services to our homeless residents and to meet stormwater permit requirements.

The City Manager's 2024-2025 Proposed Operating Budget complies with this direction by leveraging all four strategies, including:

- General Fund cost and service reductions of \$12.1 million in 2024-2025 and \$18.1 million ongoing;
- An organization-wide reduction of full-time equivalent (FTE) positions of a net 54 positions, moving from 7,040 FTE in the 2023-2024 Adopted Operating Budget to 6,986 FTE in the 2024-2025 Proposed Operating Budget;
- Recognizing \$29.1 million of new revenues in the General Fund in 2024-2025 and \$4.0 million ongoing, and another \$8.0 million in the Low and Moderate-Income Housing Asset Fund for future affordable housing development; and
- Reallocating a portion of Measure E revenues over a two-year period to provide sheltering and support services to unhoused residents currently living along waterways and to support interim housing operations and other services, while also preserving some funding to support future affordable housing projects.

The 2024-2025 Proposed General Fund Budget Balancing Plan that resolves the \$4.5 million shortfall forecasted for 2024-2025 is displayed in Table 4 below, which shows the matrix of balancing strategies and the dollars associated with each action. A discussion of the balancing strategies can be found in *Attachment A* to this message and is discussed in detail throughout the Proposed Budget. *Attachment B* provides the status of Mayor and City Council referrals approved as part of the Mayor's March Budget Message for Fiscal Year 2023-2024. *Attachment C* provides information regarding any actions included in the budget that specifically addressed a recommendation issued by the City Auditor.

## 2024-2025 PROPOSED OPERATING BUDGET

### General Fund Budget Balancing Plan (Cont'd)

<b>2024-2025 Proposed Operating Budget General Fund Budget Balancing Plan (in 000's) (Table 4)</b>		
	<b>2023-2024</b>	<b>Ongoing</b>
<b>2024-2025 General Fund Shortfall</b>	<b>(\$ 4,452)</b>	<b>(\$ 4,452)</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Beginning Fund Balance:		
2023-2024 Excess Revenue/Expenditure Savings	5,000	0
Unobligated Small Business Recovery Grant (C/O Encumbrance Liquidation)	1,326	0
Solid Waste Enforcement Reserve	680	0
Fund Balance to Support 2023-2024 Projects	648	0
Grants/Reimbursements/Fees:		
State Grant Funding (City's Interim Housing Portfolio)	16,000	0
Ambulance Transport and User Fee	1,700	1,700
Fees and Charges Changes	1,088	1,088
Rue Ferrari Emergency Interim Housing Site Expansion (Federal)	1,000	0
Parking Citation Fines	800	800
Regulatory Compliance and Purified Water Program	580	565
Commercial Solid Waste CPI Adjustment	577	578
Cannabis Regulation Program Staffing	(901)	(901)
Other Fee Programs/Reimbursements/Grants	308	(147)
Accounts Receivable Amnesty Program	300	300
Construction Excise Tax Fund Transfer	300	300
Overhead Reimbursements	(273)	(237)
<b>Subtotal Source of Funds</b>	<b>\$ 29,133</b>	<b>\$ 4,046</b>
<b>Use of Funds</b>		
2025-2026 Future Deficit Reserve	\$ 0	\$ 20,000
Other Important and Ongoing Core Service Work	12,625	3,587
Increasing Community Safety	11,651	3,040
Cleaning Up San José	10,823	8,816
Stormwater Permit Implementation	10,044	8,129
Attracting Investments in Jobs and Housing	3,575	0
Cost Reductions/Service Delivery Efficiencies/Funding Shifts	(12,070)	(18,069)
Interim Housing – Reallocation to Measure E	(8,000)	(22,500)
Transfer of Monterey/Bernal EIH to Santa Clara Country	0	(2,500)
Use of Reserves (Committed Additions, Deferred Infrastructure and Maintenance, Fire and Police Equipment Sinking Fund)	(3,967)	(909)
<b>Subtotal Use of Funds</b>	<b>\$ 24,681</b>	<b>\$ (406)</b>
<b>Total Balancing Strategy</b>	<b>\$ 4,452</b>	<b>\$ 4,452</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>

## 2024-2025 PROPOSED OPERATING BUDGET

### Measure E, Interim Housing, Affordable Housing, and Stormwater Permit Implementation

As discussed above, the City Council directed the Administration to consider the reallocation of a portion of Measure E resources over a multi-year period to provide necessary services to the unhoused community and to meet Stormwater Permit requirements while also seeking to preserve as many resources as practical for affordable housing development. The Proposed Budget recommends reallocating a portion of Measure E funding in 2024-2025 and in 2025-2026 only, while also assuming the potential receipt of external resources that can fund homeless support activities and affordable housing development. However, because not all of the revenues may be received, in addition to approving the 2024-2025 Proposed Operating Budget, the Administration will also recommend that the City Council approve a larger change to the Measure E spending allocations included in City Council Policy 1-18, Section 22, as a contingency.

As shown below in Table 5, the Proposed Budget assumes \$17.0 million of new external funding to support the City's interim housing portfolio and \$8.0 million to support future affordable housing development.

<b>New External Resources for Interim Housing and Affordable Housing (\$ Millions)</b> (Table 5)	
<b>New Interim Housing Funding</b>	
Federal Earmark - Rue Ferrari Expansion Project	\$1.0
Santa Clara County - State Housing and Homeless Incentive Program*	\$5.0
State of California Grant Funding*	\$11.0
Valley Water - Safe Sleeping Sites	TBD
<b>Total</b>	<b>\$17.0</b>
<b>New Affordable Housing Funding</b>	
Santa Clara County – California Health Facilities and Finance Authority (CHFFA)* (acquire and operate the Vermont House and Monterey/Bernal EIH)	\$8.0
<b>Total</b>	<b>\$8.0</b>
<b>Total New Resources in 2024-2025</b>	
<b>\$25.0</b>	

\*Not yet a specific commitment or terms need to be negotiated.

The City has successfully secured a federal earmark of \$1.0 million that will support the Rue Ferrari Expansion Project. As a partner in addressing homelessness, Santa Clara County has been actively seeking to leverage grant funding from the State of California for homeless support services, including seeking the allocation of \$5.0 million of the Housing and Homeless Incentive Program to the City; though not yet officially approved by the State and the local Medi-Cal Managed Care Plans, these resources are likely to be received. Less certain, the Administration will also continue to seek additional State funding in collaboration with all of our system partners to generate an additional \$11.0 million to support the City's interim housing portfolio. The City is also optimistic that Valley Water will continue to be a financial partner as we work to address Stormwater Permit compliance related to unhoused residents along the waterways, but conversations have not yet progressed to the point where additional funding can be recognized.



