

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

The General Fund expenditure performance for 2023-2024 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
2023-2024 GENERAL FUND EXPENDITURE SUMMARY
COMPARISON OF BUDGET TO ACTUAL

Category	2023-2024		Variance	% Variance
	Modified Budget*	Actual**		
Personal Services	\$ 1,048,817,071	\$ 1,043,470,668	\$ (5,346,403)	(0.5%)
Non-Personal/Equipment/Other ¹	248,655,378	217,303,653	(31,351,725)	(12.6%)
City-Wide Expenses	421,899,571	234,322,362	(187,577,209)	(44.5%)
Capital Contributions	114,803,144	47,791,717	(67,011,427)	(58.4%)
Transfers	30,472,131	30,472,131	0	0.0%
Reserves	340,018,531	0	(340,018,531)	(100.0%)
TOTAL GENERAL FUND	\$ 2,204,665,826	\$ 1,573,360,531	\$ (631,305,295)	(28.6%)

* 2023-2024 appropriations as modified by Council through June 30, 2024, and 2022-2023 carryover encumbrances.

** Actual 2023-2024 expenses plus encumbrances.

As shown in Table B, General Fund expenditures and encumbrances through June 30, 2024 of \$1.6 billion were \$631.3 million, or 28.6%, below the modified budget total of \$2.2 billion. Approximately 54% of this savings was generated from unspent reserves (\$340.0 million), with the remaining savings generated from expenditure appropriations. Total 2023-2024 expenditures and encumbrances were \$103.4 million, or 6.2%, below the 2022-2023 level of \$1.7 billion. This variance is due to lower City-Wide Expenses (\$284.3 million) and Transfers (\$7.3 million), partially offset by higher Personal Services (\$155.6 million), Non-Personal/Equipment/Other (\$22.5 million), and Capital Contributions (\$10.1 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 \$1.6 billion were approximately \$46.3 million (2.9%) below the estimate used in the development of the 2024-2025 Adopted Budget. As part of the 2024-2025 Adopted Budget, a portion of these savings (\$14.7 million) was carried over to 2024-2025 with the accompanying revenue for grant or reimbursement-related projects and programs, bringing the variance down to \$31.6 million. In addition, actions totaling \$25.0 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 \$6.6 million, or 0.3% of the 2023-2024 Modified Budget.

TABLE C
2023-2024 EXPENDITURE ESTIMATE TO ACTUAL VARIANCES

	2023-2024 Estimate	2023-2024 Actual	\$ Variance	% Variance
Expenditures	\$1,619,660,411	\$1,573,360,531	\$(46,299,880)	(2.9%)

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 2024-2025. Specifically, as discussed earlier in this report, in 2024-2025, a total of \$2.4 million in additional fund balance is available, which is comprised of lower than estimated revenues of \$6.0 million, net expenditure savings of \$6.6 million, and a higher than estimated liquidation of prior year encumbrances (\$1.7 million). 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 \$1.0 billion ended the year \$5.3 million (0.5%) below budgeted levels, primarily due to vacancy savings, and \$155.6 million (17.5%) above the 2022-2023 expenditure levels of \$887.8 million. The higher Personal Services expenditures in comparison to 2022-2023 is primarily due to salary increases resulting from City Council-approved labor agreements. Departments with the highest variances in 2023-2024 include the Police Department (\$1.7 million) and Planning, Building and Code Enforcement Department (\$716,000).

