

October 31, 2024

Honorable Mayor and City Council:

I am proud to present the 2024-2025 Adopted Operating Budget, a balanced budget that performs the difficult task of strategically investing resources to meet important objectives of the City Council while also reducing ongoing General Fund expenditures with minimal community impact. This budget followed the direction provided by the Mayor and City Council with their approval of the Mayor's March and June Budget Messages for Fiscal Year 2024-2025, and considered 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 was 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 was 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 faced an estimated \$50 million service level/structural shortfall in the General Fund to resolve for planning purposes.

Keeping these considerations in mind, the Adopted Budget followed City Council direction to focus on targeted, strategic spending, while also addressing the service level/structural shortfall in 2024-2025. 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, no employees were laid off due to actions included in the Adopted 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 Adopted Operating Budget's preparation.



2024-2025 ADOPTED OPERATING BUDGET

As guided by City Council's approval of the Mayor's March and June Budget Messages for Fiscal Year 2024-2025, this Adopted Budget prioritized and reallocated 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 approved key actions for these investment priorities is provided later in this transmittal memorandum.

Other summary information items that can easily be found in this transmittal memorandum include: Total Adopted Budget; Position Impacts; General Fund Forecast; Adopted 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 Adopted Operating Budget document; Capital Budget Overview; 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, enhance, or reduce existing services levels, the 2024-2025 Adopted 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 Adopted Operating Budget successfully and responsibly allocated ongoing funding to the priorities identified in the March and June Budget Messages, continued to make progress on bringing the General Fund into structural alignment with service level demands, and considered existing funding sources across the over 130 City funds. Each funding source was 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 ADOPTED OPERATING BUDGET

Total Adopted Budget

The 2024-2025 Adopted Budget totals \$6.1 billion for all City funds (General, Special, and Capital). This amount is \$29.7 million (0.5%) more than the 2023-2024 Adopted Budget (Table 1 below).

2024-2025 Adopted Budget — All Funds (Table 1)			
	2023-2024 Adopted	2024-2025 Adopted	% Change
General Fund	\$ 2,092,480,477	\$ 2,130,127,112	1.8%
Special Funds	3,362,611,337	3,667,126,712	9.1%
<Less: Operating Transfers>	(940,383,884)	(1,106,073,764)	17.6%
Net Operating Funds	4,514,707,930	4,591,180,060	3.9%
Capital Funds	1,588,248,927	1,444,448,232	(9.1%)
<Less: Capital Transfers>	(4,030,000)	(6,952,000)	72.5%
Net Capital Funds	1,584,218,927	1,437,496,232	(9.3%)
Total	\$ 6,098,926,857	\$ 6,128,676,292	0.5%

Position Impacts

The Adopted 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 Adopted Budget adds a net 20 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 46 positions, from 7,040 full-time equivalent (FTE) positions in the 2023-2024 Adopted Budget to 6,994 positions in the 2024-2025 Adopted Budget, as shown in Table 2 below.

Changes in Position Count (All Funds) from 2023-2024 Adopted to 2024-2025 Adopted Budget (Table 2)	
2023-2024 Adopted Budget	7,040 positions
<i>2024-2025 Base Budget Changes</i>	<i>(66) positions</i>
<i>2024-2025 Adopted Budget Changes – General Fund</i>	<i>28 positions</i>
<i>2024-2025 Adopted Budget Changes – Other Funds</i>	<i>(8) positions</i>
Total Net 2024-2025 Position Changes	(46) positions
2024-2025 Adopted Budget	6,994 positions

2024-2025 ADOPTED 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 was 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)¹
 (Table 3)

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

¹ 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.

² 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.

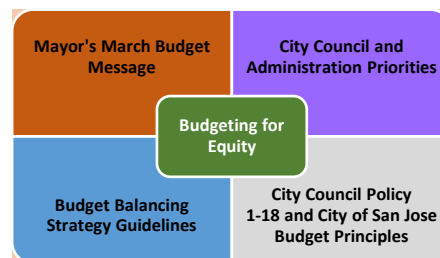
As described previously and in greater detail in the 2025-2029 Five-Year Forecast¹, the projected shortfalls omitted significant new expenditures necessary to implement the State of California’s regulatory requirements for the new Stormwater Permit, as well as the cost of programs previously funded on 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 was 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. While the Proposed Operating Budget had set aside ongoing funding of \$20.0 million into a 2025-2026 Future Deficit Reserve in response to City Council’s approval of the Mayor’s March Budget Message that directed a multiyear approach to balancing the General Fund – which would have reduced the currently-projected shortfall in 2025-2026 from \$37.6 million to \$17.6 million – in response to actions included with City Council’s approval of the June Budget Message, the 2025-2026 Future Deficit Reserve was eliminated and one-time funding of \$1.7 million was used to balance the General Fund in 2024-2025, thereby increasing the projected shortfall in 2025-2026 to \$39.3 million.

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

Adopted Budget Development Considerations

The Adopted 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 Guidelines² that outlined a number of general approaches to use in the development of the budget. City Council Policy 1-18³ and the City of San José Budget Principles² 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.

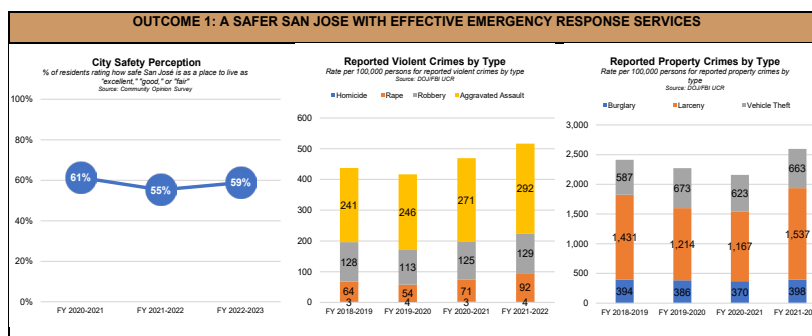
Unfortunately, budgetary constraints significantly limit the City's ability to meet desired service levels in all areas and, in fact, required ongoing cost and service reductions along with some minimal revenue increases to bring the General Fund into structural alignment while also continuing or enhancing 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 Adopted Budget development process.

CITY SERVICE AREA

PUBLIC SAFETY

To deepen our ability to understand the impact of services within different segments of the community, we recently completed 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 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 continued in the 2024-2025 Adopted 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.



² Included at the end of this transmittal memorandum.

³ Included in the *Budget Policies and Practices* section of this budget document.

2024-2025 ADOPTED 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 addressed the \$4.5 million Base Budget shortfall and allowed 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.

These strategies were slightly modified with City's Council's approval of the Mayor's June Budget Message for Fiscal Year 2024-2025 such that the 2024-2025 Adopted Operating Budget includes the following major elements:

- General Fund cost and service reductions of \$11.3 million in 2024-2025 and \$17.3 million ongoing;
- An organization-wide reduction of full-time equivalent (FTE) positions of a net 46 positions, moving from 7,040 FTE in the 2023-2024 Adopted Operating Budget to 6,994 FTE in the 2024-2025 Adopted Operating Budget;
- Recognizing \$39.4 million of new revenues in the General Fund in 2024-2025 and \$15.8 million ongoing, and another \$8.0 million in the Low and Moderate-Income Housing Asset Fund for future affordable housing development; and
- Reallocating Measure E revenues of \$24.6 million in 2024-2025 only 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 Adopted General Fund Budget Balancing Plan that resolved 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 Adopted 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 2024-2025. *Attachment C* provides information regarding any actions included in the budget that specifically addressed a recommendation issued by the City Auditor.

2024-2025 ADOPTED OPERATING BUDGET

General Fund Budget Balancing Plan (Cont'd)

2024-2025 Adopted Operating Budget General Fund Budget Balancing Plan (in 000's) (Table 4)		
	2024-2025	Ongoing
2024-2025 General Fund Shortfall	(\$ 4,452)	(\$ 4,452)
Balancing Strategy		
Source of Funds		
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:		
Housing and Homelessness (State)	5,000	0
Board of State and Community Corrections Organized Retail Theft (Federal)	2,814	0
CaliforniansForAll (State)	2,582	0
Fees and Charges/Licenses and Permits Changes	2,080	2,056
Ambulance Transport and User Fee	1,700	1,700
Rue Ferrari Emergency Interim Housing Site Expansion (Federal)	1,000	0
Urban Forestry (Federal)	969	0
Parking Citation Fines	800	800
Regulatory Compliance and Purified Water Program	580	565
Commercial Solid Waste CPI Adjustment	577	578
Other Fee Programs/Reimbursements/Grants	3,425	0
Cannabis Regulation Program Staffing	(1,262)	(1,262)
Sales Tax	8,000	8,000
Property Tax	3,000	3,000
Accounts Receivable Amnesty Program	300	300
Construction Excise Tax Fund Transfer	300	300
General Purpose Parking Fund Transfer	200	0
Overhead Reimbursements	(273)	(237)
Subtotal Source of Funds	\$ 39,446	\$ 15,800
Use of Funds		
2025-2026 Future Deficit Reserve	\$ 0	\$ 0
Other Important and Ongoing Core Service Work	18,949	3,544
Increasing Community Safety	16,045	3,040
Cleaning Up San José	10,743	8,816
Stormwater Permit Implementation	10,044	18,283
Attracting Investments in Jobs and Housing	4,516	63
Cost Reductions/Service Delivery Efficiencies/Funding Shifts	(11,336)	(17,335)
Transfer of Monterey/Bernal EIH to Santa Clara County	0	(2,500)
Use of Reserves (Committed Additions, Deferred Infrastructure and Maintenance, Essential Services, Fire and Police Equipment Sinking Fund)	(5,967)	(909)
Interim Housing – Reallocation to Measure E	(8,000)	0
Subtotal Use of Funds	\$ 34,994	\$ 13,002
Total Balancing Strategy	\$ 4,452	\$ 2,798
Remaining Balance	\$ 0	\$ (1,654)

2024-2025 ADOPTED OPERATING BUDGET

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

As discussed above, the City Council approved the one-time reallocation of a portion of Measure E resources in 2024-2025 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 Adopted Budget reallocates a portion of Measure E funding in 2024-2025 only, while also assuming the potential receipt of external resources that can fund affordable housing development. As shown below in Table 5, the Adopted Budget assumes \$6.0 million of new external funding to support the City’s interim housing portfolio and \$8.0 million to support future affordable housing development.

New External Resources for Interim Housing and Affordable Housing (\$ Millions) (Table 5)	
New Interim Housing Funding	
Federal Earmark - Rue Ferrari Expansion Project	\$1.0
Santa Clara County - State Housing and Homeless Incentive Program*	\$5.0
Valley Water - Safe Sleeping Sites	TBD
Total	\$6.0
New Affordable Housing Funding	
Santa Clara County – California Health Facilities and Finance Authority (CHFFA)* (acquire and operate the Vermont House and Monterey/Bernal EIH)	\$8.0
Total	\$8.0
Total New Resources in 2024-2025	
	\$14.0

*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 working 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. 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 ADOPTED OPERATING BUDGET

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

The Adopted Budget also includes \$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 residents⁴. 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 beginning 2025-2026. Table 6 below summarizes the recommended reallocation of Measure E revenues as included in the 2024-2025 Adopted Operating Budget.

Recommended Reallocation of Measure E Resources (\$ Millions) (Table 6)	
	2024-2025 Adopted Budget
Base Budget Affordable Housing Production Allocation* [A]	35.6
Interim Housing Construction and Operations	
	8.0
Stormwater Permit Implementation	
	15.0
Safe or Alternative Sleeping Sites	10.0
Outreach, Sanitation and Other Support Services	3.6
Recreational Vehicle Pollution Prevention Program Expansion	1.4
Lived-In Vehicle Safe Parking Site	1.0
City Outreach Team (Reactive)	0.6
Total [B]	24.6
Remaining Measure E for Affordable Housing [A] – [B] = [C]	11.0

*The estimate for Real Property Transfer Tax (Measure E) revenues in 2024-2025 is \$50.0 million. 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.

The General Fund Base Budget currently assumes expenditures of \$25.0 million to support the City's interim housing portfolio. The Adopted Budget reallocates \$8.0 million of these costs to Measure E in 2024-2025 and assumes the \$2.5 million savings anticipated by no longer operating the Monterey/Bernal EIH site in 2025-2026.

⁴ Since City Council's approval of the 2024-2025 Adopted Operating Budget, conversations with the County have continued. While the sale of the Vermont House still appears likely, the sale of the Monterey/Bernal EIH site may not move forward, which would impact both the assumed revenues and cost savings referenced in this budget document.

2024-2025 ADOPTED OPERATING BUDGET

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

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).

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.

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 Adopted 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.

These recommended reallocations would leave \$11.0 million remaining of 2024-2025 Measure E funds for affordable housing. However, the amount of affordable housing funding that may potentially be available in 2024-2025 also needs to account for the potential 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 ADOPTED 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. Once 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 Adopted Budget
2024-2025 Measure E Funds	11.0
California Health Facilities Finance Authority (CHFFA)	8.0
Available Current and Prior Year Measure E Funds	4.0
Other Housing Funds	17.6
Total Available Funding	40.6

Summary of Homelessness Spending in 2024-2025

In addition to the new or reallocated funding in the 2024-2025 Adopted 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, the Parks, Recreation and Neighborhood Services Department's *Encampment Management* Budget Program, and the Public Works Department's *Interim Housing Development and Maintenance* Budget Program and can be found within the respective department section.

For ease of reference, Table 8 below provides high-level spending categories for homelessness-related work across departments and funds. The total amount budgeted for spending in the 2024-2025 Adopted Operating Budget is \$220.4 million, of which \$90.7 million is budgeted in the General Fund, \$69.2 million is budgeted with Measure E resources in the Real Property Transfer Tax Fund, and \$60.5 million is allocated in various Housing Funds. It is important to



note that much of this funding was received or awarded in prior fiscal years and is carried forward into 2024-2025 to continue programs and projects already in process, including interim housing development. Further, due to the complexity of the City's funding sources, it is likely that some small amount of budgeted spending is not yet captured below; 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. A more detailed breakdown of homelessness spending by Budget Program is provided in the Appendix of this document.

2024-2025 ADOPTED OPERATING BUDGET

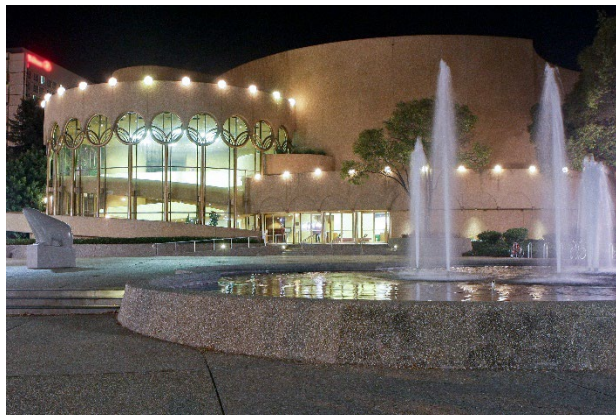
Summary of Homelessness Spending in 2024-2025

Homelessness Spending 2024-2025 Adopted Operating Budget (\$ Millions) (Table 8)	
Spending Category	2024-2025 Adopted Budget
Interim Housing / Safe or Alternative Sleeping	128.4
Encampment Management and Abatement	32.2
Prevention and Rapid Rehousing	30.2
Outreach and Supportive Services	26.1
Administration and Programmatic Support	3.5
Total	220.4

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 \$2.1 billion General Fund budget and \$6.1 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 Adopted 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 and June Budget Messages for Fiscal Year 2024-2025, investments to support other services, and actions that reduce costs in the General Fund and in other funds to ensure a structural alignment between ongoing revenues and expenditures. For more in-depth information, please review the CSA and Department sections in the Adopted Operating Budget.