## 2024-2025 PROPOSED OPERATING BUDGET

### Measure E, Interim Housing, Affordable Housing, and Stormwater Permit Implementation

The Proposed Budget also assumes \$8.0 million of new external funding for affordable housing development. The County approached the City to utilize funds from the California Health Facilities and Finance Authority (CHFFA) to acquire the Vermont House, a 17-unit permanent supportive housing facility operated by the City, and the Monterey/Bernal Emergency Interim Housing (EIH) site, while ensuring that they continue to serve formerly and currently homeless residents. As most of the potential sale proceeds would likely be generated from the value of the Vermont House property, which was formerly acquired with federal funds, sale proceeds from these sites would be received in the Low and Moderate-Income Housing Asset Fund and be redeployed to support future affordable housing. Further, transitioning operational responsibility of the Monterey/Bernal EIH to the County would lower the City's ongoing costs in the General Fund by \$2.5 million. While the transfer of City property is subject to appraisal and negotiation, both the County and the City would like to move this deal forward.

Table 6 below summarizes the recommended reallocation of Measure E revenues as included in the 2024-2025 Proposed Operating Budget, and a contingency plan for a larger reallocated amount should the additional \$11.0 million of grant funding from the State of California and the \$8.0 million of CHFFA funding not be received. It is important to note that, while the reallocation of Measure E resources in 2025-2026 is substantially greater than in 2024-2025, the City will continue to aggressively pursue other external funding sources over the course of the next year, which could result in the partial restoration of resources for affordable housing in the 2025-2026 budget development process.

Recommended Reallocation of Measure E Resources (\$ Millions)				
(Table 6)				
	Proposed Budget Include All New Revenues/Cost Reduction		Contingency Plan Does Not Include Additional State Grant Funds (\$11 M) or CHFFA (\$8 M)	
	2024-2025	2025-2026	2024-2025	2025-2026
<b>Base Budget Affordable Housing Production Allocation* [A]</b>	<b>35.6</b>	<b>39.2</b>	<b>35.6</b>	<b>39.2</b>
<b>Interim Housing Construction and Operations</b>	<b>8.0</b>	<b>22.5</b>	<b>19.0</b>	<b>25.0</b>
<b>Stormwater Permit Implementation</b>	<b>15.0</b>	<b>10.6</b>	<b>15.0</b>	<b>10.6</b>
Safe or Alternative Sleeping Sites	10.0	5.0	10.0	5.0
Outreach, Sanitation and Other Support Services	3.6	3.9	3.6	3.9
Recreational Vehicle Pollution Prevention Program Expansion	1.4	1.7	1.4	1.7
<b>Lived-In Vehicle Safe Parking Site</b>	<b>1.0</b>	<b>-</b>	<b>1.0</b>	<b>-</b>
<b>City Outreach Team (Reactive)</b>	<b>0.6</b>	<b>-</b>	<b>0.6</b>	<b>-</b>
<b>Total [B]</b>	<b>24.6</b>	<b>33.1</b>	<b>35.6</b>	<b>35.6</b>
<b>Remaining Measure E for Affordable Housing [A] – [B] = [C]</b>	<b>11.0</b>	<b>6.1</b>	<b>0.0</b>	<b>3.6</b>

\*The estimate for Real Property Transfer Tax (Measure E) revenues in 2024-2025 and 2025-2026 is \$50.0 million and \$55.0 million, respectively. In accordance with City Council Policy 1-18, Section 22, 75% of revenues are set aside for affordable housing production after subtracting a 5% for program administration.

## 2024-2025 PROPOSED OPERATING BUDGET

### Measure E, Interim Housing, Affordable Housing, and Stormwater Permit Implementation

The General Fund Base Budget currently assumes expenditures of \$25.0 million to support the City's interim housing portfolio. This cost is partially offset in 2024-2025 by the \$17.0 million of new resources for interim housing as shown above in Table 5. The remaining \$8.0 million of costs for the interim housing portfolio is recommended to shift to Measure E. In 2025-2026, the shift to Measure E increases to \$22.5 million, which is the full ongoing General Fund Base Budget amount of \$25.0 million less \$2.5 million due to the savings anticipated by no longer operating the Monterey/Bernal EIH site.

A total of \$15.0 million from Measure E is recommended to help meet the City's Stormwater Permit obligations for: 1) the development and operation of safe or alternative sleeping sites to allow for the relocation of up to 500 unhoused residents from the waterways (\$10.0 million in 2024-2025 and \$5.0 million in 2025-2026); 2) outreach, sanitation, and other support services to meet basic needs of residents along the waterways and conduct housing assessments to refer and place individuals into shelter and housing opportunities (\$3.6 million in 2024-2025 and \$3.9 million in 2025-2026); and 3) the expansion of the Recreational Vehicle Pollution Prevention Program from 150 to 600 vehicles served every two weeks so that waste from vehicles is prevented from entering the waterways (\$1.4 million in 2024-2025 and \$1.7 million in 2025-2026).

#### Stormwater Permit Implementation

The San Francisco Bay Regional Water Quality Control Board, a State agency, recently required that the City implement an ambitious plan for eliminating the direct discharge of pollutants into waterways from encampments and lived-in vehicles near storm drains. This significant requirement, as well as other regulations included in the City's Stormwater Permit, necessitates significant new spending in the 2024-2025 Proposed Operating Budget.

Described in more detail in *Attachment D, Stormwater Permit Implementation Funding Summary*, a total of \$27 million is required in 2024-2025 to meet State regulatory requirements, including \$15 million from Measure E, \$10 million from the General Fund, and \$2 million from other Special Funds.

This combined funding supports both the Direct Discharge components related to the City's waterways of \$24 million, and a variety of actions to support other permit requirements of \$3 million.

As directed by City Council's approval of the Mayor's March Budget Message, \$1.0 million of Measure E funds will also be used in 2024-2025 to open one safe parking site for residents of lived-in vehicles. In contrast to the future Berryessa Safe Parking Site, this new site will provide a minimally serviced, controlled environment for lived-in vehicles to be parked off streets and into safety. Finally, an amount of \$600,000 of Measure E funding will support a pilot program in 2024-2025 that provides reactive outreach services in response to concerns received from San José 311, the homelessness concerns hotline, or other sources, about an individual or encampment.

These recommended reallocations would leave \$11.0 million remaining of 2024-2025 Measure E funds for affordable housing, and \$6.1 million of 2025-2026 Measure E funds. However, the amount of affordable housing funding expected to be available in 2024-2025 also needs to account for the expected sale proceeds from the Vermont House and Monterey/Bernal EIH (\$8.0 million), the remaining available uncommitted Measure E proceeds received in prior years (\$4.0 million), and the available resources expected from the City's other Housing Funds (\$17.6 million).

## 2024-2025 PROPOSED OPERATING BUDGET

### Measure E, Interim Housing, Affordable Housing, and Stormwater Permit Implementation

Including all of these resources would yield an estimated \$41 million for affordable housing development in 2024-2025, as shown in Table 7 below. However, if the contingency plan is needed in the fall, \$21.6 million would be available for affordable housing. After all funding is secured, staff expects to dedicate these funds to the construction of waitlisted developments from the October 2023 Notice of Funding Availability, which is currently over \$200 million.