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Non-Personal/Equipment/Other expenditures of \$217.3 million ended the year \$31.4 million (12.6%) below budgeted levels, but \$22.5 million (11.5%) above the 2022-2023 expenditure level of \$194.8 million. The departments with the largest Non-Personal/Equipment/Other variances included: Police Department (\$16.0 million); Information Technology Department (\$4.4 million); Planning, Building and Code Enforcement Department (\$2.1 million); Finance Department (\$1.9 million); and Transportation Department (\$1.5 million). The Mayor and City Council appropriations also ended the year \$3.9 million below the modified budget. The majority of the Non-Personal/Equipment/Other savings were rebudgeted to 2024-2025 as part of the 2024-2025 Adopted Budget (\$25.4 million). However, due to higher than anticipated 2023-2024 year-end expenditures, a total of \$872,000 of previously approved rebudgets and technical clean-up adjustments are recommended to be reduced in the Annual Report, resulting in net savings of \$6.8 million.

In the City-Wide Expenses category, expenditures and encumbrances of \$234.3 million ended the year \$187.6 million below the budgeted level of \$421.9 million. Of this amount, \$140.9 million was rebudgeted in the 2024-2025 Adopted Budget (including \$12.8 million that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$31.6 million are recommended in this report, leaving a balance of \$15.0 million. Of this balance amount, \$3.0 million was assumed as savings in the development of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate, resulting in a balance of \$12.0 million. The 2023-2024 City-Wide Expenses were \$10.1 million above the 2022-2023 expenditure level of \$37.7 million.

In the Capital Contributions category, expenditures of \$47.8 million ended the year \$67.0 million below the budgeted level of \$114.8 million. A total of \$67.1 million was rebudgeted to 2024-2025 in the Adopted Budget. However, due to higher than anticipated 2023-2024 year-end expenditures, a total of \$1.7 million of previously approved rebudgets are recommended to be reduced in the Annual Report, resulting in net savings for the Capital Contributions category totaling \$1.6 million. Savings of \$500,000 was assumed in the development of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate, resulting in a balance of \$1.1 million. The 2023-2024 expenditure level of \$47.8 million was \$10.1 million above the 2022-2023 level of \$37.7 million.

The Transfers category expenditures of \$30.5 million ended the year at the budgeted amount.

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The largest single category of remaining funding available in 2023-2024, as planned, is the Reserves category (\$340.0 million), including Earmarked Reserves (\$276.4 million), the 2023-2024 Ending Fund Balance Reserve (\$13.6 million), and the Contingency Reserve (\$50.0 million). No reductions to the \$50.0 million Contingency Reserve occurred in 2023-2024.

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 (\$1.3 billion) represented over 80% of the total 2023-2024 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 97.2% of their budgets, generating overall savings of \$36.7 million (2.8%). Of this amount, \$26.1 million was rebudgeted in the 2024-2025 Adopted Budget; however, due to higher than anticipated 2023-2024 year-end expenditures, a total of \$884,000 of previously approved rebudgets and technical clean-up adjustments are recommended to be reduced in this report, leaving a balance of \$11.4 million. Savings of \$22.0 million was assumed in the development of the 2023-2024 Ending Fund Balance/2024-2025 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 three departments/offices had expenditure savings in excess of \$1.0 million and 10% of their budget in 2022-2023, and included the following: 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 are also summarized.