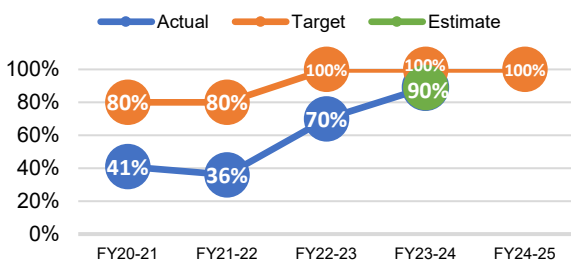
City Service Area Highlights and Key Budget Actions

Community and Economic Development CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

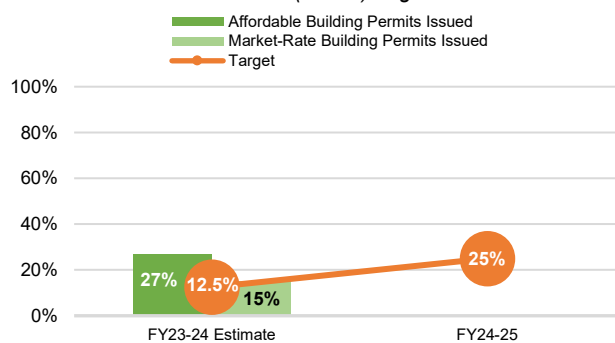
Development Project On-Time Reviews for Planning Permit Process

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



Housing Production Rates

% of affordable and market-rate housing production¹ measured against annual Regional Housing Needs Allocation (RHNA) targets^{2,3}



¹ The City uses building permit issued as the standard for unit production.

² 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.

The 2024-2025 Adopted Operating Budget allocates \$276.9 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 ADOPTED OPERATING BUDGET

City Service Area Highlights and Key Budget Actions

The Adopted 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 deleted 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) /City-Wide Expenses	AI Manufacturing Incentive (\$250,000)/City-Wide Expenses
Rent Stabilization and Eviction Prevention Staffing (\$619,000)/Housing	East San José Small Business Corridor Support Manager (\$175,000)/Office of Economic Development and Cultural Affairs
Destination Marketing (\$500,000)/City-Wide Expenses and Airport	Microbusiness Startup Grants (\$150,000)/Office of Economic Development and Cultural Affairs
Supplemental Arts and Cultural Funding (\$500,000)/City-Wide Expenses	Neighborhood Economic Grants (\$137,000)/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

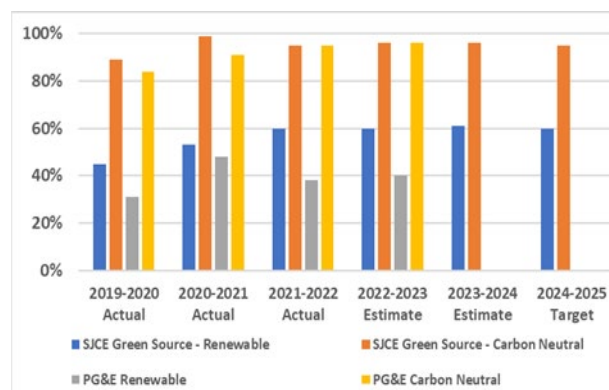
2024-2025 ADOPTED OPERATING BUDGET

City Service Area Highlights and Key Budget Actions

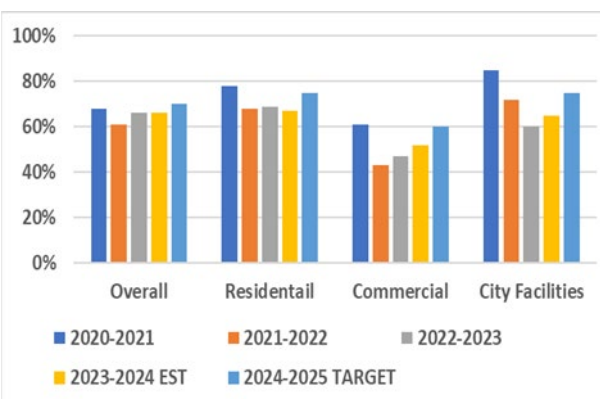
Environmental and Utility Services CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

San José Clean Energy and PG&E Power Content¹



% of Waste Diverted from Landfills



¹ 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 Adopted Operating Budget allocates \$1.1 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 ADOPTED OPERATING BUDGET

City Service Area Highlights and Key Budget Actions

While several of the 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
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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	Climate Smart San José (\$200,000)/Environmental Services
Sanitary Sewer Flow Study (\$1.5 million)/ Environmental Services	Municipal Electric Utility Service Exploration (\$200,000)/City-Wide Expenses

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

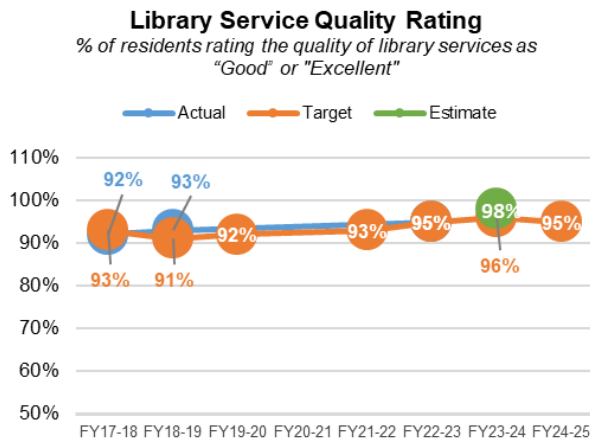
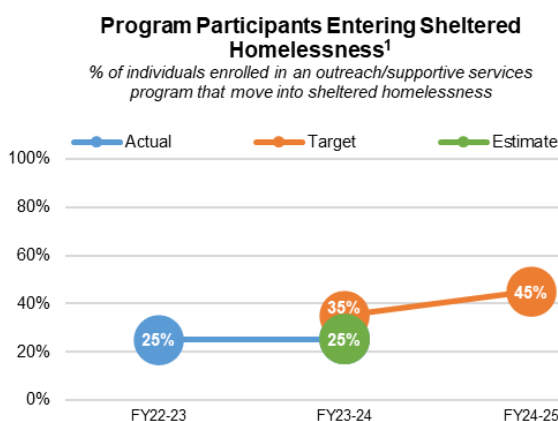


New sludge storage tanks

City Service Area Highlights and Key Budget Actions

Neighborhood Services CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions



¹ 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 Adopted Operating Budget allocates \$472.1 million and 1,469.8 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 ADOPTED 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 Adopted 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 (\$7.3 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

Safe or Alternative Sleeping Sites (\$10.0 million)/Attachment D	Homelessness Prevention (\$1.0 million)/Housing
Outreach, Sanitation and Other Service Provision (\$3.6 million)/Attachment D	Rent Stabilization and Eviction Prevention Staffing (\$619,000)/Housing
Emmanuel House Shelter Redevelopment (\$1.0 million)/Housing	Homeward Bound Pilot Program (\$200,000)/Housing

Other Important and Ongoing Core Service Work

Child and Youth Program Staffing (\$544,000)/Parks, Recreation and Neighborhood Services	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 (\$229,000)/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
Animal Care and Services Technical Staffing (\$296,000)/Public Works	

2024-2025 ADOPTED 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

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

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

Placemaking Program (-\$128,000)/Parks, Recreation and Neighborhood Services

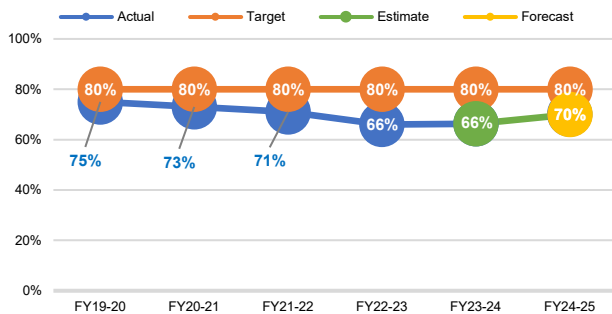


Public Safety CSA

Expected 2024-2025 Service Delivery Highlights and Key Budget Actions

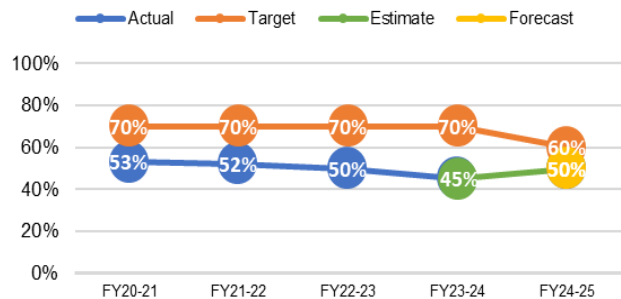
Fire Emergency Responsiveness

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



Police Emergency Responsiveness

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



¹ 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.

² 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 ADOPTED OPERATING BUDGET

City Service Area Highlights and Key Budget Actions

The 2024-2025 Adopted Operating Budget allocates \$900.6 million and 2,581.7 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 Efforts (\$100,000)/Fire

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

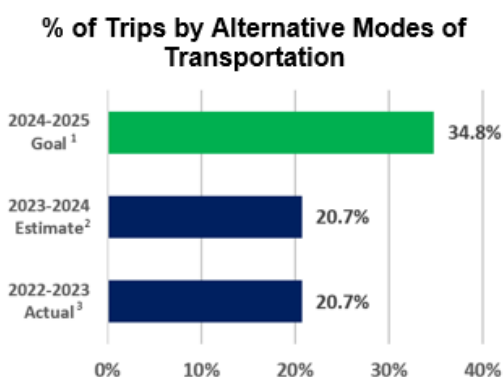
2024-2025 ADOPTED OPERATING BUDGET

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



¹ Based on the Climate Smart Plan target of 75% by 2040.

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

³ Based on results from 2022 ACS 5-year survey data.

The 2024-2025 Adopted Operating Budget allocates \$329.6 million and 605.5 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 ADOPTED 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 Adopted 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 Adopted 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.

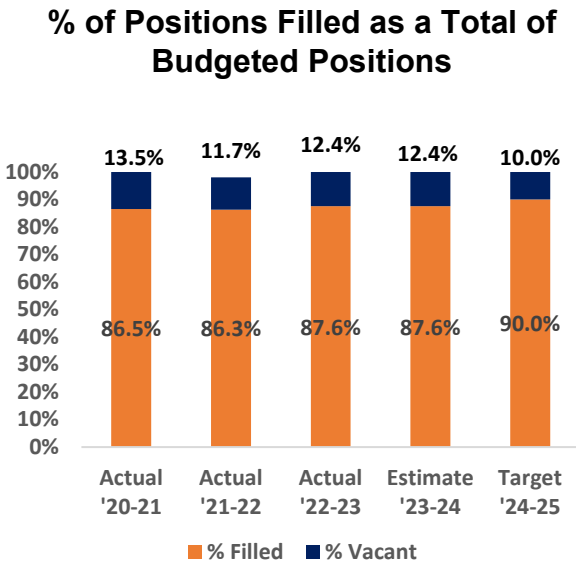
Increasing Community Safety	
Automated Speed Enforcement Pilot (\$415,000)/Transportation	New Traffic Infrastructure Assets Operations and Maintenance (\$164,000)/Transportation
Red Light Running Pilot (\$200,000)/Transportation	Safe Routes to School (\$106,000)/Transportation
Cleaning Up Our Neighborhoods	
Oversized Vehicle Pilot Program (\$1.3 million)/Transportation	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 ADOPTED 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

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

The 2024-2025 Adopted Operating Budget allocates \$612.1 million and 1,041.7 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 ADOPTED 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 funding actions are in alignment with the Mayor’s March Budget Message for Fiscal Year 2024-2025, as approved by the City Council, the Adopted 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)/City Manager’s Office
Capital Project Management System Program Support (\$469,000)/Public Works	Animal Care and Services – Various Improvements (\$250,000)/General Fund Capital, Transfers, Reserves
Hyperconverged Infrastructure (\$440,000)/Information Technology	Equity through Data Staffing (\$244,000)/Information Technology
Recruitment Staffing (\$412,000)/Human Resources	Cybersecurity Staffing (\$215,000)/Information Technology
Disaster Recovery and Grant Management Staffing (\$398,000)/Finance	Classification and Compensation Staffing (\$158,000)/Human Resources
City Hall Audio Visual Program Management Staffing (\$292,000)/Public Works	Fleet Supervision Staffing (\$156,000)/Public Works
Cost Reductions/Service Delivery Efficiencies/Funding Shifts/Revenues	
Accounts Receivable Amnesty Program (\$300,000)/General Fund Revenues	Legal Transactions Staffing (-\$356,000)/City Attorney’s Office
Public Works Department Staffing Plan – Capital Improvement Plan (-\$1.7 million)/Public Works	Vacant Position Elimination (-\$262,000)/Information Technology
Vacant Position Elimination (-\$735,000)/Public Works	Personal Services Realignment (-\$216,000)/City Manager’s Office
Janitorial Contract Services Savings (-\$630,000)/Public Works	Debt Management Staffing (-\$209,000)/Finance
Non-Personal/Equipment Savings (-\$415,000)/Information Technology	Transfer to the Vehicle Maintenance and Operations Fund (-\$200,000)/General Fund Capital, Transfers, Reserves
	Fellowship Program (-\$177,000)/City-Wide Expenses
	Revenue Management Staffing (-\$145,000)/Finance

2024-2025 ADOPTED OPERATING BUDGET

Fees and Charges Adjustments

The 2024-2025 Adopted Budget includes 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 increase by 9% increase for 2024-2025. The Municipal Water Utility System includes 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***

Capital Budget Overview

Presented in a separate document, the [2024-2025 Adopted Capital Budget](#) of \$1.4 billion reflects a 9.1% decrease from the 2023-2024 Adopted Capital Budget of \$1.6 billion. Over a five-year period, the 2025-2029 Adopted CIP totals \$4.0 billion, a 10.3% increase from the 2024-2028 Adopted CIP of \$3.6 billion, driven primarily by increased investments within the Environmental and Utility Services CSA and the Transportation and Aviation CSA.

While the Administration remains focused on leveraging external State and federal resources to supplement project funding, several of the City's key local revenues dedicated to the CIP have declined or remained stagnant, at least over the next several years, in the face of increasing operational and rehabilitation needs. In particular, Construction and Conveyance (C&C) Tax revenues – primarily generated by property sales – were \$38.2 million in 2023-2024 and estimated to be \$40.0 million in 2024-2025 before increasing throughout the outyears of the CIP to \$55.0 million in 2028-2029. These collections are significantly lower than the record-setting collections experienced in 2021-2022 of \$64.5 million. The decline in revenue from previous years has reduced available funding for capital infrastructure needs in the Parks and Community Facilities Development (P&CFD), Library, Service Yards, Fire, Communications, and Park Yards Capital Programs.