Available Resources for New Affordable Housing Commitments in 2024-2025 (\$ Millions) (Table 7)		
	2024-2025 Proposed Budget	Contingency Plan
2024-2025 Measure E Funds	11.0	0.0
California Health Facilities Finance Authority (CHFFA)	8.0	0.0
Available Current and Prior Year Measure E Funds	4.0	4.0
Other Housing Funds	17.6	17.6
<b>Total Available Funding</b>	<b>40.6</b>	<b>21.6</b>

### Summary of Homelessness Spending in 2024-2025

In addition to the new or reallocated funding in the 2024-2025 Proposed Budget directed by City Council's approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, past direction by the City Council has resulted in a range of City programs and projects related to homelessness. Much of the City's direct spending on homelessness is captured within the Housing Department's *Homelessness Response and Solutions* Core Service and the Parks, Recreation and Neighborhood Services' *Encampment Management* Budget Program, and can be found within the respective department section. However, other departments and offices, such as the Public Works Department and the City Manager's Office, are also allocated funding to address homelessness.

For ease of reference, Table 8 below provides high-level spending categories for homelessness-related work across departments and funds. The total amount estimated for spending in the 2024-2025 Proposed Operating Budget is \$120.0 million, of which \$49.6 million is budgeted in the General Fund, \$41.8 million is budgeted with Measure E resources in the Real Property Transfer Tax Fund, and \$28.6 million is allocated in various Housing Funds. This amount does not include additional funding that may be in reserve or anticipated savings from allocations in 2023-2024 that will be rebudgeted into 2024-2025 as part of the Adopted Budget process in June. Further, the complexity of the City's funding sources, it is likely that not all of the budgeted spending is captured; the Administration expects to further refine the tracking and reporting of this spending in the future. Even still, Table 8 provides useful information regarding the scale of the City's investment in homelessness-related work.



## 2024-2025 PROPOSED OPERATING BUDGET

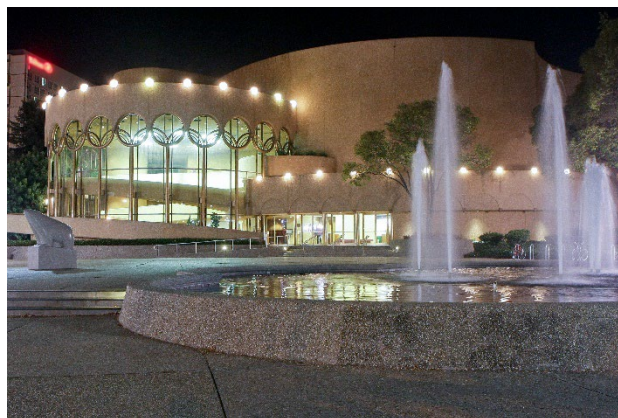
### Summary of Homelessness Spending in 2024-2025

Homelessness Spending in the 2024-2025 Proposed Operating Budget (\$ Millions) (Table 8)	
Spending Category	2024-2025 Proposed Budget
Interim Housing / Safe or Alternative Sleeping	58.5
Encampment Management and Abatement	30.0
Prevention and Rapid Rehousing	16.7
Outreach and Supportive Services	12.9
Administration and Programmatic Support	1.9
<b>Total</b>	<b>120.0</b>

### City Service Area Highlights and Key Budget Actions

While much of this message and conversations surrounding the budget involve incremental changes to existing service levels, it is important to keep in mind that most of the City’s budget is allocated to delivering basic services, year after year. In the context of a \$1.6 billion General Fund budget and \$4.2 billion total operating budget, only a small percentage is allocated to new actions. The overwhelming majority of the City’s limited resources are dedicated to the daily – and critical – effort to serve the San José community.

The 2024-2025 Proposed Operating Budget document provides a comprehensive review of the resources – both funding and positions – allocated to provide services by CSA, Department, Core Service, and Budget Program. Each CSA section and Department section contains a wide range of outcomes, performance measures, and activity and workload highlights by which City services can be measured. The discussion below covers each CSA, excerpting two performance measures from the CSA dashboard, giving an overview of the key service delivery expectations for 2024-2025 and highlighting key budget actions related to the direction from the City Council-approved Mayor’s March Budget Message for Fiscal Year 2024-2025, investments to support other services, and actions that reduce costs in the General Fund and other funds to ensure a structural alignment between ongoing revenues and expenditures. For a more in-depth information, please review the CSA and Department sections in the Proposed Operating Budget.



# 2024-2025 PROPOSED OPERATING BUDGET

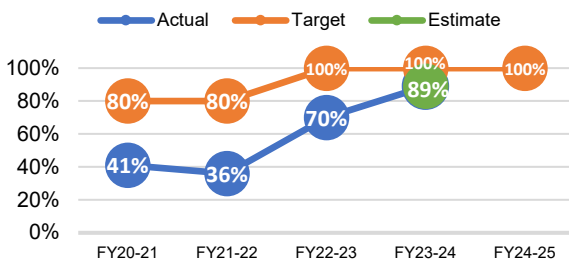
## City Service Area Highlights and Key Budget Actions

### Community and Economic Development CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

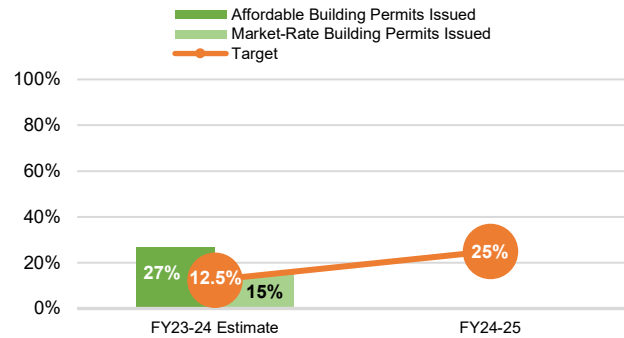
#### Development Project On-Time Reviews for Planning Permit Process

% of development projects completed within published timelines for first review for planning permit process



#### Housing Production Rates

% of affordable and market-rate housing production<sup>1</sup> measured against annual Regional Housing Needs Allocation (RHNA) targets<sup>2,3</sup>



<sup>1</sup> The City uses building permit issued as the standard for unit production.

<sup>2</sup> RHNA is the part of the Housing Element process used to determine how many housing units each local government must plan for in its Housing Element. The current RHNA target for San José is 62,200 new housing units produced for the period from 2023 to 2031, which includes 34,486 overall for affordable housing units and 27,714 overall for market-rate housing units.

<sup>3</sup> Year 1 of the eight-year Housing Element cycle corresponds with 1/8th of the overall RHNA target being met.