Non-Departmental expenditures totaled \$312.6 million, or approximately 20% of the total 2023-2024 General Fund expenditures. The unexpended balance at year-end totaled \$594.6 million; reserves of \$340.0 million represent the largest portion of unexpended funds and were almost entirely carried over or used in the 2024-2025 Adopted Budget as planned. Excluding reserves, the unexpended non-departmental balance at year-end totaled \$254.6 million. As discussed previously, rebudgets for City-Wide Expenses and Capital Contributions categories totaling \$208.0 million were included in the 2024-2025 Adopted Budget, savings of \$3.5 million was assumed in the development of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate, and \$30.0 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	2023-2024 Modified Budget	2023-2024 Expenditures	\$ Variance	% Variance
City Attorney	\$ 21,315,986	\$ 21,207,869	\$ (108,117)	(0.5%)
City Auditor	2,987,317	2,809,950	(177,367)	(5.9%)
City Clerk	3,968,955	3,920,688	(48,267)	(1.2%)
City Manager	25,038,738	23,871,635	(1,167,103)	(4.7%)
Economic Development and Cultural Affairs	7,645,660	6,828,479	(817,181)	(10.7%)
Environmental Services	5,887,886	5,337,954	(549,932)	(9.3%)
Finance	25,721,110	23,771,482	(1,949,628)	(7.6%)
Fire	291,479,056	290,741,540	(737,516)	(0.3%)
Housing	750,783	720,478	(30,305)	(4.0%)
Human Resources	15,640,151	14,982,747	(657,404)	(4.2%)
Independent Police Auditor	1,717,444	1,330,121	(387,323)	(22.6%)
Information Technology	37,424,594	33,023,660	(4,400,934)	(11.8%)
Library	50,213,736	49,990,555	(223,181)	(0.4%)
Mayor and City Council	18,564,096	14,615,451	(3,948,645)	(21.3%)
Parks, Recreation & Neighborhood Services	127,407,428	127,046,667	(360,761)	(0.3%)
Planning, Building & Code Enforcement	19,672,371	17,538,302	(2,134,069)	(10.8%)
Police	534,104,775	518,054,946	(16,049,829)	(3.0%)
Public Works	57,595,847	56,195,035	(1,400,812)	(2.4%)
Transportation	50,336,516	48,786,762	(1,549,754)	(3.1%)
Subtotal	1,297,472,449	1,260,774,321	(36,698,128)	(2.8%)
Non-Departmental				
City-Wide Expenses	421,899,571	234,322,362	(187,577,209)	(44.5%)
Capital Contributions	114,803,144	47,791,717	(67,011,427)	(58.4%)
Transfers	30,472,131	30,472,131	-	0.0%
Earmarked Reserves	276,381,706	-	(276,381,706)	(100.0%)
Contingency Reserve	50,000,000	-	(50,000,000)	(100.0%)
Ending Fund Balance Reserve	13,636,825	-	(13,636,825)	(100.0%)
Subtotal	907,193,377	312,586,210	(594,607,167)	(65.5%)
TOTALS	\$ 2,204,665,826	\$ 1,573,360,531	\$ (631,305,295)	(28.6%)

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Discussion of Significant Departmental Variances and Other Issues

Following is a discussion of 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 \$518.1 million, or 97.0% of its General Fund budget of \$534.1 million, including encumbrances, resulting in savings of \$16.0 million. Of these savings, \$12.3 million was rebudgeted as part of the 2024-2025 Adopted Budget.

Personal Services expenditures totaled \$483.2 million (99.6% expended) with savings of \$1.5 million after accounting for rebudgets. This savings is inclusive of the year-end adjustment approved by the City Council in June 2024 to increase Personal Services funding by \$9.0 million. Prior to the year-end adjustment, Personal Services expenditures were estimated to exceed budgeted levels by approximately 2%, primarily due to elevated overtime usage and payouts.

The Department continued to experience elevated sworn overtime usage and payouts during 2023-2024 with expenditures of \$63.4 million accounting for 97.5% of the Police Department's 2023-2024 Modified Budget for overtime of \$65.0 million, or 14.2% above 2022-2023 levels. Overtime hours in 2023-2024 increased by approximately 4.94% over the previous year, from 576,483 to 604,954. The year-over-year increase is primarily attributable to two main reasons: given the high number of sworn vacancies in the Bureau of Field Operations (BFO), increasing levels of overtime are required to maintain minimum staffing levels to effectively respond to calls for service; and because of vacancies within the Bureau of Investigations (BOI), patrol officers are required to perform preliminary investigative activities while closing out certain calls for service and various trainings that were completed on overtime (Crowd Control Training and First Aid and Domestic Violence Trainings, etc.). Further overtime discussion follows below.