2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

For the Library Capital Program in particular, the lower level of C&C Tax revenue, combined with the elimination of capital support from the Library Parcel Tax Fund in 2023-2024, due to that fund's limited resources for library operations, has constrained the CIP's capacity to address for future capital infrastructure needs and has resulted in lower levels of support for library materials acquisitions. An infusion of funding in the future will be required to fully address the long-term support for capital rehabilitation and acquisition of materials.

The resources available to the Storm Sewer Capital Program also continue to decline as the Storm Sewer Service and Use Charge fee rate has remained flat for over a decade while costs have continued to increase, including regulatory compliance as required by the Municipal Stormwater Regional Permit. Therefore, identifying a more sustainable funding source is an urgent priority for the CIP. Accordingly, the 2024-2025 Adopted Operating Budget includes additional resources to conduct an Engineered Fee Assessment to study the establishment a new Stormwater Fee and provide technical work related to a potential ballot measure.

Capital Program by City Service Area

Each of the 14 capital programs is aligned to one of six CSAs. The chart below compares the 2024-2028 Adopted CIP with the 2025-2029 Adopted CIP for each CSA. As discussed earlier, the 2025-2029 Adopted CIP is 10.3% higher than the 2024-2028 Adopted CIP.

2025-2029 Adopted CIP compared to 2024-2028 Adopted CIP (By City Service Area)

City Service Area	2024-2028 Adopted CIP	2025-2029 Adopted CIP	% Change
Community and Economic Development	\$22,892,571	\$25,632,301	12.0%
Environmental and Utility Services	1,283,177,714	1,454,515,177	13.4%
Neighborhood Services	441,212,316	471,390,173	6.8%
Public Safety	193,374,651	164,751,951	(14.8%)
Transportation and Aviation Services	1,540,620,506	1,708,034,036	10.9%
Strategic Support	108,670,219	134,330,510	23.6%
Total	\$3,589,947,977	\$3,958,654,148	10.3%

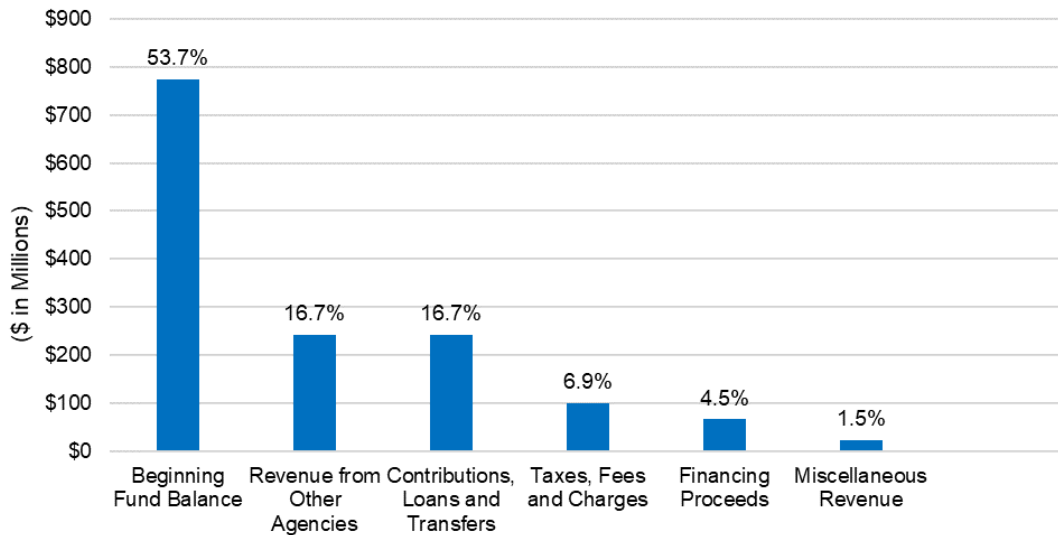
2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

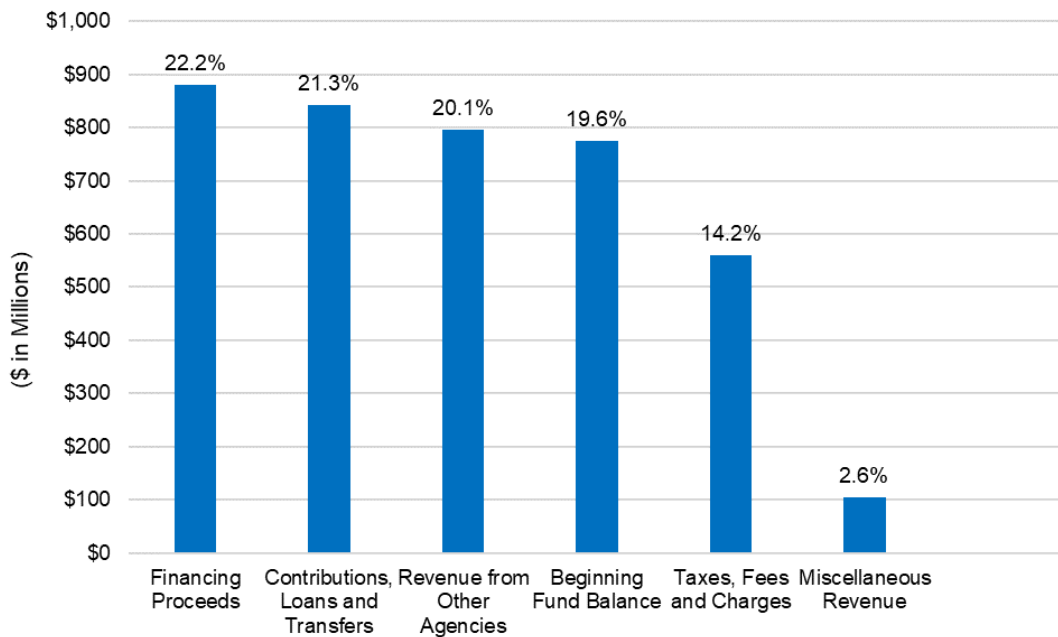
Capital Program Funding Sources

The City's Capital Programs are supported by a variety of funding sources as shown in the graphs below that depict both the 2024-2025 and five-year CIP funding. A discussion of the five-year CIP funding sources follows.

**2024-2025 Adopted Capital Budget
Source of Funds (\$1.4 billion)**



**2025-2029 Adopted Capital Budget
Source of Funds (\$4.0 billion)**



2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

A total of \$880.1 million is anticipated from Financing Proceeds, representing 22.2% of the 2025-2029 Adopted CIP. The Water Pollution Control Capital Program accounts for \$359.0 million of Wastewater Revenue Notes and Bond Proceeds for the implementation of capital improvement projects included in the City Council-approved Plant Master Plan that responds to aging infrastructure, future regulations, population growth, and treatment technology improvements. Financing proceeds will be necessary to fund a portion of the construction costs for the Belly Freight Facilities and Short-Term Parking Garage (\$235.5 million) at the Airport. Measure T bond proceeds totaling \$209.6 million will be issued in 2025-2026 for projects in the Traffic (\$159.0 million), Public Safety (\$28.9 million), Storm Sewer (\$15.7 million), and P&CFD (\$6.0 million) Capital Programs. Financing Proceeds will be used for the Water Resources Administration and Operations Facility and Advanced Metering Infrastructure Improvements projects within the Water Utility Capital Program (\$32.0 million in short term commercial paper notes eventually refunded with \$33.0 million in bond proceeds); and for remediation projects related to the 2017 flood in the P&CFD Capital Program (\$11.0 million).

Contributions, Loans, and Transfers total \$842.5 million in this CIP and account for 21.3% of the 2025-2029 Adopted CIP. The largest transfers are from the Sewer Service and Use Charge Fund to the Water Pollution Control Capital Program (\$296.0 million) and the Sanitary Sewer System Capital Program (\$175.0 million). Examples of other transfers from operating funds to support capital projects in various capital funds include \$131.9 million from the Airport Surplus Revenue Fund to the Airport Renewal and Replacement Fund and \$44.0 million from the Water Utility Fund to the Water Utility Capital Fund. Contributions, Loans, and Transfers from the General Fund in this CIP for capital projects total \$120.9 million, with \$78.3 million budgeted in 2024-2025.

Revenue from Other Agencies category totals \$795.3 million, 20.1% of the 2025-2029 Adopted CIP, and is comprised of contributions from federal (\$238.4 million) and State (\$220.9 million) grants and allocations; other agencies that use the Water Pollution Control Plant (\$189.2 million); and revenue from local agencies (\$146.7 million) which derives most of its funding from the Valley Transportation Authority to supplement pavement maintenance (\$129.3 million).

The Beginning Fund Balance totals \$775.4 million, representing 19.6% of the 2025-2029 Adopted CIP. The Sewer Service and Use Charge Capital Improvement Fund in the Sanitary Sewer Capital Program has the largest Beginning Fund Balance of \$90.6 million, followed by the Airport Renewal and Replacement Fund (\$85.0 million), Subdivision Park Trust Fund in the P&CFD Capital Program (\$81.7 million), the Building and Structure Construction Tax Fund in the Traffic Capital Program (\$78.6 million), the Public Safety and Infrastructure Bond Fund (\$74.9 million), and the Construction Excise Tax Fund in the Traffic Capital Program (\$74.0 million). The large balances represent a significant amount of carryover project funding that will be spent over the next five years, with a portion of the funding reserved pending the determination of a final scope for projects, final project locations, and/or availability of additional resources in the future.

The Taxes, Fees, and Charges category includes an estimate of \$560.6 million, representing 14.2% of the 2025-2029 Adopted CIP. This estimate is relatively similar to the \$543.3 million included in the 2024-2028 Adopted CIP as the increase of \$25.0 million of C&C Tax revenues is partially offset by the decrease of \$9.0 million in Airport Passenger Facility Charge Proceeds. Most of this revenue category is comprised of the C&C Tax (\$240.0 million), Airport Passenger Facility Charge (PFC) proceeds (\$136.4 million), Building and Structure Construction Tax (\$94.0 million) and Construction Excise Tax (\$85.0 million).

Finally, \$104.9 million is anticipated from Miscellaneous Revenue. This primarily includes \$95.0 million from Interest Income and Developer Contributions (\$7.4 million).

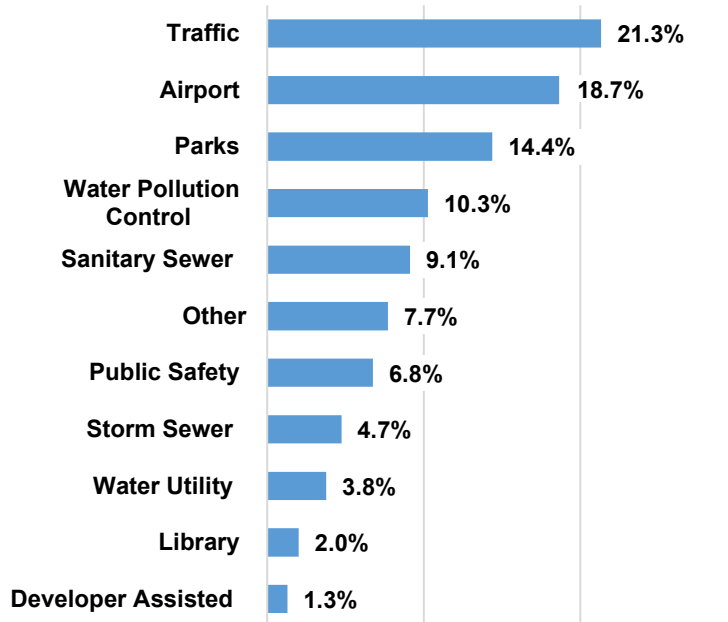
2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

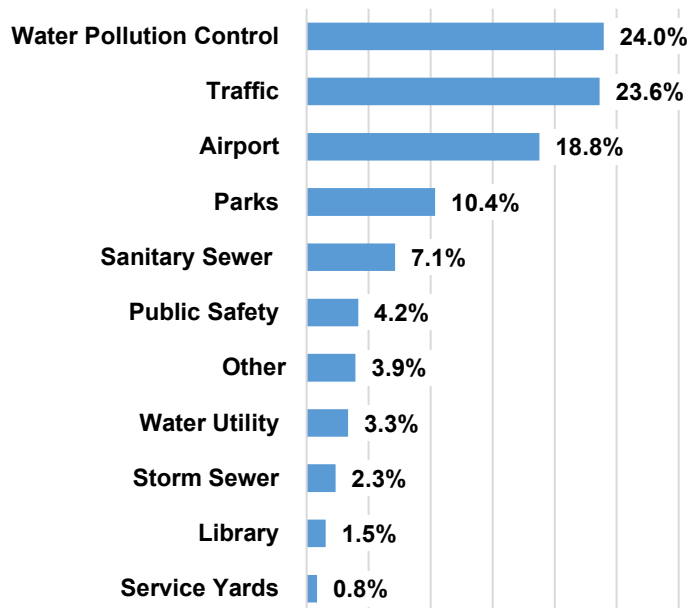
Capital Program Investments

The CIP consists of 14 capital programs. The following chart depicts the uses of funds by capital program and percentage of funding for the 2024-2025 Adopted Capital Budget and the 2025-2029 Adopted CIP. Major projects to be completed over the next five years are highlighted in the sidebar.

2024-2025 Adopted Capital Budget Use of Funds (\$1.4 billion)



2025-2029 Adopted CIP Use of Funds (\$4.0 billion)



Major Projects to be Completed Over the Next Five Years

2024-2025 Projects

- Airport Perimeter Fence Line Upgrades
- Belly Freight Facility
- Central Service Yard – Fueling Island
- Highway 680 and Jackson Avenue
- Large Trash Capture Devices
- Measure T – 911 Call Center Upgrades
- Measure T – Police Air Support Hangar
- Small Trash Capture Devices
- TRAIL: Coyote Creek (Story Road to Tully Road)

2025-2026 Projects

- Balbach Street Transportation Improvements
- Better Bikeways San Fernando (ATP)
- Blossom Hill Road and Leigh Avenue Sanitary Sewer Improvement
- Building Forward Library Infrastructure Projects
- Cahill Park Improvements
- Measure T – Fire Station 32
- Measure T – Police Training Center
- Measure T – Storm Drain Improvements at Charcot Avenue
- McKee Road Corridor Safety Improvements
- North 1st St. Sanitary Sewer Improvement
- Roosevelt Park Transportation Improvements
- Tully Rd. Corridor Safety Improvements
- Water Resources Administration and Operations Facility
- Willow-Keyes Complete Street Improvements

2026-2027 Projects

- Airport Short-Term Parking Garage
- Advanced Metering Infrastructure Implementation
- Evergreen Reliability Weller
- Measure T – Clean Water Projects
- Plantwide Security Systems Upgrade
- Spartan Keyes Park Development
- Vision Zero: East San José Safety Improvements for Senter Road
- VTA 2016 Measure B Complete Street Project Improvements (SRTS)

2027-2028 Projects

- Julian Street and St. James Couplet Conversion
- Measure T – Fire Station 23 and 36
- Signalized Intersections Pedestrian Safety Improvements

2028-2029 Projects

- Airfield Configuration Updates
- Airport Biometric Access Control
- Terminal A Ramp Rehabilitation
- Terminal B Ramp Rehabilitation

2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

Measure T General Obligation Bond

In November 2018, San José voters approved the Measure T Bond Measure, which will provide up to \$650 million in General Obligation bonds for a wide variety of infrastructure needs, with at least \$300 million to be contributed to road rehabilitation over the course of the bond measure. Those priorities are reflected in this CIP, with the remaining \$284.5 million allocated over the next five years, including expenditures totaling \$131.0 million (excluding the Ending Fund Balance) budgeted in 2024-2025.