The 2024-2025 Proposed Operating Budget allocates \$187.9 million and 483.1 authorized positions to the Community and Economic Development CSA, consisting of Core Services from the Office of Economic Development and Cultural Affairs, the Fire Department, the Housing Department, the Planning Building and Code Enforcement Department, and the Public Works Department. The CSA-supported outcomes include: *a Thriving, Inclusive, and Attractive Communities and Vibrant Public Spaces; S Strong, Responsive and Equitably Economy; and an Accessible and Diverse Range of Housing and Business Opportunities.*

CSA priorities and highlights of expected service delivery in 2024-2025 include the following:

- Engage and assist businesses that create jobs and expand the City’s tax base, with a focus on small business recovery and resiliency, anchor employers, and revenue-generators.
- Assist arts organizations, cultural facilities, and outdoor event producers to sustain, innovate, and adapt in a changing fiscal environment.
- Develop for Council consideration, a streamlined ministerial approval process for a wider range of housing development than is currently eligible for statewide streamlining.
- As part of the Housing Catalyst Team Work Plan, advance near-term strategies, programs, and policies from the 2023-2031 Housing Element.
- Continue to digitally transform the Development Services operations with an upgraded portal to allow customers to start their applications online, integrate electronic plan submission and review for the building permits, improve permit fee payment process, and provide additional self-administered permits on the public portal.
- Continue to advance funding commitments for four affordable housing developments, totaling 519 new apartments, as part of the implementation of a previous \$150 million Notice of Funding Availability (NOFA), and advance the funding commitments for the four new affordable housing developments awarded from the \$50 million 2023 NOFA creating 338 new apartments, and begin construction on six major projects that will produce 681 affordable apartments.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

- Implement the 2020-25 Consolidated Plan and the FY 2024-2025 Annual Action Plan authorizing \$14.3 million in annual allocations of federal funding to increase and preserve affordable housing, respond to homelessness, strengthen neighborhoods, and promote fair housing.

The Proposed Budget includes a variety of actions that align with the March Message priority investment area of *Attracting Investments in Jobs and Housing* that primarily leverage one-time funding allocations from the General Fund or other funds. It is important to note that the City expects relatively low levels of development activity in the near term, which will result in reduced revenues received within the City's various Development Fee Funds. To better align expected revenues and expenditures, a number of vacant positions in the Planning, Building and Code Enforcement Department are recommended for deletion due to the low anticipated activity levels. However, should activity rebound, the City can quickly add back staffing as necessary.

Attracting Investments in Jobs and Housing	
Storefront Activation Grant Program (\$650,000 million)/City-Wide Expenses	Neighborhood Economic Grants (\$200,000)/ Office of Economic Development and Cultural Affairs
Rent Stabilization and Eviction Prevention Staffing (\$619,000)/Housing	AI Manufacturing Incentive (\$250,000)/City-Wide Expenses
Destination Marketing (\$500,000)/City-Wide Expenses and Airport	East San José Small Business Corridor Support Manager (\$177,000)/Office of Economic Development and Cultural Affairs
Supplemental Arts and Cultural Funding (\$500,000)/City-Wide Expenses	Microbusiness Startup Grants (\$150,000)/ Office of Economic Development and Cultural Affairs
Downtown Street Beautification (\$400,000)/City-Wide Expenses	Office and Commercial Building Adaptive Re-Use Ordinance (\$100,000)/Planning, Building and Code Enforcement
General Plan Update – Environmental Justice Mandatory Element Consultant Services (\$375,000)/Planning, Building and Code Enforcement	

Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues	
Vacant Position Elimination (-\$3.2 million)/ Planning Building and Code Enforcement	Workforce Development Staffing Realignment (-\$96,000)/Office of Economic Development and Cultural Affairs
Citywide Planning – Ordinance and Policy Staffing (-\$220,000)/Planning, Building and Code Enforcement	Non-Personal/Equipment Reduction (-\$50,000) /Office of Economic Development and Cultural Affairs
Vacant Position Elimination (-\$148,000)/Fire	Joint Venture Silicon Valley Reduction (-\$26,000)/City-Wide Expenses

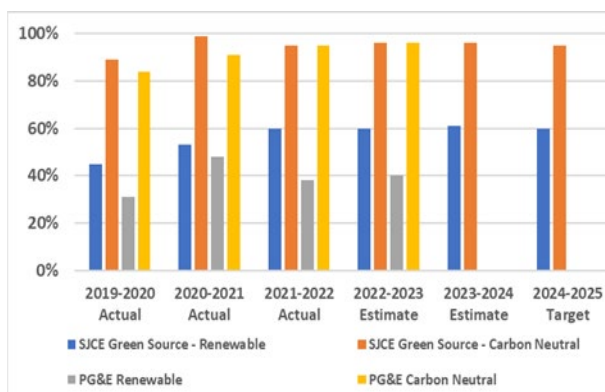
## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

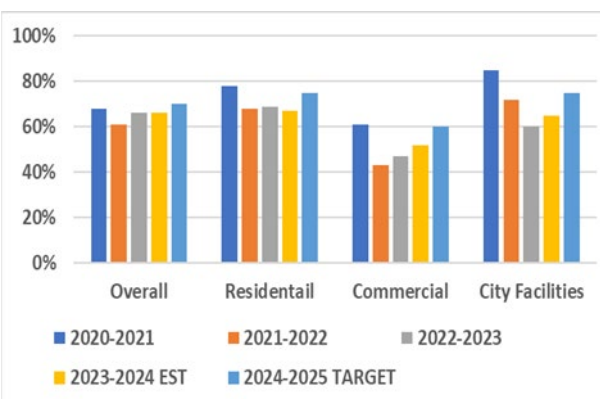
#### Environmental and Utility Services CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

#### San José Clean Energy and PG&E Power Content<sup>1</sup>



#### % of Waste Diverted from Landfills



<sup>1</sup> 2023-2024 Estimate and 2024-2025 Target data not available from PG&E. Data is expected to become available in July 2024.

The 2024-2025 Proposed Operating Budget allocates \$1.0 billion and 812.0 authorized positions to the Environmental and Utility Services CSA, consisting of Core Services from the Energy Department, the Environmental Services Department, and the Transportation Department. The CSA-supported outcomes include: *Reliable Utility Infrastructure; Healthy Streams, Rivers, Marsh, and Bay; “Clean and Sustainable” Air, Land, and Energy; and Safe, Reliable, and Sufficient Water Supply.*

CSA priorities and highlights of expected service delivery in 2024-2025 include the following:

- Build, operate, and maintain the City’s wastewater, stormwater, recycled water, and potable water utility infrastructure to ensure system reliability and public health and safety.
- Oversee programs to collect, process, recycle, compost, and dispose of solid waste to maximize diversion from landfills and protect public health, safety, and the environment.
- Provide leadership on climate action through policy, measures, and programs that reduce greenhouse gases and ensure a long-term water supply. Support environmentally sustainable practices throughout the community through education, public-private partnerships, and the implementation of the Climate Smart San José plan.
- Continue operating the City’s Community Choice Aggregation program with the goals of providing residents and businesses with a choice of electricity providers while progressing towards meeting greenhouse gas emissions reduction goals.
- Develop San José-specific energy and programs that reduce carbon, maintain and expand utility programs for low-income customers, and support local renewable energy projects in compliance with regulatory obligations.
- Continue to meet National Pollutant Discharge Elimination (NPDES) Wastewater and Stormwater Permit compliance.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

While several of the proposed actions within the *Cleaning Up San José* March Message priority investment area are included in the Environmental and Utility Services CSA, primarily related to Stormwater Permit requirements, this CSA is responsible for a wide array of infrastructure and programs that maintain a healthy environment for residents, and ensure safe, sustainable, and efficient utility services. A number of investments are included that will incentivize electrification and reduce carbon emissions, support new infrastructure to improve wastewater treatment, and conduct necessary planning efforts to support future infrastructure construction efforts.