A total of \$34.9 million (70.9%) of the Department's Non-Personal/Equipment budget (including encumbrances) was expended, generating savings of \$14.3 million. Excluding the remaining balances for centrally-determined details (\$1.5 million) – which include electricity, gas, and water utilities, as well as vehicle operations, maintenance and replacement – the Police Department ended the year with approximately \$12.8 million, or 26.1% of its Non-Personal/Equipment appropriation remaining. The majority of this balance was rebudgeted as part of the Adopted Budget for activities continuing into 2024-2025.

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Discussion of Significant Departmental Variances and Other Issues

The Police Department and Budget Office are continuing to monitor the impacts of overtime. The following is a discussion on the Department's steps to reduce overtime expenditures while also maintaining minimum staffing and service levels. The Police Department continues to diligently work to fill vacancies in both sworn and civilian positions. Through the use of available vacancy savings and the \$5.0 million in one-time funding from the Police Department Sworn Backfill Reserve, funding was made available to pay for Police Academy Recruits as well as to backfill vacant patrol and investigative positions on overtime. 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 to 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 include vacancies of field training officers, academy recruits, and sworn personnel on disability, modified, or other leaves, reduce the amount of street-ready sworn officers available and are the most significant contributing factor to overtime usage. The effective vacancy rate was 24.5% as of June 28, 2024. Historically, the effective vacancy rate has averaged 18.9% (based on the 5-year period between 2018-2019 and 2022-2023), resulting in the build-up 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. 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.

In accordance with the POA MOA, the Police Department is enforcing compensatory time controls by requiring all sworn staff, outside of 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). As ordered by the Chief, sworn staff are required 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, with the intent to reduce the number of officers reaching the 480-hour limit. While the plans have been implemented, 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 balance across the Department (see the table below).

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The Police Department has been able to create a data visualization tool to review and audit overtime usage. This tool is currently being rolled out and used by the Police Department to better understand overtime use at a granular level, and will allow a more detailed review of how overtime is being recorded to ensure consistency in reporting, how supervisors are approving overtime to ensure it is appropriate and authorized, and ultimately to inform management of the main drivers of the overtime utilization to further inform operational decisions. To partially mitigate increased overtime usage, the Acting Police Chief has eliminated the use of gang suppression pay cars on overtime and significantly scaled back to the use of BFO staff to assist BOI in major investigative operations. The impact of these actions on overtime spending and public safety will be evaluated in the coming months.

The City Auditor's March 2021 Police Staffing, Expenditures, and Workload Audit Report included several recommendations to increase the number of compensatory time-related data that should be included in the Mid-Year Budget Review, Bi-Monthly Financial Reports, and Annual Report. The table below summarizes this data:

	June 2023	June 2024	% Change from 2023 to 2024	% Change from 2022 to 2023
# of Sworn Personnel at 480-hour limit	385	416	8.05%	(11.49%)
# of Sworn Personnel between 240 and 480 hours	335	288	(14.03%)	13.95%
Sworn Compensatory Time Balance Liability (hours)	345,354	339,553	(1.68%)	(2.23%)
Sworn Compensatory Time Balance Liability (\$)	\$28.9 M	\$30.7 M	6.22%	6.95%
YTD Overtime Expenses for Staff at 480-hour Limit (\$)	\$22.5 M	\$25.3 M	12.33%	19.85%

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The table below provides a summary of sworn staffing vacancies and street-ready officers. There are currently two active academies, February 2024 (24 recruits expecting to graduate in September 2024) and the June 2024 (34 recruits). The June 2023 academy graduated on February 2024 with 19 officers and the October 2023 academy graduated on May 2024 with 24 officers. As of June 28, 2024, of the 1,173 authorized sworn staff, 98 were in training (8.4%) and 89 were on disability/modified duty/other leaves (7.6%).