Public Safety and Infrastructure Bond Fund (Projected Expenditures in 2025-2029 Adopted CIP)

Program	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	5-Year Total
Traffic						
Bridges	3,300,000	2,600,000	1,900,000	1,900,000	3,901,000	13,601,000
Pavement Maintenance	39,898,200	37,500,000	37,500,000			114,898,200
LED Streetlight Conversion	1,500,000	1,500,000	2,297,000			5,297,000
Admin – Traffic	22,000					22,000
Admin Reserve – Traffic	42,000					42,000
Total Traffic	\$44,762,200	\$41,600,000	\$41,697,000	\$1,900,000	\$3,901,000	\$133,860,200
Public Safety						
Emergency Operations Center	1,200,000					1,200,000
Fire Station 37	8,000					8,000
Fire Station 8 Relocation	2,928,000					2,928,000
Fire Station 23 Relocation	330,000	3,539,000				3,869,000
New Fire Station 32	7,430,000	2,483,000				9,913,000
New Fire Station 36	1,200,000	8,040,000	8,000,000	303,000		17,543,000
Police Training Center Relocation	23,363,000	10,557,000				33,920,000
Police Air Support Unit Hangar	2,490,000	100,000				2,590,000
911 Call Center Upgrades	4,927,000	108,000				5,035,000
Police Administration Building Upgrades	473,000	5,084,000				5,557,000
Public Safety Reserves	18,092,884					18,092,884
Public Art – Pub Safety	22,000					22,000
Admin WC – Public Safety	372,000					372,000
Admin Reserve – Public Safety	710,000					710,000
Total Public Safety	\$64,199,884	\$29,911,000	\$8,000,000	\$303,000		\$102,413,884
Storm Sewer						
Storm Drain Improvements at Charcot Ave	11,723,000	12,748,000				24,471,000
Clean Water Projects	2,600,000	4,450,000	6,171,000			13,221,000
Public Art – Storm Sewer	40,000	5,000	5,000			50,000
Admin – Storm Sewer	132,000					132,000
Admin Reserve – Storm Sewer	250,000					250,000
Total Storm Sewer	\$14,745,000	\$17,203,000	\$6,176,000			\$38,124,000

2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

Measure T General Obligation Bond (cont'd)

Public Safety and Infrastructure Bond Fund (cont'd) (Projected Expenditures in 2026-2030 Proposed CIP)

Program	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	5-Year Total
Municipal Improvements						
City Facilities LED Lighting	1,200,000	1,200,000				2,400,000
Total Municipal Improvements	\$1,200,000	\$1,200,000				\$2,400,000
Parks & Community Facilities						
Community Centers/ Emergency Shelters	6,000,000	1,582,000				7,582,000
Public Art – Parks	15,000					15,000
Admin – Parks	29,000					29,000
Admin Reserve Parks	73,000					73,000
Total Parks & Community Facilities	\$6,117,000	\$1,582,000				\$7,699,000
Total Expenditures	\$131,024,084	\$91,496,000	\$55,873,000	\$2,203,000	\$3,901,000	\$284,497,084

Over the next two fiscal years, most of the significant Measure T projects will have completed construction or be under construction, representing the accomplishment of a significant upgrade for the rehabilitation of the City's critical infrastructure. However, as projects move through the construction phase and the City gains a clearer picture of remaining funding, it is important to note that the Measure T Program may still experience funding gaps and the Administration may need to identify alternative project scopes or funding strategies should existing resources prove insufficient. The Administration will continue to provide updates on the Measure T program as funding and priority needs are reevaluated.



Fire Station 32 Rendering

2024-2025 ADOPTED OPERATING BUDGET

Capital Budget Overview

Operating Budget Impacts

This CIP continues to balance the delivery of capital programs with the limited resources available to operate and maintain existing and newly constructed facilities. The Administration also pursues strategies to ensure the most cost-effective operation of City facilities, including installing capital improvements that reduce costs, such as energy efficient lighting and traffic signals.

In March 2008, the City Council approved Budget Principle #8 that states capital improvement projects “shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire project, including operating and maintenance costs, will not require a decrease in existing basic neighborhood services.”

In addition, all CIP projects with new General Fund operating and maintenance costs are detailed in the Five-Year General Fund Forecast and included as part of the annual CIP. The new Interim Housing and Supportive Parking projects are projected to have operating and maintenance costs totaling \$20.9 million in 2025-2026 and increase to \$24.1 million annually in 2028-2029. Several of the Measure T projects will incur significant operating and maintenance costs in the future, including the new fire stations and the Police Training Center. The annual operating and maintenance costs over \$100,000 such as Columbus Park Soccer Fields, North San Pedro Area Parks, Fire Stations 32 and 36, and the Police Training Center – with the subsequent activation of the South San José Police Substation – will be brought forward for City Council certification at the time of construction contract award.

The table below summarizes the additional annual resources required to operate and maintain new facilities coming online during the five-year CIP or planned by other agencies (such as developers). These costs are estimated at \$28.3 million in 2025-2026 and are anticipated to increase to \$52.3 million by 2028-2029.

Net Operating Budget Impact Summary (Cumulative)

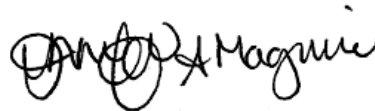
Project Type	2025-2026	2026-2027	2027-2028	2028-2029	Total
Interim Housing and Supportive Parking	\$20,900,000	\$21,900,000	\$23,000,000	\$24,100,000	\$89,900,000
Parks Facilities	4,000	1,262,000	1,859,000	2,049,000	5,174,000
Public Safety Facilities	7,301,000	15,105,000	18,030,000	26,012,000	66,448,000
Traffic Projects	68,000	139,000	165,000	178,000	550,000
General Fund Total	\$ 28,273,000	\$ 38,406,000	\$ 43,054,000	\$ 52,339,000	\$ 162,072,000

CONCLUSION

The 2024-2025 Adopted 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,

A handwritten signature in black ink, appearing to read "Jennifer A. Maguire". The signature is fluid and cursive, with the first name being the most prominent.

Jennifer A. Maguire
City Manager

2024-2025 Budget Balancing Strategy Guidelines

1. As directed by the priorities identified in the City Council-approved Mayor's March Budget Message, develop a budget that balances the City's delivery of the most essential services to the community with the resources available. Consider current needs in the context of long-term service delivery priorities.
2. Pose explicit questions of equity – including who benefits and who is burdened – when considering changes to City services to achieve a balanced budget.
3. Balance ongoing expenditures with ongoing revenues to maximize service delivery within existing resources, to ensure no negative impact on future budgets, and to maintain the City's high standards of fiscal integrity and financial management. As appropriate, establish a Future Deficit Reserve in the General Fund to cover any projected budgetary shortfall in the following year as a stopgap measure; and, maintain or increase the Budget Stabilization Reserve as a buffer against a further weakening of future economic conditions or unanticipated cost increases.
4. Evaluate program-level budgets and identify opportunities to shift resources or reconfigure operations from the least influential contributors to the strongest contributors of achieving outcomes related to City Council-approved Focus Areas, critical CSA services and programs, and Foundational Strategic Support Focus Areas.
5. Prioritize limited resources to address truly significant community or organizational risks, critical services funded on a one-time basis in 2023-2024 in the General Fund, and/or respond to specific City Council direction.
6. Review existing vacancies for opportunities to reorganize work groups to realize cost savings or to achieve current service level demands through alternative means. Factor in performance measure data in proposal development.
7. Focus on business process redesign to improve employee productivity and the quality, flexibility, and cost-effectiveness of service delivery (e.g., streamlining, reorganizing functions, and reallocating resources).
8. Explore alternative service delivery models (e.g., partnerships with non-profit, public, or private sector for out- or in-sourcing services) to ensure no service overlap, reduce and/or share costs, and use City resources more efficiently and effectively.
9. Identify City policy changes that would enable/facilitate service delivery improvements or other budget balancing strategies to ensure equity and inclusion for how services are delivered.
10. Analyze non-personal/equipment/other costs for cost savings opportunities. Contracts should be evaluated for their necessity to support City operations and to identify negotiation options to lower costs.
11. Explore expanding existing revenue sources and/or adding new revenue sources.
12. Establish a fees, charges and rates structure designed to fully recover operating costs, while considering the impacts on fee and rate payers whereby a cost recovery structure may be lower in certain circumstances, and explore opportunities to establish new fees and charges for services, where appropriate.
13. Focus any available one-time resources on investments that 1) continue a very small number of high-priority programs funded on a one-time basis in 2023-2024 for which ongoing funding is not available; 2) address the City's unmet or deferred infrastructure needs; 3) leverage resources to improve efficiency/effectiveness through technology and equipment or other one-time additions; 4) accelerate the pay down of existing debt obligations where applicable and appropriate; 5) increase budget stabilization reserves to address future budget uncertainty; and/or 6) provide for funding needs for non-bond eligible furniture, fixtures, and equipment associated with the continued implementation of Measure T.
14. Engage employees in department and/or city-wide budget proposal idea development.
15. Continue a community-based budget process where the City's residents and businesses are educated and engaged, as well as have the opportunity to provide feedback regarding the City's annual budget.
16. Use the General Plan as a primary long-term fiscal planning tool and link ability to provide City services to development policy decisions.

CITY OF SAN JOSE BUDGET PRINCIPLES

The Mission of the City of San José is to provide quality services, facilities and opportunities that create, sustain and enhance a safe, livable and vibrant community for its diverse residents, businesses and visitors. The General Fund Budget shall be constructed to support the Mission.

1) STRUCTURALLY BALANCED BUDGET

The annual budget for the General Fund shall be structurally balanced throughout the budget process. A structurally balanced budget means ongoing revenues and ongoing expenditures are in balance each year of the five-year budget projection. Ongoing revenues shall equal or exceed ongoing expenditures in both the Proposed and Adopted Budgets. If a structural imbalance occurs, a plan shall be developed and implemented to bring the budget back into structural balance. The plan to restore balance may include general objectives as opposed to using specific budget proposals in the forecast out years.

2) PROPOSED BUDGET REVISIONS

The annual General Fund Proposed Budget balancing plan shall be presented and discussed in context of the five-year forecast. Any revisions to the Proposed Budget shall include an analysis of the impact on the forecast out years. If a revision(s) creates a negative impact on the forecast, a funding plan shall be developed and approved to offset the impact.

3) USE OF ONE-TIME RESOURCES

Once the General Fund budget is brought into structural balance, one-time resources (e.g., revenue spikes, budget savings, sale of property, and similar nonrecurring revenue) shall not be used for current or new ongoing operating expenses. Examples of appropriate uses of one-time resources include rebuilding the Economic Uncertainty Reserve, early retirement of debt, capital expenditures without significant operating and maintenance costs, and other nonrecurring expenditures. One time funding for ongoing operating expenses to maintain valuable existing programs may be approved by a majority vote of the Council.

4) BUDGET REQUESTS DURING THE YEAR

New program, service or staff requests during the year that are unbudgeted shall be considered in light of the City's General Fund Unfunded Initiatives/Programs List and include a spending offset at the time of the request (if costs are known) or before final approval, so that the request has a net-zero effect on the budget.

5) RESERVES

All City Funds shall maintain an adequate reserve level and/or ending fund balance as determined annually as appropriate for each fund. For the General Fund, a contingency reserve amount, which is a minimum of 3% of the operating budget, shall be maintained. Any use of the General Fund Contingency Reserve would require a two-thirds vote of approval by the City Council. On an annual basis, specific reserve funds shall be reviewed to determine if they hold greater amounts of funds than are necessary to respond to reasonable calculations of risk. Excess reserve funds may be used for one-time expenses.

CITY OF SAN JOSE BUDGET PRINCIPLES

6) DEBT ISSUANCE

The City shall not issue long-term (over one year) General Fund debt to support ongoing operating costs (other than debt service) unless such debt issuance achieves net operating cost savings and such savings are verified by appropriate independent analysis. All General Fund debt issuances shall identify the method of repayment (or have a dedicated revenue source).

7) EMPLOYEE COMPENSATION

Negotiations for employee compensation shall focus on the cost of total compensation (e.g., salary, step increases, benefit cost increases) while considering the City's fiscal condition, revenue growth, and changes in the Consumer Price Index (cost of living expenses experienced by employees.)

8) CAPITAL IMPROVEMENT PROJECTS

Capital Improvement Projects shall not proceed for projects with annual operating and maintenance costs exceeding \$100,000 in the General Fund without City Council certification that funding will be made available in the applicable year of the cost impact. Certification shall demonstrate that funding for the entire cost of the project, including the operations and maintenance costs, will not require a decrease in existing basic neighborhood services.

9) FEES AND CHARGES

Fee increases shall be utilized, where possible, to assure that fee program operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services where appropriate.

10) GRANTS

City staff shall seek out, apply for and effectively administer federal, State and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before any grant is pursued, staff shall provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the City. One-time operating grant revenues shall not be used to begin or support the costs of ongoing programs with the exception of pilot projects to determine their suitability for long-term funding.

11) GENERAL PLAN

The General Plan shall be used as a primary long-term fiscal planning tool. The General Plan contains goals for land use, transportation, capital investments, and service delivery based on a specific capacity for new workers and residents. Recommendations to create new development capacity beyond the existing General Plan shall be analyzed to ensure that capital improvements and operating and maintenance costs are within the financial capacity of the City.

12) PERFORMANCE MEASURES

All requests for City Service Area/departmental funding shall include performance measurement data so that funding requests can be reviewed and approved in light of service level outcomes to the community and organization.

13) FIRE STATION CLOSURE, SALE OR RELOCATION

The inclusion of the closure, sale or relocation of a fire station as part of the City Budget is prohibited without prior assessment, community outreach, and City Council approval on the matter.

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

INTRODUCTION

This attachment is intended to provide a more detailed summary of the key actions taken to balance the 2024-2025 Adopted General Fund Budget. Revisions to the February Base Budget Forecast, as well as the key elements of the strategy to bring the General Fund into balance in the Adopted Budget, are described.

In February 2024, the Administration prepared formal projections for the 2024-2025 Proposed General Fund Budget as part of the *2024-2025 City Manager's Budget Request & 2025-2029 Five-Year Forecast and Revenue Projections* document that was released to the City Council. In that document, the 2024-2025 February Base Budget Forecast projections estimated a 2024-2025 General Fund shortfall of approximately \$3.6 million. This shortfall represented the difference between projected 2024-2025 General Fund resources and the expected cost of approved 2024-2025 Base Budget services in next year's dollars, as well as several City Council "committed" additions (e.g., additional operating and maintenance costs for capital projects in the 2024-2025 Capital Improvement Program or for projects approved by the City Council during 2023-2024).

Subsequent to the release of the February Forecast and based on updated information, a number of revisions to both expenditures and revenue estimates were made, which constitutes the "Revised Base Budget Forecast" included in the Proposed Budget.