#### **Cleaning Up San José**

Trash Capture Devices Maintenance (\$1.3 million)/ Transportation	Municipal Regional Stormwater Permit Inspection Programs (\$482,000)/Environmental Services
--	--

#### **Other Important and Ongoing Core Service Work**

Customer Program Staffing (\$5.4 million)/Energy	Sanitary Sewer Vehicle Replacement (\$1.0 million)/ Transportation
Dewatered Biosolids Hauling Support (\$4.3 million)/Environmental Services	Regulatory Compliance and Purified Water Program (\$730,000)/Environmental Services
Regional Wastewater Facility Capital Plan Update (\$2.5 million)/Environmental Services	Solid Waste Contamination Reduction Staffing and Resources (\$564,000)/Environmental Services
South Bay Water Recycling System Improvements (\$1.9 million)/Environmental Services	City Energy Resiliency Study (\$400,000)/Energy
Sanitary Sewer Flow Study (\$1.5 million)/ Environmental Services	Climate Smart San José (\$200,000)/Environmental Services

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

Vacant Position Elimination (-\$1.1 million)/ Environmental Services	Vacant Position Elimination (-\$124,000)/ Transportation
Vacant Position Elimination (-\$216,000)/Energy	Municipal Environmental Compliance Staffing (-\$109,000 in the General Fund)/Environmental Services



***New sludge storage tanks***

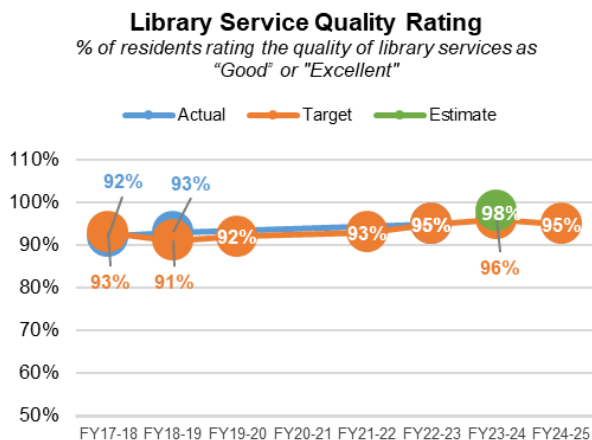
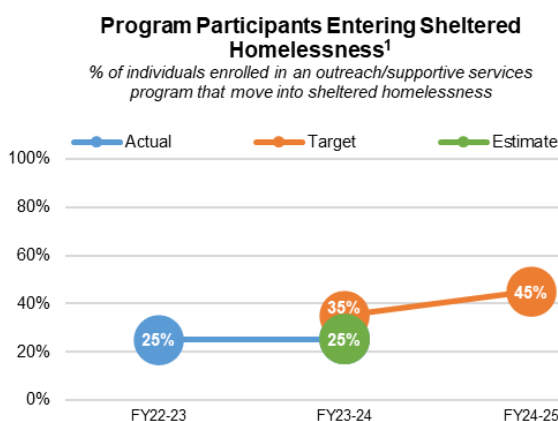


## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

#### Neighborhood Services CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions



<sup>1</sup> The Continuum of Care 2023-2024 performance benchmark of 45% pertains to street outreach successful housing placements and does not include supportive services outcomes to housing. This measure will be revisited in Fiscal Year 2024-2025.

The 2024-2025 Proposed Operating Budget allocates \$336.0 million and 1,465.4 authorized FTEs to the Neighborhood Services CSA, consisting of Core Services from the Housing Department, Library Department, Parks, Recreation and Neighborhood Services Department, Planning, Building and Code Enforcement Department, and the Public Works Department. The CSA-supported outcomes include: *Safe and Clean Neighborhoods and Public Spaces*; *Welcoming and Vibrant Neighborhoods and Public Life*; *Equitable Access to Community Opportunities to Flourish*; and *Housing Security through Supportive Solutions*.

CSA priorities and highlights of expected service delivery highlights in 2024-2025 include the following:

- Provide access to information and knowledge resources for all San José residents, students, educators, and families including access to technology and print materials, classes, afterschool homework help for students, and educational and literacy programs for all ages.
- Provide access to healthy lifestyles through public parks and trails and public recreational programs and opportunities for people of all ages and abilities. This includes the provision of leisure classes and activities at community centers, offering safe and fun summer camps, educational and outdoor experiences at facilities such as Happy Hollow Park and Zoo and Family Camp, and health and social activities in our therapeutics and senior service programs.
- Respond to complaints and conduct inspections for code violations city-wide to address blight, substandard housing, illegal occupancy, unpermitted construction, etc., contributing to the overall health, safety, and quality of life of our residents, businesses, and the community.
- Operationalize the growth of Beautify San José to meet neighborhood cleanliness and stormwater permit priorities by addressing pollution from RVs on streets and encampments near waterways. Other service areas include graffiti removal, neighborhood dumpster days, illegal dumping, deterrents, gateway beautification, homeless encampment trash/biowaste removal, abatements, and No Return Zones.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

- Implement the reimagined homeless outreach program through agreements with two service providers providing enhanced services and coordinated resources to individuals and households experiencing homelessness in target areas across the City.
- Through the Animal Care and Services Center, provide care for 12,000 incoming animals with an estimated 17,000 calls for service while targeting a live release rate of 90%.

The Proposed Budget includes a variety of actions that align with the March Message priority investment area of *Cleaning up San José* and *Urgent Action on Homelessness*. A significant portion of this effort is driven by the continuation and expansion of the Beautify San José program, with particular focus on the Stormwater Permit Implementation Strategy. *Other Important and Ongoing Core Service Work* continues previous commitments in areas such as child and youth programming, as well as Animal Care and Services. A number of actions are also included here to recognize new revenue to support interim housing and other homeless support services, and to reflect cost and service reductions to help bring the General Fund into structural alignment.