	2022-2023 (as of 6/30/2023)	2023-2024 (as of 6/28/2024)
Authorized Sworn Positions	1,173	1,173
(Vacancies)/Overstaff	(97)	(100)
Filled Sworn Positions¹	1,076	1,073
Field Training Officer/Recruits	(82)	(98)
Street-Ready Sworn Officers Available	994	975
Disability/Modified Duty/Other Leaves	(73)	(89)
Street-Ready Sworn Officers Working	921	886

Fire Department

Overall, the Fire Department expended \$290.7 million (99.7%) of its 2023-2024 Modified General Fund Budget, resulting in savings of \$738,000, of which \$602,000 was rebudgeted as part of the 2024-2025 Adopted Operating Budget. Personal Services expenditures totaled \$275.1 million, or 99.9% of the total budget (\$275.4 million, which is inclusive of a \$5.0 million upward adjustment at year-end). After accounting for rebudgets totaling \$250,000 that were included in the 2024-2025 Adopted Budget, Personal Services expenditures ending the year with savings of \$36,000. Non-Personal/Equipment expenditures and encumbrances totaled \$15.6 million, or 97.2% of the total budget (\$16.0 million), resulting in savings of \$420,000, of which \$352,000 was rebudgeted for activities continuing into 2024-2025.

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.

¹ Filled sworn positions and authorized sworn positions may vary due to vacancies or the approval of overstrength (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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Overall, the average sworn vacancy rate of 6.09% through June 2024 is slightly lower than the vacancy rate of 6.81% experienced this time last year, and above the budgeted rate of 2.5%.

The Fire Department successfully hired 32 Firefighters through four academies held in 2023-2024: Firefighter Recruit Academy 23-02 completed in August 2023 with 1 graduate; Firefighter Recruit Academy 23-03 completed in October 2023 with 4 graduates; Firefighter Recruit Academy 24-01 completed in June 2024 with 24 graduates; and, concurrently, Firefighter Lateral Academy 24-02 added 3 additional Firefighter/Paramedics to the organization, supported by one-time funding provided through the 2022-2023 Annual Report.

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 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 2023-2024, overtime was primarily used to backfill vacancies and absences of line duty positions (vacation, modified duty, sick, disability, and other absences) and for deployments.

Mutual Aid and Strike Team resources were deployed to assist with five wildland fires across California. Reimbursements from the State of California for deployments were received in the amount of \$249,276. Additionally, the Federal Emergency Management Agency provided \$19,398 in reimbursements for Task Force 3 Trainings. The Department maintained 191 daily minimum line positions to staff all fire companies at 34 operating fire stations in 2023-2024. 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 339,009 in 2023-2024 decreased by approximately 11.4% from 382,750 in 2022-2023.

Information Technology

Information Technology Department (ITD) expenditures, including encumbrances, totaled \$33.0 million in 2023-2024. This expenditure level is \$4.4 million, or 11.8%, below the budgeted level of \$37.4 million. Personal Services expenditure savings (including fee

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activity) totaled \$247,000 in 2023-2024, which was primarily due to vacancies throughout the Department. At the end of 2023-2024, there were 18 vacant positions (15.7% vacancy rate). Non-personal/equipment expenditures and encumbrances totaling \$14.5 million ended the year \$4.2 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 (\$3.8 million) was rebudgeted as part of the 2024-2025 Adopted Budget for the Windows 11 Upgrade, Emergency Operations Center and Communication Room FF&E, IT Project Management, Homeless Encampment Management System, and San José 311 Program. After accounting for the rebudgets captured in the 2024-2025 Adopted Budget rebudgets remaining non-personal/equipment savings totaled \$367,000.