The revisions to the February Base Budget Forecast included a series of changes that revised the shortfall slightly upward due to a number of factors, including corrections to personal services costs within the Base Budget and minor revisions to several revenue categories. These changes resulted in the shortfall growing from \$3.6 million to \$4.5 million in 2024-2025. These adjustments to the February Base Budget Forecast are described in more detail later in this section.

The Proposed Budget contained a set of actions that increased both the General Fund sources (by \$29.1 million) and uses (by \$24.7 million) from the Revised Base Budget Forecast, bringing the overall General Fund into balance for 2024-2025. The increase in sources of \$29.1 million included several major components, including: grant revenue anticipated to be received from local, State, and federal agencies (\$18.0 million); excess revenue and expenditure savings from 2023-2024 that will be available for use in 2024-2025 (\$5.0 million); and other revenue changes (\$6.1 million). The increase in uses of \$24.7 million in 2024-2025 included additional funding for the following: continuation of 2023-2024 one-time funded services (\$19.4 million); service level enhancements (\$18.7 million); earmarked reserves (\$5.0 million); new infrastructure or equipment operations and maintenance (\$3.4 million); and critical unmet/deferred infrastructure and maintenance needs (\$1.5 million).

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

INTRODUCTION

These increases were partially offset by savings realized from cost reductions, service delivery efficiencies, and funding shifts (\$949,000) and the use of reserves that had been established for specific purposes (\$4.0 million) that were included in the February Forecast. The result of these actions was a balanced 2024-2025 Proposed General Fund Budget of \$1.6 billion.

From the release of the Proposed Budget to the final adoption of the budget, additional revisions totaling \$515.0 million occurred. The largest component of the increase was the rebudget of 2023-2024 funds (\$504.7 million) that were carried forward to 2024-2025 to complete various projects.

Table I below displays the overall projections for the 2024-2025 General Fund as they changed between the February Base Budget Forecast and the Adopted Budget. Table II summarizes the changes from the February Base Budget Forecast to the Revised Base Budget Forecast, excluding carryover for prior year encumbrances. The specific elements of the City Manager's Proposed Budget balancing strategy are summarized in Table III, and final changes from the Proposed Budget to the Adopted Budget are summarized in Table IV.

Table I
2024-2025 ADOPTED OPERATING BUDGET
Forecast to Adopted Budget Reconciliation (in \$000s)

	Total Sources	Total Uses	(Shortfall)/ Surplus
February Base Budget Forecast	\$ 1,628,215	\$ 1,631,803	(\$3,587)
Forecast Revision	(42,220)	(41,356)	(864)
Revised Base Budget Forecast (no fee impact)	\$1,585,995	\$1,590,447	(\$4,452)
Proposed Revision	29,133	24,682	4,452
2024-2025 Proposed Budget	\$1,615,128	\$1,615,128	\$0
Adopted Revision	514,999	514,999	0
2024-2025 Adopted Budget	\$2,130,127	\$2,130,127	\$0

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

REVISED BASE BUDGET FORECAST

As discussed previously, following the issuance of the February Base Budget Forecast, detailed analysis of the status of General Fund revenues and expenditures continued. Based on this review, the Adopted Budget incorporated a series of changes to the February Base Budget Forecast estimates for both sources and uses to form a Revised Base Budget Forecast. These changes resulted in an increase of \$864,000 to the estimated General Fund shortfall, for a revised shortfall of \$4.5 million. Changes are detailed in Table II below.

Table II
2024-2025 REVISED BASE BUDGET FORECAST
Summary of Changes (in \$000s)

Sources	Revision
Beginning Fund Balance (Expenditure Savings)	\$ 4,044
Transfers and Reimbursements	2,685
Fees, Rates, and Charges	1,265
Other Revenue	1
Real Property Transfer Tax (Fund Shift)	(50,000)
Revenue from Local Agencies	(215)
Net Change in Sources	\$ (42,220)
Uses	Revision
Position and Fund Realignments/Corrections	\$ 4,967
Non-Personal/Equipment, City-Wide Expenses, Capital Contributions, Transfers	1,177
Earmarked Reserves Adjustments	(47,500)
Net Change in Uses	\$ (41,356)
Total Change (Shortfall)/Surplus	\$ (864)

General Fund Balancing Strategy Detail

2024-2025 Adopted Operating Budget

REVISED BASE BUDGET FORECAST

Source of Funds

A summary table is provided below for the revenue changes incorporated into the Revised Base Budget Forecast, which were used as the starting point in preparing the 2024-2025 Budget.

Category	\$ Change	Description
Beginning Fund Balance	\$ 4,043,944	Increase of \$4.0 million reflects savings from various Measure E appropriations that are not anticipated to be expended by the end of 2023-2024 and will be rebudgeted to 2024-2025 and then transferred to the Real Property Transfer Tax Fund.
Transfers and Reimbursements	2,685,313	Net increase of \$2.7 million reflects updated overhead reimbursements from capital and operating funds based on the final 2024-2025 base budget and overhead rates (\$1.9 million) and higher transfers and reimbursements to the General Fund (810,719).
Fees, Rates, and Charges	1,265,218	Increase of \$1.3 million aligns revenues with estimated base costs and activity levels for Miscellaneous fees (\$545,218), Parks, Recreation and Neighborhood Services Department fees (\$500,000), and Police Department fees (\$220,000).
Other Revenue	110	Increase of \$110 aligns revenues with the estimated base costs and activity levels for reimbursement revenue.
Real Property Transfer Tax	(50,000,000)	Decrease of \$50.0 million reflects the movement of the Real Property Transfer Tax revenue from the General Fund to the Real Property Transfer Tax Fund. The associated expenditures have also been transferred to the Real Property Transfer Tax Fund as part of the Revised General Fund Forecast.
Revenue from Local Agencies	(215,000)	Decrease of \$215,000 reflects a reduction of payments from other agencies for Animal Care Services as the Town of Los Gatos has opted to not renew their contract with the City of San José.
Total	(\$ 42,220,415)	

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

REVISED BASE BUDGET FORECAST

Use of Funds

Provided below is a listing for all expenditure changes incorporated into the Revised Base Budget Forecast, which were used as the starting point in preparing the 2024-2025 Budget.

<u>Category</u>	<u>\$ Change</u>	<u>Department</u>
Personal Services Adjustments		
Salaries and Benefits Adjustments (Costing Correction)	\$6,541,001	Citywide
Mayor and Council Salary Adjustments	271,890	Mayor and City Council
Climate Smart Staffing Shifts	144,798	Environmental Services and Transportation
Fund Shift: Housing Department Staffing	9,008	Housing
Classification and Compensation Studies	(2,000,000)	Citywide
Non-Personal/Equipment Adjustments		
Transfer to the Real Property Transfer Tax Fund	4,043,944	Housing
Annualization: Vehicle Abatement Enhancement	300,000	Transportation
Annualization: Emergency Operations Center Facility Costs	132,000	Public Works and Information Technology
Certified Access Specialist Program – ADA Compliance	(10,797)	Finance
Vehicle Operations and Maintenance	(38,000)	Citywide
Transfer to the Communications Construction and Conveyance Tax Fund	(750,000)	Public Works
Fund Shift: Real Property Transfer Tax Fund	(50,000,000)	Citywide
Total	\$ (41,356,156)	

General Fund Balancing Strategy Detail

2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Table III
2024-2025 PROPOSED OPERATING BUDGET
General Fund Balancing Strategy (in \$000s)

	2024-2025	Ongoing
2024-2025 Revised General Fund Surplus	(\$ 4,452)	(\$ 4,452)
Balancing Strategy		
Source of Funds		
Beginning Fund Balance:		
2023-2024 Excess Revenue/Expenditure Savings	\$ 5,000	\$ 0
Unobligated Small Business Recovery Grant (C/O Encum. Liquidation)	1,326	0
Solid Waste Code 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	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)
Subtotal Source of Funds	\$ 29,133	\$ 4,046
Use of Funds		
2023-2024 Previously One-Time Funded Services	\$ 19,360	\$ 7,294
Service Level Enhancements	18,699	15,277
Earmarked Reserves (Essential Services, Police Department Sworn Backfill Reserve)	5,000	0
New Infrastructure/Equipment Operations and Maintenance	3,372	909
Unmet/Deferred Technology, Infrastructure, and Maintenance	1,495	50
Other Fee Programs/Grants/Reimbursements	949	201
2025-2026 Future Deficit Reserve	0	20,000
Use of Reserves (Deferred Infrastructure and Maintenance, Police Equipment Replacement Sinking Fund, Fire Equipment Replacement Sinking Fund, New Parks and Recreation Facilities Operations and Maintenance, New Traffic Infrastructure Assets Operations and Maintenance, New Police Facilities Operations and Maintenance, New Fire Facilities Operations and Maintenance)	(3,967)	(909)
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(20,226)	(43,227)
Subtotal Use of Funds	\$ 24,682	\$ (406)
Total Balancing Strategy	\$ 4,452	\$ 4,452
Remaining Balance	\$ 0	\$ 0

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Specific City Council direction regarding the preparation of the Proposed Budget was provided in the Mayor's March Budget Message for Fiscal Year 2024-2025, as approved by the City Council (see Appendices Section of this document). The details of the specific direction of that Message and the corresponding responses contained in this budget are provided in Attachment B following this section in the City Manager's Message. Attachment C contains information regarding the status of City Auditor recommendations with funding impacts.

Source of Funds

From the Revised Forecast of \$1.59 billion, a net increase of \$29.1 million to the General Fund revenue estimates was included in the Proposed Budget, bringing the 2024-2025 revenue estimate to \$1.61 billion (including fund balance). The components of this change included an increase to the estimate for the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance (\$7.6 million) and an increase to various revenue categories (\$21.5 million). The revenue changes are summarized in the table below.

Category	\$ Change	Description
Revenue from the State of California	\$ 16,000,000	Increase of \$16.0 million reflects new grant funding that is anticipated to be received in 2024-2025 from the State of California to support the City's Interim Housing Portfolio.
Beginning Fund Balance	7,653,198	Increase of \$7.7 million reflects various adjustments, including: fund balance from additional revenue and expenditure savings that is anticipated to be received in 2023-2024 and be available for use in 2024-2025 (\$5.0 million); the liquidation of carry-over encumbrances (\$1.3 million); the liquidation of the Solid Waste Code Enforcement Reserve (\$680,000); and the rebudget of funds for expenditure-related items that are not anticipated to occur until 2024-2025 (\$647,830).
Revenue from Federal Government	1,384,000	Increase of \$1.4 million reflects two new federal grants that are anticipated to be received in 2024-2025, including Transportation, Housing and Urban Development funding for the Rue Ferrari Emergency Interim Housing Site Expansion (\$1.0 million) and Clean Creeks, Healthy Watersheds program (\$384,000).

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Source of Funds

Category	\$ Change	Description
Fees, Rates, and Charges	\$ 934,727	Net increase of \$934,727 reflects various fee changes to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels for Miscellaneous fee revenue (\$1.0 million), Transportation Department fee revenue (\$80,273), Police Department fee revenue (\$15,963), and Parks, Recreation, and Neighborhood Services department fee revenue (-\$174,917).
Licenses and Permits	864,899	Net increase of \$864,899 reflects various license and permit changes to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels for the Fire Department (\$469,700) and other licenses and permits (\$395,199).
Fines, Forfeitures, and Penalties	800,000	Increase of \$800,000 reflects a revision to the parking fines program that will result in increased revenue generation.
Revenue from Local Agencies	580,381	Increase of \$580,381 reflects a new local agency reimbursement from Valley Water for the Regulatory Compliance and Purified Water program.
Franchise Fees	577,624	Increase of \$577,624 reflects an increase in the Commercial Solid Waste fees by 4.1% based on cost changes including a Consumer Price Index adjustment.
Other Revenue	311,810	Increase of \$311,810 reflects revenue anticipated to be received from the Accounts Receivable Amnesty Program that will be conducted by the Finance Department (\$300,000), and reflects various fee changes to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels for the Transportation Department (\$11,810).
Transfers and Reimbursements	26,811	Net increase of \$26,811 reflects a transfer from the Construction Excise Tax Fund to the General Fund (\$300,000) and reduced overhead from budget actions that change the staffing levels funded by special and capital funds (-\$273,189).
Total	\$ 29,133,450	

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Use of Funds

From the Revised Base Budget Forecast of \$1.59 billion, a net increase of \$24.7 million to the General Fund expenditures was brought forward, bringing the 2024-2025 Proposed Budget Use of Funds estimate to \$1.61 billion. A listing of the Proposed Budget modifications is provided by specific categories in Table III and briefly discussed in the following table. Further detail is incorporated into the CSA and departmental sections of this document.

<u>Category</u>	<u>\$ Change</u>	<u>Description</u>
2023-2024 Previously One-Time Funded Services	\$19,359,921	Funding is included to continue services that were funded on a one-time basis in the 2023-2024 Adopted Budget, including programs originally funded by the American Rescue Plan Act in accordance with the Community and Economic Recovery spending plan. The largest investments in this category include the: Beautify San José (\$5.9 million); Customer Service Vision and Standards (\$3.0 million); Deterrents Installation and Maintenance for Beautify San José Stormwater Permit Implementation (\$1.0 million); and Police Sworn and Non-Sworn Background (\$902,312). Other previously one-time funded services are described in the Department and City-Wide sections of this document.
Service Level Enhancements	18,699,046	Total funding of \$18.7 million is included in the Proposed Budget for service level enhancements. The largest investments in this category include: Waterways and Encampment Management (\$4.7 million); Mitigating Impacts to Neighborhood (\$1.8 million) for Beautify San José Stormwater Permit Implementation; Oversized Vehicle Regulation Reserve (\$1.5 million); and Encampment Trash Team for Beautify San José Continuation and Expansion (\$1.4 million). Other service level enhancements are described in the Department and City-Wide sections of this document.

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Use of Funds

Category	\$ Change	Description
Earmarked Reserves	\$5,000,000	One-time Earmarked Reserves, totaling \$5.0 million, include the following: Police Department Sworn Backfill Reserve (\$3.0 million) and the Essential Services Reserve (\$2.0 million). In addition, 2024-2025 Proposed Budget planning provides for the allocation of \$20.0 million of ongoing funding in 2025-2026 for the 2025-2026 Future Deficit Reserve.
New Infrastructure / Equipment Operations and Maintenance	3,372,000	The Proposed Budget includes \$2.3 million for Fire Station 32 furniture, fixtures, and equipment, \$325,000 for a new Police Department air support hangar fixtures, furniture and equipment, \$247,000 for new Parks and Recreation facilities operations and maintenance, \$205,000 for Fire Station 8 furniture, fixtures, and equipment, \$164,000 for new traffic infrastructure assets operations and maintenance, \$101,000 for new police facilities operations and maintenance, and \$60,000 for new fire facilities operations and maintenance.
Unmet/Deferred Technology, Infrastructure, and Maintenance	1,494,831	To address a portion of the backlog for unmet and deferred technology, infrastructure and maintenance needs, funding of \$1.5 million is included in the 2024-2025 Proposed Budget for the City's most urgent repairs needs, including, among others, the: Police Department Helicopter Camera Replacement (\$575,000), Police Department Equipment (\$417,331), Animal Care and Services – Various Improvements (\$250,000), and Fire Station Network Switches Replacement (\$150,000). These and additional investments are described in more detail in the respective department sections of this document.