#### Cleaning Up San José

Beautify San José Stormwater Permit Implementation (\$8.2 million)/Parks, Recreation and Neighborhood Services	BeautifySJ Grant Program (\$150,000)/City-Wide Expenses
Beautify San José Continuation and Expansion (\$7.5 million)/Parks, Recreation and Neighborhood Services	Creek Clean-up Partners (\$75,000)/Parks, Recreation and Neighborhood Services
	Illegal Dumping and Graffiti Response (\$50,000)/Planning, Building and Code Enforcement

#### Urgent Action on Homelessness

Outreach, Sanitation and Other Service Provision (\$3.6 million)/Attachment D	Homelessness Prevention (\$1.0 million)/Housing
Emmanuel House Shelter Redevelopment (\$1.0 million)/Housing	Rent Stabilization and Eviction Prevention Staffing (\$619,000)/Housing
	Homeward Bound Pilot Program (\$200,000)/Housing

#### Other Important and Ongoing Core Service Work

Child and Youth Programming Staffing (\$544,000)/Parks, Recreation and Neighborhood Services	Animal Care and Services Technical Staffing (\$296,000)/Public Works
Gardner Community Center Staffing (\$364,000)/City-Wide Expenses	Starbird and Berryessa Youth Center Staffing (\$283,000)/Parks, Recreation and Neighborhood Services
Animal Care and Services Medical Services Staffing (\$322,000)/Public Works	Neighborhood Associations Engagement Model (\$280,000)/Parks, Recreation and Neighborhood Services
Integrated Library System Migration, Optimization, and Staffing (\$300,000)/Library	Code Enforcement Operational Assessment (\$200,000)/Planning, Building and Code Enforcement

# 2024-2025 PROPOSED OPERATING BUDGET

## City Service Area Highlights and Key Budget Actions

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

State Grant Funding for Interim Housing (\$16.0 million)/General Fund Revenues

Rue Ferrari Emergency Interim Housing Site Expansion Federal Earmark Revenue (\$1.0 million) /General Fund Revenues

Placemaking Program (-\$465,000)/Parks, Recreation and Neighborhood Services

Partners in Reading, Adult & Family Literacy (-\$460,000)/Library

Community Center Fitness Centers (-\$397,000)/ Parks, Recreation and Neighborhood Services

Nature Program Staffing (Almaden Lake and Alum Rock Park) (-\$391,000)/Parks, Recreation and Neighborhood Services

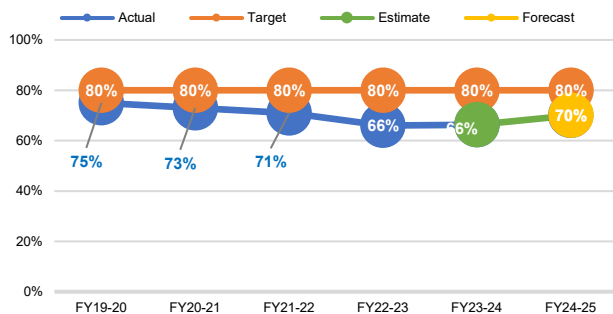
Vacant Position Elimination (-\$357,000)/Parks, Recreation and Neighborhood Services



## Public Safety CSA Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

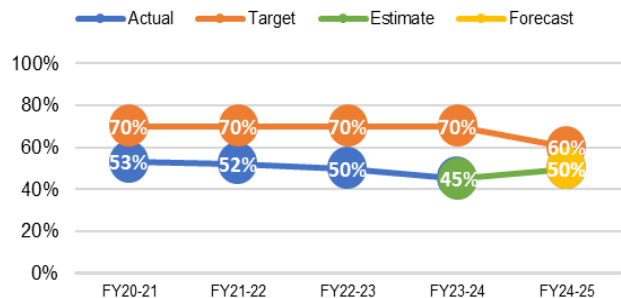
### Fire Emergency Responsiveness

% of time the initial responding Fire unit arrives to Priority 1 calls within eight minutes (red lights/siren)<sup>1</sup>



### Police Emergency Responsiveness

% of time the first dispatched Police unit arrives to Priority 1 calls in less than six minutes (present or imminent danger)<sup>2</sup>



<sup>1</sup> Fire Emergency Responsiveness -- The Department's target of responding to 80% of calls within 8 minutes is an interim step toward achieving the industry standard. The National Fire Protection Association (NFPA) 1710 (2020) requires alarm answering in 40 seconds 99% of the time, alarm processing in 106 seconds 99% of the time, allows 80 seconds of turnout time for fires, 60 seconds for EMS responses, and 240 seconds (4 minutes) 90% of the time for travel time with a first due engine arriving in 7.4 to 7.76 minutes.

<sup>2</sup> Police Emergency Responsiveness -- Priority 1 calls may be immediately updated to a lesser priority if incident circumstances change. This measure currently reports the Police Department's response time of all calls initially assigned Priority 1 (including those subsequently downgraded), leading to a substantial decrease in the reported metric. The Police Department intends to address this reporting issue in the next fiscal year's report. Additionally, updating the 2024-2025 target to 60% aligns this performance measure with those in the Envision San Jose 2040 General Plan.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

The 2024-2025 Proposed Operating Budget allocates \$853.3 million and 2,582.7 authorized FTEs to the Public Safety CSA, consisting of Core Services from the Police Department, Fire Department, Office of the Emergency Management, and the Independent Police Auditor's Office. The CSA-supported outcomes include: *a Safer San José with Effective Emergency Response Services and Resilient Communities that are Prepared for Emergencies.*



CSA priorities and highlights of expected service delivery highlights in 2024-2025 include the following:

- Respond to calls for service of essential emergency services (patrol, fire suppression, rescue, and emergency medical services) in a safe, efficient, and effective manner.
- Continue regional all-hazard emergency management planning, training, and exercises.
- Provide a police misconduct complaint process that is thorough, objective, and fair.
- Effectively investigate crimes and seek successful prosecution of suspects.
- Advance the deployment and use of technology to enhance the delivery of public safety services where possible.

As one of the primary functions of a city is to provide public safety and emergency response services to its community, the City seeks in each budget cycle to make improvements in this critical service delivery area. Even with budgetary constraints, targeted investments in the Police and Fire Departments are recommended, especially with regard to recruitment of a highly-qualified and diverse workforce and replacement or acquiring necessary equipment. However, the Public Safety CSA also provides significant solutions to address the General Fund shortfall by recognizing new fee revenue from the Ambulance Transport and User Fee program and reducing costs within the Police Department that do not impact existing service levels by deferring the addition of new sworn staff until existing vacant positions are filled, and implementing a staffing realignment within the Community Services Officer program.