Mayor and City Council

With total expenditures and encumbrances of \$14.6 million, the Mayor's Office, the City Council Offices, and Council General expended 78.7% of their total General Fund budgets of \$18.6 million, resulting in savings of \$3.9 million at year-end. Of the total savings, \$3.4 million was realized in the City Council Offices, \$550,000 was realized in the Mayor's Office, and \$2,500 was realized in Council General as outlined in the following table:

2023-2024 Actual Expenditure Performance

	2023-2024 Modified Budget	2023-2024 Actuals	Variance
Council District 1	\$ 1,227,406	\$ 859,034	\$ 368,372
Council District 2	1,077,814	990,761	\$ 87,053
Council District 3	1,137,741	844,630	\$ 293,111
Council District 4	1,613,164	1,188,887	\$ 424,277
Council District 5	1,389,324	1,034,763	\$ 354,561
Council District 6	1,187,333	1,023,632	\$ 163,701
Council District 7	1,293,189	818,606	\$ 474,583
Council District 8	1,210,912	956,718	\$ 254,194
Council District 9	1,461,773	1064,640	\$ 397,133
Council District 10	1,406,001	826,480	\$ 579,821
Mayor's Office	5,505,721	4,956,087	\$ 549,634
Council General	53,718	51,213	\$ 2,505
	\$ 18,564,096	\$ 14,615,451	\$ 3,948,645

In the 2024-2025 Adopted Budget, anticipated 2023-2024 savings of \$2.7 million (\$2.6 million in the City Council Offices and \$100,000 in the Mayor's Office) were rebudgeted. Actual year-end savings, however, exceeded these estimates. Based on year-end performance, additional rebudgets totaling \$1.3 million are recommended in this report.

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Planning, Building and Code Enforcement

The Planning, Building and Code Enforcement Department (PBCE) expenditures, including encumbrances, totaled \$17.5 million in 2023-2024. This expenditure level is \$2.1 million below the budgeted level of \$19.7 million. After accounting for rebudgets included in the 2024-2025 Adopted Operating Budget (\$952,000), the resulting net variance for the Department totals \$1.2 million. Personal Services expenditures in 2023-2024 totaled \$16.0 million, which represents 95.7% of the 2023-2024 Modified Budget level of \$16.8 million. This savings is 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 2023-2024, PBCE experienced an average vacancy rate of approximately 10%. The Non-Personal/Equipment 2023-2024 expenditures totaled \$1.5 million, which is \$1.4 million (51.4%) below the 2023-2024 Modified Budget of \$2.9 million. Approximately \$836,000 of this savings was anticipated and rebudgeted as part of the 2024-2025 Adopted Budget, and \$307,000 recommended to be rebudgeted as part of this report, bringing the variance down to \$275,000. This remaining savings is due, in part, to contractual services, software license and maintenance, and consultant services savings.

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
2023-2024 NON-DEPARTMENTAL GENERAL FUND EXPENDITURES
(In \$000s)

Category	2023-2024 Modified Budget	2023-2024 Actual	Variance	% Variance
City-Wide Expenses	\$ 421,899,571	\$ 234,322,362	\$ (187,577,209)	(44.5%)
Capital Contributions	114,803,144	47,791,717	(67,011,427)	(58.4%)
Transfers	30,472,131	30,472,131	-	0.0%
Earmarked Reserves	276,381,706	-	(276,381,706)	(100.0%)
Contingency Reserve	50,000,000	-	(50,000,000)	(100.0%)
Ending Fund Balance Reserve	13,636,825	-	(13,636,825)	(100.0%)
TOTAL	\$ 907,193,377	\$ 312,586,210	\$ (594,607,167)	(65.5%)

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

City-Wide Expenses

The City-Wide Expenses category consists of funding that is related to more than one department, is not directly associated with a department's ongoing operations, and significant grant-funded programs and projects. Committed expenditures in this category totaled \$234.3 million, or 44.5% of the 2023-2024 Modified Budget, resulting in savings of \$187.6 million. Of this amount, \$140.9 million was rebudgeted in the 2024-2025 Adopted Budget (including \$12.8 million that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$31.6 million are recommended in this report, leaving a balance of \$15.0 million. Of this balance amount, \$3.0 million was assumed as savings in the development of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate, resulting in a balance of \$12.0 million. The 2023-2024 City-Wide Expenses were \$10.1 million above the 2022-2023 expenditure level of \$37.7 million.