General Fund Balancing Strategy Detail

2024-2025 Adopted Operating Budget

PROPOSED BUDGET BALANCING STRATEGY

Use of Funds

Category	\$ Change	Description
Other Fee Programs, Grants, and Reimbursements	\$949,001	The actions in this category are partially offset by revenue from fees, grants, or reimbursements and include: Regulatory Compliance and Purified Water Program (\$580,381); Clean Creeks and Healthy Watersheds (\$384,000); Gardner Community Center Staffing (\$364,330), Non-Development Fee Program Realignment (\$362,090); Ambulance Transport and User Fee Program (\$156,470); Code Enforcement Multiple Housing Fee Program Staffing (\$99,499); and Cannabis Regulation Program Staffing (-\$997,769).
Use of Reserves	(3,967,000)	The Proposed Budget includes the use of the Deferred Infrastructure and Maintenance Reserve (\$2.0 million); Police Equipment Replacement Sinking Fund Reserve (\$1.0 million); Fire Equipment Replacement Sinking Fund Reserve (\$395,000); New Parks and Recreation Facilities Operations and Maintenance Reserve (\$247,000); New Traffic Infrastructure Assets Operations and Maintenance Reserve (\$164,000); New Police Facilities Operations and Maintenance Reserve (\$101,000); and New Fire Facilities Operations and Maintenance Reserve (\$60,000).
Cost Reductions/Service Delivery Efficiencies/Fund Shifts from Other Funds	(20,226,020)	Net decrease of \$20.2 million primarily resulting from efficiencies and other cost saving measures, including the: shift of Interim Housing Construction and Operation to Measure E funding (-\$8.0 million); Police Department Sworn Staffing (-\$2.1 million); Police Staffing Addition Reserve (-\$1.9 million); Vacant Position Eliminations (-\$1.3 million); and Community Service Officers Staffing (-\$1.3 million). These and additional cost reductions are described in more detail in the respective department sections of this document.
Total	\$ 24,681,779	

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

ADOPTED BUDGET BALANCING STRATEGY

The final phase of the 2024-2025 budget process commenced following the issuance of the City Manager's Proposed Budget and consisted of the following major steps: City Council Budget Study Sessions on the Proposed Budget; formal public input through the Public Hearings process; issuance by the Administration of recommended revisions to the Proposed Budget (in the form of formal Manager's Budget Addenda); issuance by the City Council of recommended revisions to the Proposed Budget (in the form of Budget Documents submitted to the Mayor's Office); issuance of the Mayor's June Budget Message memorandum that included recommended revisions to the Proposed Budget and incorporated feedback from the City Council and the Administration; and approval by the City Council of the Mayor's June Budget Message and final Adopted Budget. In addition, numerous hybrid community budget meetings were held at locations throughout the city.

Summarized in Table IV by general category are the additional changes introduced by Manager's Budget Addenda or the Mayor's June Budget Message and subsequent modification and approval by the City Council. (The full text of the Message is included as an Appendix to this document.) Those additional changes in funding sources and uses totaled \$515.0 million in 2024-2025.

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

**Table IV
2024-2025 ADOPTED OPERATING BUDGET
General Fund Funding Requirements and Balancing Strategy (in \$000s)**

	2024-2025	Ongoing
Remaining Balance from Proposed Budget (from Table III)	\$ 0	\$ 0
Balancing Strategy		
Source of Funds		
Fund Balance to Support 2023-2024 Projects/Balancing Strategy	\$ 479,609	\$ 0
Revenue-Related Rebudgets to Support 2023-2024 Projects	25,076	0
Other Revenue Changes	11,200	11,000
New Grants/Revenue-Supported Expenditures	(886)	754
Subtotal Source of Funds	\$ 514,999	\$ 11,754
Use of Funds		
Rebudgets to Support 2023-2024 Projects	\$ 504,686	\$ 0
New Grants/Reimbursements/Revenue-Supported Expenditures	9,406	0
Service Level Enhancements	2,321	10,399
2023-2024 Previously One-Time Funded Services	490	0
Unmet/Deferred Technology, Infrastructure, and Maintenance	252	90
2025-2026 Future Deficit Reserve	0	(20,000)
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(156)	22,919
Use of Reserves (Essential Services Reserve)	(2,000)	0
Subtotal Use of Funds	\$ 514,999	\$ 13,408
Total Balancing Strategy	\$ 0	(\$ 1,654)
Remaining Balance	\$ 0	(\$ 1,654)

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

ADOPTED BUDGET BALANCING STRATEGY

Source of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$515.0 million in additional resources were approved to be used as part of the Adopted Budget strategy. The major elements of these revisions are described below.

Fund Balance to Support 2023-2024 Rebudgeted Projects/Balancing Strategy

The unrestricted portion of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance estimate was adjusted upward by \$479.6 million, which primarily reflected 2023-2024 funding which was estimated to be carried over (rebudgeted) to 2024-2025 to complete previously approved projects (\$476.9 million), as identified in Manager's Budget Addendum #29. In addition, \$2.7 million was included in the Mayor's June Budget Message for Fiscal Year 2024-2025 to reflect rebudgets for the Mayor and City Council offices.

Revenue-Related Rebudgets to Support 2023-2024 Projects

The Adopted Budget included grant and reimbursement-related revenue totaling \$25.1 million that was rebudgeted from 2023-2024 to complete the associated projects in 2024-2025. These revenue-related rebudgets were spread among several revenue categories, including Other Revenue, Revenue from the Federal Government, and Revenue from the State of California. The approved revenue rebudgets were offset by expenditure appropriation rebudgets, which were also included in the Adopted Budget.

Other Revenue Changes

The Adopted Budget included an increase of \$11.2 million to reflect higher Property Tax revenue, higher Sales Tax revenue, and a transfer from the General Purpose Parking Fund to the General Fund for Downtown Ice.

New Grants/Revenue-Supported Expenditures

The Adopted Budget included a net negative adjustment of \$886,000 for grant/reimbursement/fee revenue. The approved adjustments were reflected in several revenue categories, including Fees, Rates, and Charges, Licenses and Permits, Other Revenue, Revenue from the Federal Government, Revenue from Local Agencies, and Revenue from the State of California.

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

ADOPTED BUDGET BALANCING STRATEGY

Use of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$515.0 million in General Fund expenditure changes were approved. In addition, 8.45 positions were added in the General Fund. Listings of all the approved budget modifications are described in detail in the CSA and departmental sections of this Adopted Budget document as well as summarized in Manager's Budget Addendum #33.

The major elements of the General Fund revisions are described below.

Rebudgeted 2023-2024 Projects

Additional expenditures totaling \$504.7 million were included in the Adopted Budget to fund the completion of programs and projects authorized in the prior year. The rebudgeted funds were offset by additional 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance.

New Grants/Reimbursements/Revenue-Supported Expenditures

Expenditure changes related to new grant or reimbursement activity totaled \$9.4 million. These grant and reimbursement expenditures were offset by additional revenue.

Service Level Enhancements

Additional expenditures totaling \$2.3 million were included in the Adopted Budget for service level enhancements. The largest of these allocations included:

- \$1.4 million for Oversized Vehicle Regulation Pilot Program
- \$450,000 for Trusted Response Urgent Support Team
- \$200,000 for School of Arts and Culture - La Avenida Cultural District
- \$200,000 for San José Shared Arts Center
- \$200,000 for Municipal Electric Utility Service Exploration
- \$150,000 for Clean Gateways Pilot Program - Phase 2

Additional adjustments of \$100,000 or less in value are further detailed within the City Department and City-Wide Expenses sections of this document.

While the Proposed Budget, in alignment with City Council direction with their approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, included a two-year strategy for the reallocation of Measure E resources, City Council's approval of the Mayor's June Budget Message for Fiscal Year 2024-2025 eliminated the second-year

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

reallocation. With that action, the second-year and ongoing commitments for implementation of the City's Storm Water Permit totaling \$10.1 million – consisting of Safe or Alternative Sleeping Sites (\$5.0 million), Outreach, Sanitation, and Other Services (\$3.5 million), and a Recreational Vehicle Pollution Prevention Program (\$1.65 million) – will be borne by the General Fund and are reflected within the ongoing column of this category.

2023-2024 Previously One-Time Funded Services

The Adopted Budget includes funding to continue services that were funded on a one-time basis in the 2023-2024 Adopted Budget for Office of Economic Development and Cultural Affairs to continue two Fourth of July fireworks events and add a third one at Lake Cunningham (\$300,000); for San José Downtown Association to continue the production of Downtown Ice and support Downtown Champions marketing team (\$290,000); for Climate Smart San José to continue education and preparation efforts of electrification goals (\$100,000); and for reallocation of budget from Climate and Seismic Resilience Planning to Municipal Electric Service Exploration (-\$200,000).

Unmet/Deferred Technology, Infrastructure, and Maintenance

The Adopted Budget included \$252,000 to allocate funding for deferred infrastructure, and maintenance projects, such as conducting a design and safety study for Monterey Road in Coyote Valley, and various traffic and pedestrian improvements throughout the City.

2025-2026 Future Deficit Reserve

The Adopted Budget included the elimination of the 2025-2026 Future Deficit Reserve by \$20.0 million that was established in the Proposed Budget to partially offset the reversal of Measure E reallocations included in the Proposed Budget. While the Proposed Budget, in alignment with City Council direction with their approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, included a two-year strategy for the reallocation of Measure E resources, City Council's approval of the Mayor's June Budget Message for Fiscal Year 2024-2025 eliminated the second-year reallocation. With that action, the second-year and ongoing commitments for interim housing construction and operations of \$11.5 million and implementation of the City's Storm Water Permit totaling \$10.1 million – consisting of Safe or Alternative Sleeping Sites (\$5.0 million), Outreach, Sanitation, and Other Services (\$3.5 million), and a Recreational Vehicle Pollution Prevention Program (\$1.65 million) – will be borne by the General Fund. As a result, the General Fund shortfall projected for 2025-2026 increased by \$1.65 million.

General Fund Balancing Strategy Detail 2024-2025 Adopted Operating Budget

Cost Reductions/Service Delivery Efficiencies/Fund Shifts

The Adopted Budget included cost reductions and inter-fund or inter-departmental shifts to align resources with program administration and intended uses. These include restoring funding for Community Center Fitness Centers initially proposed as a cost reduction (\$397,000), restoring funding for the Placemaking Program (Viva CalleSJ and Viva Parks) initially proposed as a cost reduction (\$337,000); reducing staff and non-personal/equipment funding for the Cannabis Regulation Program to align with a reduction in Program fees (\$361,000); reducing funding for a fourth Encampment Trash Management team on a one-time basis in 2024-2025 (\$230,000); reducing Enterprise Resource Planning System staff funding on a one-time basis to offset the restoration of funding to support community center fitness rooms (\$219,000); reducing funding on a one-time basis in 2024-2025 for a Neighborhood Economic Grants project from \$200,000 to \$136,914 that will improve blighted sites and attract business and jobs in lower resourced areas (\$63,000); and shifting funding for the City's online grant management system, Webgrants, from Office of Economic Development and Cultural Affairs to the Finance Department (\$17,000).

While the Proposed Budget, in alignment with City Council direction with their approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, included a two-year strategy for the reallocation of Measure E resources, City Council's approval of the Mayor's June Budget Message for Fiscal Year 2024-2025 eliminated the second-year reallocation. With that action, the Adopted Budget restores the \$22.5 million previously anticipated to be borne by Measure E funds in 2025-2026 – and previously shown as a cost reduction within this category – of which \$11.5 million is offset by the liquidation of the 2025-2026 Future Deficit Reserve and \$11.0 million is offset by the recognition of additional Sales Tax (\$8.0 million) and Property Tax (\$3.0 million) revenues.

Use of Reserves

The Adopted Budget includes a net decrease of \$2.0 million to the Use of Reserves category, reducing the Essential Services Reserve, that primarily reflects the revised direction provided by the City Council in their discussion and approval of the Mayor's June Budget Message for Fiscal Year 2024-2025.

Details of reserve adjustments can be found in the General Fund Capital, Transfers, Reserves section of this document.

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Status of Mayor and City Council Referrals 2024-2025 Adopted Operating Budget

The Mayor's March Budget Message for Fiscal Year 2024-2025, as approved by City Council on March 19, 2024, contains policy direction and a framework of priorities for the City Manager to use in the development of the 2024-2025 Adopted Operating and Capital Budgets. The complete Budget Message can be found in the Appendix section of this document. The matrix below provides responses by category for how the direction was addressed in the development of the 2024-2025 Adopted Budget.

Included in the 2024-2025 Adopted Budget

This column is marked if the referral was addressed through an action included in the 2024-2025 Adopted Operating or Capital Budget.

Addressed in a Manager's Budget Addendum

This column is marked if the response to the referral was included in a Manager's Budget Addendum (MBA) that was issued subsequent to the release of the Proposed Budget. All MBA's can be found here: <https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents/2024-2025-budget-documents/budget>.

Current or Future Referral/Policy Work

This column is marked if the response to the referral does not require a budget action, but is considered direction to the Administration. An update on the referral/policy work will be provided at a future City Council meeting, a City Council Committee meeting, through an Information Memorandum, or through some other means. A status on these referrals will be provided several times throughout the fiscal year.

Addressed by the Rebudgeting of 2023-2024 Savings into the 2024-2025 Adopted Budget

This column is marked if funded in the 2024-2025 Adopted Operating Budget with the approval of City Manager's Budget Addendum #29, Recommended Amendments to the 2024- 2025 Proposed Operating and Capital Budgets. A link can be found here: <https://www.sanjoseca.gov/home/showpublisheddocument/112484/638528236843800000>.

Not Included or Subject to Further Evaluation

One referral was not included in the 2024-2025 Adopted Budget.