#### Increasing Public Safety

Fire Stations 8 and 32 Furniture, Fixtures and Equipment (\$2.5 million)/General Fund Capital, Transfers, Reserves

Sworn and Non-Sworn Backgrounding and Recruiting (\$1.4 million) /Police Department

Police Department Helicopter Camera Replacement (\$575,000)/Police Department

Police Department Cadet Program (\$178,000)/Police Department

Real-Time Crime Center (RTCC) Equipment (\$200,000)/Police Department

Emergency Preparedness and Response: Communication and Community Recovery Professional Services (\$150,000)/City Manager's Office

Fire Station Network Switches Replacement (\$150,000)/Fire Department

Women Recruitment (\$100,000)/Fire

Police Women's Bootcamp (\$25,000)/Police

## 2024-2025 PROPOSED OPERATING BUDGET

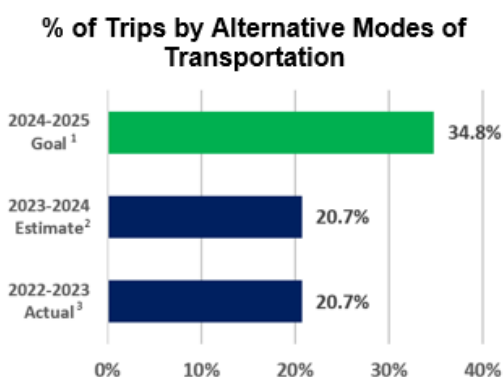
### City Service Area Highlights and Key Budget Actions

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

Ambulance Transport and User Fee Program (\$1.7 million)/General Fund Revenues	Police Staffing Addition Reserve (\$1.9 million)/General Fund Capital, Transfers, Reserves
Police Department Sworn Staffing (-\$2.2 million)/Police Department	Community Service Officers Staffing (-\$1,283,000)/Police Department
	Cannabis Regulation Program Staffing (-\$730,000)/Police Department

### Transportation and Aviation Services CSA

#### Expected 2024-2025 Service Delivery Highlights and Key Budget Actions



<sup>1</sup> Based on the Climate Smart Plan target of 75% by 2040.

<sup>2</sup> Assumed to be the same as the previous year because the American Community Survey (ACS) data for 2023 was unavailable at time of reporting.

<sup>3</sup> Based on results from 2022 ACS 5-year survey data.

The 2024-2025 Proposed Operating Budget allocates \$324.1 million and 599.5 authorized FTEs to the Transportation and Aviation Services CSA, consisting of Core Services from the Airport Department and Transportation Department. The CSA-supported outcomes include: *Provide Safe and Secure Transportation Systems; Provide Viable Transportation Choices that Promote a Strong Economy; Travelers have a Positive, Reliable, and Efficient Experience; Preserve and Improve Transportation Assets and Facilities; and Provide a Transportation System that Enhances Community Livability.*

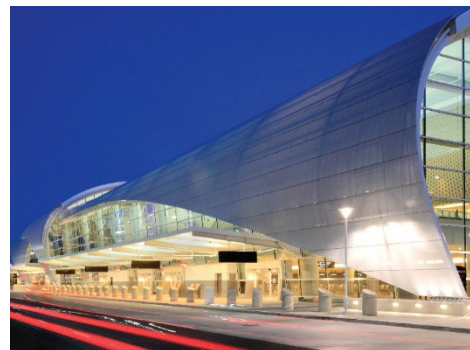
CSA priorities and highlights of expected service delivery highlights in 2024-2025 include the following:

- Provide a safe transportation system for the traveling public through effective engineering, education, and enforcement. Prioritize implementation of Vision Zero Action Plan strategies to reduce traffic fatalities.
- Continue the efficient and effective repair and maintenance of the City's approximately 2,500 miles of transportation infrastructure, including streetlights, traffic signals, traffic and street signs, pavement, roadway markings, trees, landscaping, street sweeping, sidewalks, curb ramps, sewers, and storm drains.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

- Continue work on implementing balanced, multimodal goals of the Envision San José 2040 General Plan to provide a transportation network for all users that is safe, efficient, and sustainable.
- Provide parking for business, retail, and event customers and employees in Downtown parking facilities, as well as parking compliance services in support of businesses and programs.
- Operate San José Mineta International Airport (SJC) efficiently while meeting all regulatory requirements for security and safety.
- Continue recovery and restoration of flights and passenger traffic while providing exceptional customer service with new, modern, up-to-date services and amenities.
- Work collaboratively with Airport tenants and other stakeholders to grow the number of passengers and meet the needs of the current aviation travel market.



The Proposed Budget includes several actions that align with the March Message priority investment areas of *Increasing Community Safety* and *Cleaning Up Our Neighborhoods*, as well as other key City priorities such as the Vision Zero Action Plan, regional transportation projects, and targeted operational and maintenance improvements at San José Mineta. Notably, included in the Proposed Budget is an increase to Parking Citation fines, which will help align the City's parking fines with other local municipalities and help discourage motorists from parking in otherwise restricted areas.

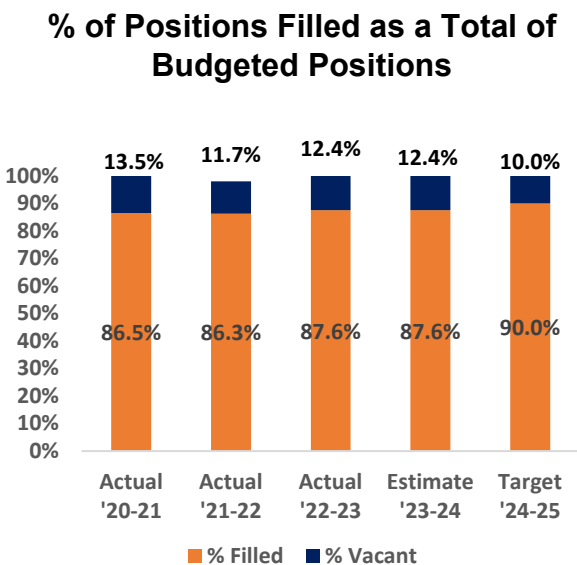
Increasing Community Safety	
Automated Speed Enforcement Pilot (\$415,000)/Transportation	New Traffic Infrastructure Assets Operations and Maintenance (\$164,000)/Transportation
Red Light Running Pilot (\$200,000)/Transportation	Safe Routes to School (\$106,000)/Transportation
Cleaning Up Our Neighborhoods	
Oversized Vehicle Regulation Reserve (\$1.5 million)/General Fund Capital, Transfers, Reserves	Vehicle Abatement Program (\$460,000)/Transportation
Other Important and Ongoing Core Service Work	
Aircraft Rescue and Firefighting Foam Disposal (\$270,000)/Airport	Local Project Delivery and Grants Management (\$180,000)/Transportation
TSA Mandated Screening (\$225,000)/Airport	Airport Planning and Development Division Staffing (\$177,000)/Airport
Airport Generator Transfer Switch Maintenance (\$200,000)/Airport	
Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues	
Parking Citation Fine Revenue (\$800,000)/General Fund Revenues	Vacant Position Elimination (-\$530,000)/Airport
Vacant Position Elimination (-\$1.1 million)/Transportation	Front Desk Support (-\$106,000)/Transportation

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

#### Strategic Support CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions



#### City's Bond Ratings (General Obligation Bond Rating)

	Moody's	Standard & Poor's	Fitch
Actual '19-20	Aa1	AA+	AA+
Actual '20-21	Aa1	AA+	AAA
Actual '21-22	Aa1	AA+	AAA
Actual '22-23	Aa1	AA+	AAA
Actual '23-24	Aa1	AA+	AAA
Target '24-25	Aa1	AA+	AAA

<sup>1</sup> Data was not collected in 2020-2021 due to COVID-19 emergency work prioritization.