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

- Total Workers' Compensation Claims payments of \$27.1 million ended the year \$814,000, or 3.1%, above the 2023-2024 Modified Budget of \$26.3 million. This spending level exceeds prior year actuals of \$21.5 million. Workers' Compensation Claims appropriations for the Fire and Police Departments ended the year above budgeted levels at 101.6% and 108.1% respectively. However, the remaining Workers' Compensation Claims appropriations for Public Works, Transportation, PRNS, and Other Departments ended the year within budgeted levels with modest savings (of 1.6%, 2.8%, 5.2%, and 8.2% respectively). A separate action to ratify the Police and Fire Departments' Workers' Compensation Claims appropriations will be reviewed by the City Council at their meeting on October 22, 2024 as part of the Adoption of an Ordinance Ratifying Final Expenditures in Various Appropriations for 2023-2024.
- San José BEST and Safe Summer Initiative Programs expenditures of \$6.7 million were \$1.1 million, or 13.6%, below the 2023-2024 Modified Budget of \$7.8 million. In comparison, expenditures in 2022-2023 of \$7.1 million were \$900,000 or 10.9% below the Modified Budget. As part of the development of the 2024-2025 Adopted Budget, an estimated \$420,000 in savings were rebudgeted from 2023-2024 to 2024-2025, with an additional \$56,000 recommended to be rebudgeted as part of this report. If the actions in this report are approved, the 2024-2025 Modified Budget for San José BEST and Safe Summer Initiative Programs would total \$7.4 million.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

- Expenditures for the Digital Inclusion Program of \$1.3 million ended the year \$1.9 million below the 2023-2024 Modified Budget of \$3.2 million, which is consistent with prior year expenditure levels of \$1.2 million. The entirety of the savings (\$1.9 million) is recommended to be rebudgeted as part of this report and, after reconciliation of the program, an action to increase funding by an additional \$77,000 million is also recommended. If the actions in this report are approved, the 2024-2025 Modified Budget for the Digital Inclusion Program would total \$2.7 million.
- Sick Leave Payments Upon Retirement expenditures of \$1.9 million ended the year \$1.5 million below the Modified Budget of \$3.4 million. In comparison, expenditures in 2022-2023 of \$3.5 million were \$1.5 million or 30.8% below the Modified Budget of \$5.0 million. The ongoing allocation for 2024-2025 is \$3.35 million.
- General Liability Claims payments of \$5.6 million were \$9.7 million below the 2023-2024 Modified Budget of \$15.3 million yet \$2.3 million above the 2022-2023 expenditure level of \$3.4 million. As part of the 2024-2025 Adopted Budget, an estimated \$13.5 million in savings were rebudgeted from 2023-2024 to 2024-2025; however, included in this document is a recommended downward adjustment of \$4.7 million due to higher than anticipated expenses that occurred in 2023-2024. Also recommended is the addition of one-time funding of \$5.0 million to restore funding in 2024-2025 to required levels. If the actions in this report are approved, the 2024-2025 Modified Budget for General Liability Claims payments would total \$19.8 million.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

Capital Projects

In 2023-2024, the General Fund provided funding totaling \$114.8 million for capital projects. Of this amount, approximately \$67.0 million was unexpended at year-end. The projects with the largest unexpended balances included:

Capital Projects	Unexpended Funds (\$000s)
Interim Housing – Rue Ferrari	\$12,444
Interim Housing – Via del Oro	10,346
Center for Performing Arts Chiller, Cooling Tower, and Boilers Replacement	7,040
Berryessa Supportive Parking	5,747
911 Call Center Upgrades FF&E (PD)	3,665
Fire Training Center Relocation	3,187
Police Athletic League Turf Replacement	3,129
Closed Landfill Compliance	3,070
San José Museum of Art Cooling Tower Replacement	2,569
Fire Apparatus Replacement	2,450
280 Almaden Ave Beautification Improvement Project	1,558
City Facilities Security Enhancements	1,000
All Other Projects	10,767
Total Unexpended Capital Projects	67,002