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

	Referral	Response Category			
		Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
	<i>Urgent Action on Homelessness - Emergency Interim Housing</i>	Engage all relevant City departments to complete the four remaining EIH projects in the pipeline (Via Del Oro, Rue Ferrari expansion, Cherry Avenue, and Cerone) by the end of fiscal year 2024-2025, and apply cost and time-saving learnings from Berryessa Safe Parking and Via del Oro to deliver Cherry and Cerone.	X		
	<i>Urgent Action on Homelessness - Emergency Interim Housing</i>	Evaluate further cost reductions and design enhancements to the Via del Oro project — as well as potential and modest gap funding, if necessary — to ensure we bring these beds and services online as soon as possible.	X		
	<i>Urgent Action on Homelessness - Emmanuel House Shelter Interim Housing Project</i>	Pending the County's allocation of \$4 million to the Salvation Army's interim housing project, explore providing one-time funding of up to \$1 million to supplement the County's contribution for the 74 bed Emmanuel House Shelter interim housing project.	X		
- 99	<i>Urgent Action on Homelessness - Emergency Interim Housing</i>	Continue evaluating reasonable, efficient ways to trim interim housing operating costs without compromising critical case management services, and pursue opportunities to bring down the City's contribution towards operations costs, including CalAIM for reimbursement and quality health services, partnerships with Valley Water in line with AB 1469, further Housing Authority coordination, and behavioral health service integration.	X		
	<i>Urgent Action on Homelessness - County-wide Coordinated Entry</i>	Work with the County and regional partners to explore bringing the homeless shelter capacity we've added into the countywide coordinated entry system and maximize support from these key partners.		X	
	<i>Urgent Action on Homelessness - Safe Sleeping Sites</i>	Identify one-time and ongoing funding to bring basic, low-cost, low-barrier safe sleeping sites online by the end of December 2024 — conditioned upon the Council approving one or more sites before July 2024 — with enough capacity to significantly reduce the number of unmanaged encampments along our waterways.	X		
	<i>Urgent Action on Homelessness - Low-barrier Solutions to Homelessness</i>	In a Manager's Budget Addendum (MBA) that responds to the direction included in the Rules Committee memorandum from Councilmembers Doan and Batra on low-barrier solutions to homelessness, the City Manager should include a broader evaluation of low-cost strategies and potential sites — including Valley Water sites — with the goal of moving people out of our waterways over time while preventing homeless residents from being displaced into other neighborhoods.			MBA #17

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

		Response Category			
Referral	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget	
<i>Urgent Action on Homelessness - Homeward Bound Program</i>	Identify one-time funds to implement a pilot "Homeward Bound" program whereby outreach workers have access to flexible funding to reunite homeless residents with their loved ones by paying for transportation or other relocation costs, potentially including rental deposits and associated costs of securing housing within or outside of San José. This pilot should include outcome measurements to ensure Homeward Bound strategies are effective in helping vulnerable residents achieve greater stability and opportunity.	X			
<i>Urgent Action on Homelessness - Eviction Diversion</i>	Explore a one-time increase to the current level of funding dedicated towards homelessness prevention and identify one-time funding to continue the Eviction Diversion Program for another year.	X			
<i>Urgent Action on Homelessness - Coordinated Intervention and Prevention</i>	Accelerate work with the County, Housing Authority and regional partners like Destination: Home to develop a more formal and coordinated implementation plan for intervention and prevention among high-risk groups for homelessness that may include cash assistance, housing navigation, workforce development, and access to behavioral health care, and identify associated funding needs for implementation. The City Manager is directed to report back to the Council on these efforts by October 2024.		X		
<i>Urgent Action on Homelessness - SJBridge</i>	Restructure SJBridge's referral process in line with the Housing Department's recommendations, and spread the program across every emergency interim housing.		X		
<i>Urgent Action on Homelessness - Enhanced Neighborhoods and Waterways</i>	Refine the original \$25 million estimate presented to Council on March 5 for compliance with Municipal Regional Stormwater permit to provide the Council greater clarity on strategies and expected measurable impact, and propose one-time and ongoing funding — including potential cost sharing with Valley Water — to implement an approach that helps people transition out of our waterways without simply sending them into unmanaged encampments down the road.	X			

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

	Referral	Response Category			Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
		Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	
	<p>Urgent Action on Homelessness - Framework for Shared Public Spaces</p> <p>Engage all relevant City departments and explore the allocation of existing and new resources to implement an expanded encampment management strategy within this Framework, including 1) providing weekly trash pickup services at the estimated 50 encampments that are currently not serviced; 2) establishing and prioritizing abatement where appropriate based on concrete thresholds for fire risk and criminal activity; 3) enforcing good neighbor policies related to encampment footprints (12’x12’), biowaste and unsanitary conditions, and blight and trash generation; and 4) enforcing park and trail rules, including enforcement of existing prohibitions on driving vehicles on trails and in parks. In addition, to minimize the cost and impact of biowaste, the City Manager is directed to include in the Framework implementation increased access to water, sanitation and hygiene services.</p>	X		X	
	<p>Urgent Action on Homelessness - Pedestrian Facilitation Zone</p> <p>Enforce the rules of the Pedestrian Facilitation Zone — starting with Santa Clara Street between Market and 4th Street and expanding outward in phases — and explore how to best engage the “Co-Lab” partners, including PATH and the Social Impact Team, to provide a compassionate initial response.</p>	X		X	
	<p>Urgent Action on Homelessness - Interagency Agreements (BeautifySJ)</p> <p>Work directly with partner agencies, including Caltrans, Valley Water and Valley Transportation Authority, to amend existing or establish new interagency agreements that allow the City to conduct escalated clean-ups or abatements in a timely manner on their properties. The City Manager should prioritize securing a reasonable cost-sharing framework between agencies and evaluate whether additional BeautifySJ resources are needed to implement our shared vision of a consistently clean and safe city irrespective of who owns a given parcel.</p>			X	
	<p>Urgent Action on Homelessness - Abandoned Shopping Carts</p> <p>Engage with large retailers that fall under Municipal Code 9.60 and, in collaboration with the City Attorney, return to Council with recommendations and draft language for an expanded Abandoned Shopping Cart ordinance to enable the City to collect abandoned shopping carts at a faster rate, return them to their owners, and ensure full cost recovery via an increase in the existing fee associated with this ordinance.</p>		MBA #26		
	<p>Urgent Action on Homelessness - Oversized Vehicle Regulation</p> <p>Explore the allocation of one-time or ongoing funding, as appropriate, to pilot better citywide regulation of oversized vehicles, including using tow authority when appropriate to enforce prohibited “overnight” and “oversized” parking, facilitating enhanced street sweeping, and implementing a 150-ft setback for our most impacted schools.</p>	X	MBA #16		

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	
Urgent Action on Homelessness - Safe Parking Program	1) Open the Berryessa Safe Parking site by September 2024; 2) allocate one-time and ongoing funding, as appropriate, to pursue opportunities to use City and County-owned land, lease privately-owned land, or engage faith-based partners to open at least one additional safe parking site akin to Mountain View's model; and 3) work with individual Council offices to identify suitable on-street locations where lived-in vehicles can temporarily park while new off-street parking alternatives are being identified.	X		X
Urgent Action on Homelessness - RV Pollution Prevention Program	Identify ongoing funding to continue the Recreational Vehicle (RV) Pollution Prevention Program with an expansion in the number of vehicles serviced.	X		
Urgent Action on Homelessness - RV Buy-back and Disposal	Explore paying for RV tow liens, and identify one-time funding to pilot an RV buy-back and disposal program.	X	MBA #16	
Urgent Action on Homelessness - No Return Zones	Explore the allocation of the ongoing resources necessary to expand the "No Return Zones" model to areas in the City where the impacts of encampments are most costly and create unsafe conditions for all residents, waterways, commercial districts, and the environment.	X		
Urgent Action on Homelessness - No-encampment Zones	Explore the allocation of a combination of new and existing resources to establish no-encampment zones within two walkable blocks of every existing and planned emergency interim housing, safe parking and safe sleeping site.	X		
Improving Community Safety - Police Recruitment & Backgrounding	Continue the additional investment in marketing, recruitment and backgrounding approved in last year's budget and explore other strategies to ensure we fully utilize our Police Academy's capacity (50 officers per cohort).	X		
Improving Community Safety - Women's Bootcamp	Identify ongoing funding to establish a Women's Bootcamp with capacity for at least 15 women per cohort providing them with additional exposure to the profession, mentorship and setting them up for success in our Police Academy.	X		
Improving Community Safety - SJPD Cadet Program	Explore funding a stipend for Police cadets aged 18-21 to maintain engagement between young adulthood and when interested residents are eligible to apply for the Police Academy at age 21.	X		
Improving Community Safety - Lateral Hiring Bonus	Explore increasing the lateral hiring bonus for Police to encourage recruitment of qualified talent within the state of California.	X		
Improving Community Safety - Backgrounding	Maintain current investments in streamlining our Police hiring process and explore other means of being a preferred employer.	X		

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
Improving Community Safety - AIR3 Maintenance & Replacement / Air Support Expansion	Develop a Manager's Budget Addendum summarizing projected maintenance costs for Police's AIR3 Helicopter with recommendations for the optimal timing and method for replacing the unit, and additional analysis on the financial viability and associated funding options for future expansion of the Air Support Unit.			
		MBA #31		
Improving Community Safety - Real Time Crime Centers	Explore deeper integration of Department of Transportation cameras and SJPD enforcement activities through investments in recording capabilities and remote access to live camera feeds for appropriate SJPD personnel while adhering to the City's privacy and data retention policies and state law.			
	X			
Improving Community Safety - Speed Safety Pilot	Allocate one-time or ongoing funding, as appropriate, to establish an equitable speed safety pilot program that deploys as many automated speed safety cameras as is fiscally feasible on priority safety corridors or near school sites, as informed by our Vision Zero Action Plan.			
	X			
Improving Community Safety - Quick Build Traffic Safety Interventions	Explore accelerating the deployment of quick build traffic safety interventions and ensure that there is sufficient funding to deploy quick build projects within the foreseeable future. Quick build projects should be prioritized on priority safety corridors in alignment with the Vision Zero Action Plan.			
			X	
Improving Community Safety - Ambulance Transport User Fee	Expedite the implementation of the Ambulance Transport User Fee as soon as practical.			
	X			
Improving Community Safety - Fire Equipment Replacement	Allocate one-time funding of at least \$500,000 to ensure SJFD timely replacement of equipment offset by the reserve set-aside for this purpose in the 2024-2025 Base Budget.			
	X			
Improving Community Safety - Alternative Response Framework	Participate in exploratory conversations with the County's leadership team as both agencies work to develop a shared framework with clarity about roles, responsibilities and funding commitments to respond to service calls.			
			X	
Clean Up San José - Clean Gateways Sponsorship	Explore additional partnership opportunities with private companies and community groups interested in sponsoring a Clean Gateway with financial and/or volunteer support with a goal of sustainably keeping each of our 11 initial gateways well-maintained.			
	X		X	
Clean Up San José - SJ 311 Enhancements	Explore opportunities with third-party vendors to incorporate native app functionality into the SJ311 service to improve data integration, enhance the quality and consistency of communication, and add alert capabilities for relevant city-led volunteer and community events.			
	X			X

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
Clean Up San José - SJ 311 Enhancements			X	
Clean Up San José - Neighbor-to-Neighbor/Beautify Your Block	X		X	
Clean Up San José - BSJ Grant Program	X			
Clean Up San José - Graffiti Deterrence and Enforcement	X		X	
Clean Up San José - Illegal Dumping	X			
Clean Up San José - P3 Mobile Crime Stoppers Incentives			X	
Clean Up San José - Diversion and Restorative Justice			X	
Clean Up San José - Code Enforcement Operational Assessment	X			

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	
Attracting Jobs and Investment - EIR Requirements and Process Enhancements	Pursue the best strategy to eliminate the need for non-site specific technical reports for every individual project and analyze the staff process for efficiencies. This could be in the form of an update to the Downtown Environmental Impact Report (EIR) and/or the creation of standardized impacts and standardized mitigations that could simply be incorporated into the conditions of approval for typical residential, office, hotel, and retail projects in the downtown area.			X
Attracting Jobs and Investment - Expedited Permitting Assessment	Provide an analysis of what investments are needed in development services so that when an applicant applies for a permit and their application is deemed complete, they can get a reasonable timeframe of when they will receive approvals.			X
Attracting Jobs and Investment - Comprehensive Development Fee Estimation	Create a fee calculator that estimates an applicant's cost of doing business with the city, starting with high-impact permit types that facilitate job and housing growth.			X
Attracting Jobs and Investment - Development Fee Assessment	Continue to make every effort to ensure that fee increases are commensurate with cost requirements and explore the potential to pause certain fee increases where feasible and appropriate, including fees related to the Inclusionary Housing Ordinance.	X		
Attracting Jobs and Investment - Planning & Permitting Enhancements	Councilmembers Davis and Jimenez identified and brought forth a number of recommendations in a memo to the November 1, 2023 Rules Committee meeting, outlining a number of areas in which the City might improve development services, including streamlined review processes and an assessment of the cost implications of the City's regulatory framework. The City Manager is directed to complete the recommendations in the memo, allocating additional resources if necessary, and report to the Community and Economic Development Committee by the first quarter of 2025 for a discussion of findings and implementation options.			X
Attracting Jobs and Investment - Urban Villages Pre-Clearance	Continue the work initially funded last year to enable CEQA pre-clearance for market-ready urban villages, ideally borrowing any additional streamlining strategies identified as the City Manager evaluates the current Downtown EIR and associated review process.			X
Attracting Jobs and Investment - Manufacturing Incentives	Propose specific incentives to encourage companies, including artificial intelligence and advanced manufacturing companies, with fewer than 100 employees to start up in or relocate to San José.	X		
Attracting Jobs and Investment - SJSU Partnerships	Explore workforce, technology and especially AI-focused partnerships with San José State University, including the potential for a co-working space for aspiring technologists at the (MLK) King Library.	X		

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

	Referral	Response Category			Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
		Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	
	Attracting Jobs and Investment - Innovative Technology Pilot	Explore the allocation of one-time funding to expand the Government AI Coalition and lay the groundwork for a Civic Sandbox Initiative that facilitates regular piloting of innovative technologies by City Departments in collaboration with outside entrepreneurs and academics.	X		
	Attracting Jobs and Investment - Parkland Lease Revenue Measure	Explore placing a measure on the upcoming November 2024 ballot that would allow the City to enter long-term retail and commercial leases on City park land and direct the resulting revenues back into our parks, returning to Council no later than the end of May 2024 with a status update and any polling results.		X	
	Attracting Jobs and Investment - Night Markets & Special Events	Explore municipal code changes that can make it easier to host special events on private property and explore reducing red tape and fees for event permitting. The City Manager is further directed to explore expanding the ability for the Office of Economic Development and Cultural Affairs to permit outdoor special events on private property.		X	
- 73 -	Attracting Jobs and Investment - San José Sports Authority	Provide the San José Sports Authority (SJSA) additional one-time funding to prepare the City for Super Bowl 60 and the FIFA World Cup. Funding should be used to plan and execute a San José marketing initiative, direct event activations, additional SJSA staff time, and economic impact reports.	X		
	Attracting Jobs and Investment - Sports Tourism Planning	Expedite discussions with partners for 2026 sports tourism planning. Furthermore, the City Manager is directed to anticipate and remove barriers, returning to City Council for approval if necessary, related to super graphics, wayfinding, sponsorship, and marketing and activation campaigns associated with 2026 events and any future significant sports or tourism related events. The City Manager is further directed to return to City Council by December 2024 with a report summarizing their preparation for these major 2026 events.	X	X	
	Attracting Jobs and Investment - San José Sports Authority	Extend the San José Sports Authority multi-year funding agreement and include provisions for optional future extensions if mutually agreed upon performance metrics are achieved.		X	
	Attracting Jobs and Investment - Unpermitted Vendor Enforcement	Explore the allocation of one-time resources for the development of an unpermitted vendor policy to be implemented and enforced in time for the 2024 holiday season, and coordinate with the County to advocate at the State level for regulatory changes.	X		X