The 2024-2025 Proposed Operating Budget allocates \$549.8 million and 1,043 authorized FTEs to the Strategic Support CSA, consisting of Core Services from the Finance Department, the Human Resources Department, the Information Technology Department, and the Public Works Department. The CSA-supported outcomes include: *sound fiscal management that facilitates meeting the needs of the community, A High Performing Workforce Committed to Exceeding Internal and External Customer Expectations; Technology and Data Tools that Enable a Collaborative, Responsive, and Productive City; and Safe and Functional Public Infrastructure, Facilities, and Equipment.* Also included in this CSA are the Mayor and Council, and the City Council appointees: City Attorney, City Auditor, City Clerk, City Manager, Independent Police Auditor, and Retirement Services.

CSA priorities and highlights of expected service delivery highlights in 2024-2025 include the following:

- Ensure the City's financial resources are protected and available to address the short-term and long-term needs of the community; make accurate and timely payments to City employees and vendors; provide accurate and timely financial reports; procure and deliver top-notch products and services; and deploy efficient business systems and processes for timely billing and collection efforts.
- Continue to reduce vacancies by evaluating, streamlining, and innovating for effective hiring practices and building long-term capacity through strategic pipeline programs.
- Maintain City facilities, equipment, and vehicles, and manage space usage; oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customers and City staff needs.
- Champion City priorities and equity solutions using technology and data to transform City services. Execute initiatives with City departments that identify and resolve service needs that lift San José's people.

## 2024-2025 PROPOSED OPERATING BUDGET

### City Service Area Highlights and Key Budget Actions

- Provide the data and analytics resources for City departments to drive towards decision-making informed by data. Enable teams that train and practice service design skills that improve the accessibility, responsiveness, and positive outcomes for City residents and businesses.

All City services – from emergency response, to street sweeping, to branch library services, to recreational services, to pavement maintenance, to airport operations, and others – rely on the day-to-day work of the Core Services within our Strategic Support departments. While a select few proposals are recommended for funding and are in alignment with the Mayor’s March Budget Message for Fiscal Year 2024-2025, as approved by the City Council, the Proposed Budget also includes a number of cost and service reductions. Though this budget includes the reductions highlighted below and others not shown included elsewhere, there is a practical limit to the ability of Strategic Support partners to cut costs without impacting community-facing core services.

Cleaning Up San José	
San José 311 Program (\$603,000)/Information Technology	Stormwater Fee Study (\$300,000)/City-Wide Expenses
Other Important and Ongoing Core Service Work	
Executive Leadership/City Management – Customer Service Vision and Standards Implementation (\$3.0 million)/City-Wide Expenses	Disability Accessibility and Community Engagement Staffing (\$286,000)
Essential Services Reserve (\$2.0 million)/General Fund Capital, Transfers, Reserves	Animal Care and Services – Various Improvements (\$250,000)/General Fund Capital, Transfers, Reserves
Capital Project Management System Program Support (\$469,000)/Public Works	Equity through Data Staffing (\$244,000)/Information Technology
Hyperconverged Infrastructure (\$440,000)/Information Technology	Cybersecurity Staffing (\$215,000)/Information Technology
Recruitment Staffing (\$412,000)/Human Resources	Classification and Compensation Staffing (\$158,000)/Human Resources
Disaster Recovery and Grant Management Staffing (\$398,000)/Finance	Fleet Supervision Staffing (\$150,000)/Public Works
City Hall Audio Visual Program Management Staffing (\$292,000)/Public Works	
Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues	
Accounts Receivable Amnesty Program (\$300,000)/General Fund Revenues	Vacant Position Elimination (-\$262,000)/Information Technology
Public Works Department Staffing Plan – Capital Improvement Plan (-\$1.7 million)/Public Works	Personal Services Realignment (-\$216,000)/City Manager’s Office
Vacant Position Elimination (-\$735,000)/Public Works	Debt Management Staffing (-\$209,000)/Finance
Janitorial Contract Services Savings (-\$630,000)/Public Works	Transfer to the Vehicle Maintenance and Operations Fund (-\$200,000)/General Fund Capital, Transfers, Reserves
Non-Personal/Equipment Savings (-\$415,000)/Information Technology	Fellowship Program (-\$177,000)/City-Wide Expenses
Legal Transactions Staffing (-\$359,000)/City Attorney’s Office	Revenue Management Staffing (-\$145,000)/Finance



## 2024-2025 PROPOSED OPERATING BUDGET

---

### Fees and Charges Adjustments

The 2024-2025 Proposed Budget included a range of adjustments to fees and charges to provide the resources necessary to pay for operating and capital improvement expenses. For utility rates, no rate increase is included for the Storm Sewer Service Charge. The Sanitary Sewer Service rates is expected to have a 9% increase for 2024-2025. The Municipal Water Utility System assumes a revenue increase of approximately 5% for 2024-2025, and for Recycle Plus rates, a 4.0% increase is included for single-family dwellings and 2.0% increase is included for multi-family dwellings.

In the Development Fee Programs, fee adjustments of approximately 5.5% and 8.0% are included for the Building Fee and Planning Fee Programs, 7.5% for the Public Works Program, and 10% for the Fire Program to align program revenues with costs, maintain works-in-progress reserves, and enhance service levels where appropriate. Other upward and downward adjustments to various other departmental fee programs are included to generally maintain City Council-approved cost recovery rates. The fee changes are described in the 2024-2025 Proposed Fees and Charges document.



***Sheltering Wing***  
***(Heinlerville Park, Japantown)***  
***Artist: Roger Stoller***

### CONCLUSION

The 2024-2025 Proposed Budget performs the difficult task of strategically investing resources to meet important objectives of the City Council while also bringing the General Fund into closer structural alignment. As has been the City's long-standing practice, we must continue the solid financial discipline and leadership exhibited by our elected officials, City management, and our outstanding employees. This also includes a commitment to the principles of equity, partnership, and innovation that provides a strong foundation upon which to create, maintain, and strategically expand vital public services over the long term.

Finally, I want to call attention and express my gratitude to our extremely dedicated and talented staff who helped prepare this budget document. This budget represents an organization-wide effort from the front lines of each department, back-of-house strategic support staff, management staff, and the incredibly hard-working members of the City Manager's Budget Office, and it remains a reflection of our *One Team* commitment to ensure that San José remains the best City it can be for our residents, businesses, visitors, and employees.

Respectfully Submitted,

Jennifer A. Maguire  
City Manager