Of the \$67.0 million unexpended at the end of 2023-2024, a total of \$67.1 million was rebudgeted to 2024-2025 in the Adopted Budget. However, due to higher than anticipated 2023-2024 year-end expenditures, a total of \$1.7 million of previously approved rebudgets are recommended to be reduced in the Annual Report, resulting in net savings for the Capital Contributions category totaling \$1.6 million. Savings of \$500,000 was assumed in the development of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate, resulting in a balance of \$1.1 million.

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 \$30.4 million ended the year at budgeted levels.

II. GENERAL FUND BUDGET PERFORMANCE

GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

Reserves

General Fund Reserve categories include Earmarked Reserves (\$276.4 million), Contingency Reserve (\$50.0 million), and Ending Fund Balance Reserve (\$13.6 million), which totaled \$340.1 million as of June 30, 2024. The 2024-2025 Adopted Budget assumed that \$340.1 million would be available at year-end, with reserves either re-established in 2024-2025 or used as a funding source for the 2024-2025 Adopted Budget.

Earmarked Reserves

Earmarked Reserves totaled \$276.4 million on June 30, 2024, the largest of which were the: Revenue Loss Reserve (\$90.0 million); Budget Stabilization Reserve (\$61.0 million); Measure E – 40% Extremely Low Income Households Reserve (\$27.8 million); Measure E - 30% Low-Income Households Reserve (\$19.4 million); Workers Compensation / General Liability Catastrophic Reserve (\$15.0 million); Community and Economic Recovery Reserve (\$11.5 million); Information Technology Sinking Fund Reserve (\$11.0 million); Salaries and Benefits Reserve (\$9.3 million); Measure E – 5% Moderate-Income Households Reserve (\$6.9 million); Google Parking Lots Option Payment Reserve (\$3.8 million); Artificial Turf Capital Replacement Reserve (\$3.75 million); Measure E – Interim Housing Maintenance Reserve (15% HSP) (\$2.5 million); Code Enforcement Permit System Reserve (\$2.4 million); FEMA Non-Reimbursable Expenses Reserve (\$2.0 million); Berryessa Flea Market Vendor Business Transition Fund Reserve (\$1.9 million); Measure E - 10% Homeless Prevention and Rental Assistance Reserve (\$1.5 million); Customer Service Vision and Standards Staffing Reserve (\$1.1 million); Sick Leave Payments Upon Retirement Reserve (\$1.0 million); and, Police Redistricting Implementation Reserve (\$1.0 million). Most of these Earmarked Reserves were either rebudgeted or used as a funding source for development of the 2024-2025 Adopted Budget.

Ending Fund Balance Reserve

The 2023-2024 Ending Fund Balance Reserve of \$13.6 million was proactively set aside to help ensure sufficient fund balance would be available at the end of 2023-2024 to meet the budgeted estimate used for the development of the 2024-2025 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. The 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 2024-2025 Adopted Budget, it was assumed that \$43.5 million would be generated from these sources. The establishment of the 2023-2024 Ending Fund Balance Reserve at \$13.6 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 2023-2024, the Contingency Reserve totaled \$50.0 million and remained unspent during the year. The full Contingency Reserve was rebudgeted during development of the 2024-2025 Adopted Budget, 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 \$4.6 million are recommended in this report, including the: City Attorney's Office Outside Litigation Reserve (\$500,000); Revenue Loss Reserve (-\$6.0 million); FEMA Non-Reimbursable Expenses Reserve (-\$2.0 million); Sick Leave Payments Upon Retirement Reserve (-\$500,000); and Artificial Turf Capital Replacement Reserve (-\$108,551).

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.