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	
Attracting Jobs and Investment - San José Downtown Association	Allocate one-time funding to support the San José Downtown Association in an effort to give the buildings on Santa Clara Street a much needed refresh, such as lighting, painting, storefront treatments, and blight-busting strategies to combat problems at key downtown sites.	X		
Attracting Jobs and Investment - San Pedro Street Pedestrian Mall Upgrades	Continue working with private, philanthropic, and government entities to secure funding for San Pedro Street Pedestrian Mall upgrades, and explore providing tactical gap funding for upgrades, if needed. Furthermore, the City Manager is directed to value engineer and phase the San Pedro Street Pedestrian Mall upgrades in a manner that is fiscally prudent and sensitive to business concerns.			X
Attracting Jobs and Investment - Digital Wayfinding Ordinance	Prioritize one-time resources to implement the digital wayfinding ordinance update by the end of fiscal year 2024-2025, and redirect resulting revenues into event activation and destination marketing programs.			X
Attracting Jobs and Investment - Storefront Activation Grants Program	Explore the continuation of the Storefront Activation Grants Program into 2024-2025.	X		
Attracting Jobs and Investment - Destination Marketing and Content Creation Initiative	Explore providing Team San José one-time funding for destination marketing and content creation to grow tourism.	X		
Attracting Jobs and Investment - Convention Center Solar Panel Installation	Evaluate the potential for long-term cost savings by adding solar panels on top of the convention center paired with on-site storage.			X
Attracting Jobs and Investment - Small Business Recovery - Supplemental Arts + Cultural Funding	Continue to provide one-time supplemental arts and cultural funding to partially bridge the gap.	X		
Attracting Jobs and Investment - Event Admissions Fee	Return with an MBA evaluating the establishment of an admissions fee and other revenue opportunities for San José events that could serve as a new revenue stream for arts and cultural organizations and cultural facilities.			MBA #15
Attracting Jobs and Investment - San José Earthquakes Sports Complex Development	Bring forth an MBA analyzing how the City might best support development of the San José Earthquakes Sports Complex in a way that maximizes benefits for the community.			MBA #20
Other Important and Ongoing Work - Council Appointee Review	Allocate sufficient ongoing funding to enable the Mayor's Office to work with the Council and an outside consultant to overhaul and manage the annual Council Appointee review and feedback process.	X		
Other Important and Ongoing Work - Youth Services	Explore the development of a budget and implementation plan to pilot this work in Poco Way/Mayfair and Seven Trees/Santee communities, and fund staffing at both the Starbird and Berryessa Youth Centers.	X		X

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget
<i>Other Important and Ongoing Work - San José Animal Care and Services</i>	X			
<i>Other Important and Ongoing Work - Digital Equity & Empowerment</i>			X	
<i>Other Important and Ongoing Work - 2025-2026 Future Deficit Reserve</i>	X			
<i>Other Important and Ongoing Work - Multiple</i>	X			
<i>Other Important and Ongoing Work - Essential Services Reserve</i>	X			
<i>Other Important and Ongoing Work - Budget Balancing Strategy Guidelines</i>	X			

Status of Mayor and City Council Referrals

2024-2025 Adopted Operating Budget

Referral	Response Category			
	Included in the 2024-2025 Adopted Budget	Addressed in a Manager's Budget Addendum	Current or Future Referral/ Policy Work	Addressed by Rebudgeting of 2023-2024 Savings into 2024-2025 Adopted Budget

Not Included or Subject to Further Evaluation

Attracting Jobs and Investment - City Free Use

Explore allocating a small amount of additional funding for City Free Use within the Convention and Cultural Affairs Fund, which may allow Team San José greater flexibility in targeted instances to attract new and large events.

After evaluation of available resources within the Convention and Cultural Affairs Fund, it was determined that there is insufficient funding to increase City Free Use at this time. However, the Administration will continue to monitor the health of the fund and, if conditions improve, will bring forward actions to increase the City Free Use as part of a future budget process.

Status of City Auditor Recommendations with Funding Impact 2024-2025 Adopted Operating Budget

There are audit recommendations that are addressed in actions included in the 2024-2025 Adopted Budget. The table below provides a summary of those audit recommendations. While this report focuses on audit recommendations with budget actions in 2024-2025, there are numerous outstanding audit recommendations with financial implications that are not being implemented as part of the 2024-2025 Adopted Budget. The City Auditor's Office reports on all outstanding audit recommendations on a semi-annual basis. These status reports along with an interactive dashboard can be found on the Auditor's Office website at: <https://www.sanjoseca.gov/your-government/appointees/city-auditor/audit-recommendations>.

Department	Item	Remarks
Planning, Building, and Code Enforcement (PBCE)	Residential Building Permits: Additional Resources and Further Process Enhancements Can Reduce Wait Times and Improve Service Delivery (Report 23-07 Issued 11/17/2023, #01)	The 2024-2025 Adopted Operating Budget eliminates 1.0 Associate Engineer and adds 1.0 Engineer I/II position within the Building Development Fee Fund, and realigns 1.0 Planner IV funded by the Building Development Fee Fund to the Planning Development Fee Fund. The City Auditor's Report 23-07 recommended continuing and potentially prioritizing recruitment for entry-level positions, such as Engineer I/II, as part of a long-term staffing strategy to improve timeliness of the building permit process. More detail on this action can be found in the City Departments/Council Appointees section of the 2024-2025 Adopted Operating Budget for the Planning, Building, and Code Enforcement Department.

**Status of City Auditor Recommendations with
Funding Impact
2024-2025 Adopted Operating Budget**

Department	Item	Remarks
Housing	Housing Performance Measures: The City Should Focus and Align Measure to Support Decision-Making (Report 23-04 Issued 09/15/2023, #01)	<p>The 2024-2025 Adopted Operating Budget updates the Housing Department's performance measures to address a recommendation from City Auditor's Report 23-04 on streamlining and improving performance measures. The changes better align with current programs, priorities, and recurring reports that leverage Housing Department performance measures. The performance measure modernization utilizes the City Service Area structure as a type of logic model that aligns measures around inputs (budget resources), activities (core services and budget programs), outputs (activity and workload highlights), processes (performance measures), and outcomes (community indicators).</p> <p>More detail on this change can be found in the City Departments/Council Appointees section of the 2024-2025 Adopted Operating Budget for the Housing Department.</p>

Status of City Auditor Recommendations with Funding Impact 2024-2025 Adopted Operating Budget

Department	Item	Remarks
Finance	<p>COVID-19 Food Distribution Expenditures: The City Should Address Gaps in Emergency Documentation and Procedures</p> <p>(Report 22-06 Issued 10/06/2022, #01)</p> <p>Citywide Grant Management: Improved Coordination Can Increase Federal Grant Opportunities and Standardize Grant Administration</p> <p>(Report 22-03 Issued 04/14/2022, #01)</p>	<p>The 2024-2025 Adopted Operating Budget continues the staffing needs for the Disaster Recovery and Grants Management group within the Finance Department by converting a temporary 1.0 Analyst I position to permanent status, adding one-time funding for 1.0 Analyst I through June 30, 2025, and extending 1.0 Accounting Technician through June 30, 2025. Adding funding for the Disaster Recovery and Grants Management team is consistent with City Auditor Report 22-06 to identify staffing resources that develop and maintain Citywide administrative guidelines or procedures, and City Auditor Report 22-03 to document information in emergency cost recovery files to comply with federal funded expenditure requirements.</p> <p>More detail on this action can be found in the City Departments/Council Appointees section of the 2024-2025 Adopted Operating Budget for the Finance Department.</p>

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**2024-2025 Adopted Operating Budget
Stormwater Permit Implementation Funding Summary**

This document summarizes the additional funding included in the 2024-2025 Adopted Operating Budget to meet the requirements of the City's Municipal Regional Permit (Stormwater Permit). While these resources are primarily focused on the impacts to the City's waterways (Direct Discharge), there are various other requirements that need to be addressed and are included below.

The San Francisco Bay Regional Water Quality Control Board previously rejected the City's third submittal of the Direct Discharge Plan, which in accordance with the Stormwater Permit requirements, shall demonstrate a commitment to and a plan for increasing housing and addressing trash, sanitary, and other services to reduce discharges associated with unsheltered homeless populations living in waterways and in vehicles near storm drains. The San Francisco Bay Regional Water Quality Control Board concluded that the City shall prioritize housing and services to people experiencing unsheltered homelessness who are living near receiving waters (within 500 feet) and needs to incorporate this as a criterion for encampment abatement. Failure to comply with these mandates could expose the City to significant legal and financial risks. The City resubmitted its fourth revised plan on March 6, 2024, and received approval on June 2, 2024. The 2024-2025 Adopted Operating Budget includes the significant investment for new or enhanced services to meet Stormwater Permit requirements in the approved plan. Consistent with City Council's direction in their approval of the Mayor's March Budget Message for Fiscal Year 2024-2025, the Adopted Budget leverages several funding sources to address Stormwater Permit requirements.

While preliminary resource needs and initial implementation strategies are outlined below, the Administration will be refining this approach over the fiscal year and the allocation of resources may need to shift. The Administration will bring forward adjustments as part of a future budget process, as necessary. It is important to note that, while the Proposed Budget contemplated a two-year strategy for the reallocation of Measure E resources to support Stormwater Permit implementation, the City Council ultimately only approved the reallocation for 2024-2025, which requires the second-year and subsequent ongoing costs to be paid from the General Fund.

Stormwater Permit Implementation Strategies	FTE	2024-2025 Amount	Ongoing Amount
1. Safe or Alternative Sleeping Sites		10,000,000	5,000,000
		(Measure E)	(General Fund)
This allocation funds the identification, design, construction, and operation of safe sleeping or other alternative sites for homeless residents to relocate 500 unsheltered community members who are currently in encampments along waterways. While the scope and operational model of these sites are under development, the identified goal is to move these unsheltered community members to a managed environment within a tent or other minimal temporary shelter. This funding is also inclusive of staffing and consultant services costs for Public Works to expedite interim housing and safe sleeping site development, both of which will be critical to comply with Stormwater Permit requirements. While work is ongoing to arrive at construction and operating cost models for the placement of 500 residents at safe sleeping sites, given the City's significant budgetary constraints, the City may need to consider a mix of sleeping options, including smaller, minimally supported sites that receive very few services. Depending on the operational model for these sites, the ongoing funding need may be significantly higher and will need to be reevaluated in subsequent budget cycles.			
2. Outreach, Sanitation and Other Service Provision	-	3,600,000	3,500,000
		(Measure E)	(General Fund)
This allocation funds sanitation services to encampments along waterways, as well as outreach and other support services to help meet the basic needs of residents along the waterways and conduct housing assessments to refer and place individuals into shelter and housing opportunities. This funding will also allow for a more accurate count for those living along waters. Preliminary estimates of these services are shown below, though the exact amount may shift.			
<i>Encampment Sanitation Services</i>		<i>2,000,000</i>	-
<i>Outreach Team</i>		<i>1,500,000</i>	-
<i>Count of Unhoused Individuals</i>		<i>100,000</i>	-

**2024-2025 Adopted Operating Budget
Stormwater Permit Implementation Funding Summary**

Stormwater Permit Implementation Strategies	FTE	2024-2025 Amount	Ongoing Amount	
3. Encampment Management and Abatement	11.0	7,833,263	7,376,028	
		<i>(General Fund)</i>	<i>(General Fund)</i>	
This allocation provides resources for the Beautify San José team to abate and clean encampments along waterways, institute "no return zones" once encampments have been removed and cleaned, and to provide clean-up and abatement services to surrounding neighborhoods, as necessary. This allocation generally assumes that operations begin toward the end of calendar year 2024 after the opening of alternative or safe sleeping sites. Preliminary estimates of these services are shown below. To the extent that alternative sites or other locations are not available to receive unsheltered residents, the implementation of some of these teams will be pushed out later in the fiscal year, with any savings in 2024-2025 redeployed for safe or alternative sleeping site development. Additional information is included in the Parks, Recreation and Neighborhood Services Department section of the budget document.				
<i>Waterways Abatement</i>	<i>6.0</i>	<i>4,662,567</i>	<i>4,973,342</i>	
<i>Mitigating Impacts to Neighborhoods</i>	<i>2.0</i>	<i>1,763,811</i>	<i>1,854,811</i>	
<i>Deterrents Installation and Maintenance</i>		<i>1,000,000</i>		
<i>No Return/No Encampment Zones</i>	<i>3.0</i>	<i>406,885</i>	<i>547,875</i>	
4. Recreational Vehicle Pollution Prevention Program	3.0	1,425,000	1,654,120	
		<i>(Measure E)</i>	<i>(General Fund)</i>	
This allocation expands the Recreational Vehicle (RV) Pollution Prevention Program to increase the number of RVs and other lived in vehicles served from 150 to 600 every two weeks. This program removes and disposes of human waste from RVs and lived in vehicles, preventing these discharges from entering waterways. Additional information is included in the Parks, Recreation and Neighborhood Services Department section of the budget document.				
5. Police Presence and Security	-	1,200,000	500,000	General Fund
		<i>(General Fund)</i>	<i>(General Fund)</i>	
This allocation continues the proactive Police Department patrols, funded on an overtime basis, along the Coyote Creek and Guadalupe River Trail, and allocates funds for Police Department presence during abatement and clean-ups. Additional information is included in the Police Department section of the budget document.				
<i>Coyote and Guadalupe River Trail Patrol</i>		<i>700,000</i>		
<i>Security</i>		<i>500,000</i>	<i>500,000</i>	
6. Other Required Activities	8.0	2,853,616	1,345,529	Multiple Funds
		<i>(Multiple Funds)</i>	<i>(Multiple Funds)</i>	
This category includes a number of new investments needed to implement the Stormwater Permit, including the maintenance of Large and Small Trash Capture Devices, inspections of stormwater connections on private and public property, an evaluation of fire stations for the presence of PFAS, and mitigating PCBs within certain storm drain sections. This category also allocates additional ongoing funding for creek clean-ups to non-profit partners and staffing in Public Works Development Services Program to coordinate the implementation of policies and programs to address new state requirements for new and redevelopment projects. Finally, this category includes funding for an engineering assessment study for the potential development of a fee program to offset the costs of Stormwater Permit implementation.				
<i>Trash Capture Devices Maintenance (DOT)</i>	<i>5.0</i>	<i>1,348,702</i>	<i>681,133</i>	<i>Special Fund</i>
<i>Municipal Regional Stormwater Permit Inspection Programs (ESD)</i>	<i>2.0</i>	<i>481,930</i>	<i>348,396</i>	<i>General Fund/Special Fund</i>
<i>Stormwater Assessed Fee Engineering Report (City-Wide Expenses)</i>		<i>300,000</i>		<i>General Fund</i>
<i>Aircraft Rescue and Firefighting Foam Disposal (Airport)</i>		<i>270,000</i>		<i>Special Fund</i>
<i>Development Services Coordination (Public Works)</i>	<i>1.0</i>	<i>172,984</i>	<i>241,000</i>	<i>General Fund/Special Fund</i>
<i>PFAS Evaluation (ESD)</i>		<i>165,000</i>		<i>General Fund</i>
<i>Creek Clean-up Partners (PRNS)</i>		<i>75,000</i>	<i>75,000</i>	<i>General Fund</i>
<i>Polychlorinated Biphenyls (PCB) Mitigation (DOT)</i>		<i>40,000</i>		<i>General Fund</i>

**2024-2025 Adopted Operating Budget
Stormwater Permit Implementation Funding Summary**

Stormwater Permit Implementation Strategies	FTE	2024-2025 Amount	Ongoing Amount
Total	22.0	26,911,879	19,375,677
Direct Discharge	14.0	24,058,263	18,030,148
Other Requirements	8.0	2,853,616	1,345,529
By Funding Source			
<i>Measure E</i>	3.0	15,025,000	-
<i>General Fund</i>	13.0	10,043,462	18,283,096
<i>Other Special Funds</i>	6.0	1,843,417	1,092,581

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