



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim Shannon

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR MARCH/APRIL 2020

DATE: June 24, 2020

Approved

Date

6/25/2020

INFORMATION

The Bi-Monthly Financial Reports are typically provided to the Public Safety, Finance, Strategic Support Committee (PSFSS). Since City Council Committee meetings have been canceled due to the COVID-19 pandemic, this report is being provided as an information memorandum to the City Council. This report highlights the revenue and expenditure performance of the General Fund and provides a discussion of several Special Funds through April 2020.

OVERVIEW

The City Manager's Budget Office has analyzed actual expenditures as compared to the 2019-2020 Modified Budget and the Finance Department has prepared a report that reflects the financial results for the ten months ending April 2020.

April 2020 marks the first full month of data available after the COVID-19 pandemic. Although it is still too early to see significant changes in many of the revenue and expenditure categories, impacts are beginning to be realized in key economic areas such as Sales Tax receipts, Transient Occupancy Tax receipts, the local real estate market, and development fee program revenue. Due to the anticipated impact to revenue as a result of the shelter-in-place orders, revenue and expenditure adjustments were brought forward as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020. After taking into account the budget adjustments approved as part of that memorandum, overall revenues are currently anticipated to meet the modified budgeted estimates by year-end. Additionally, the Administration continues to closely monitor economic conditions and the performance in all City funds, and has brought forward adjustments, as appropriate, to the City Council as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 memorandum, which was approved as Item 3.3 on the City Council meeting of June 23, 2020. Following are key highlights in this report:

- The Approval of Various Budget Actions for Fiscal year 2019-2020 to Address COVID-19 Impacts memorandum was approved by the City Council on April 28, 2020. As part of this memorandum, adjustments were recommended to several General Fund, Special Fund, and

OVERVIEW (CONT'D.)

Capital Fund revenues due to the impacts of the COVID-19 pandemic; including Sales Tax, Transient Occupancy Tax, Business Tax, and Fees, Rates and Charges revenue estimates. In order to offset the anticipated revenue losses, corresponding reductions to a number of expenditure appropriations were also included in the memorandum.

- Overall, General Fund revenues are currently anticipated to meet the modified budgeted estimate. Several revenue categories are anticipated to exceed their budgeted estimates, including Property Tax and Revenue from Use of Money/Property; however, due to the shelter-in-place mandate, other categories may fall below their budgeted estimate, including Business Taxes. Additionally, due to the timing of payments, final 2019-2020 Sales Tax information will not be known until the end of August.
- Overall, General Fund expenditures are anticipated to meet or fall below the budgeted estimate by year-end. A limited number of budget adjustments are included in the Approval of Various Budget Actions for Fiscal Year 2019-2020 memorandum to address projected overages. A number of budget adjustments are also recommended to correctly realign COVID-19 pandemic response costs from the General Fund to the Coronavirus Relief Fund.
- Construction and Conveyance Tax, Building and Structure Construction Tax, and Construction Excise Tax collections are performing at or above anticipated levels. The Construction and Conveyance Tax is anticipated to end the year at budgeted levels. However, due to strong collections before the shelter-in-place mandate, the Building and Structure Construction Tax and the Construction Excise Tax may exceed budgeted levels. As a result of the COVID-19 pandemic, these construction-related taxes are anticipated to be significantly impacted for the remainder of 2019-2020 and throughout 2020-2021.
- Through April, Building and Fire Development-related revenues in the General Fund have grown from the same time period in the prior fiscal year; however, Planning and Public Works Development Fee Program revenues have dropped. The shelter-in-place mandate is anticipated to negatively impact all development-related revenues, therefore, the Approval of Various Budget Actions for Fiscal year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020 included actions to decrease the revenue estimate for the Development Fee Programs. It is currently anticipated all of the Development Fee Programs will meet the modified budgeted estimate by year-end.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 11.1 million passengers, a 9.2% drop from the figures reported through April of the prior year.
- In Silicon Valley, economic conditions drastically changed due to the shelter-in-place order that was issued in Santa Clara County on March 17th. To comply with the order, a significant portion of economic activity immediately halted, which has deep impacts to many of the economically sensitive revenues in the General Fund, including Sales Tax, Business Taxes, and Transient Occupancy Tax revenues. The Administration will continue to closely monitor the City's economically sensitive revenues and provide updates through future Bi-Monthly Financial Reports and the 2019-2020 Annual Report that will be released on September 30, 2020.

OVERVIEW (CONT'D.)

Economic Environment

Through February 2020, economic conditions in Silicon Valley remained positive. However, as a result of the COVID-19 pandemic and the ensuing shelter-in-place mandate, the local economy was largely shuttered. Unemployment levels, which have been ranging



between 2.2%-3.0% since September 2017 suddenly rose in March, then again in April. The April 2020 employment level in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (San José MSA) of 1.02 million was 11.2% below the April 2019 level of 1.14 million.

Between April 2019 and April 2020, employment in the San José MSA contracted by 128,500 jobs (12.3%). The largest drops were in leisure and hospitality (down 55,900 jobs), construction (down 17,500 jobs), trade, transportation, and utilities (down 17,300 jobs), professional and business services (down 11,700 jobs), and private educational and health services (down 11,300 jobs). However, partially offsetting these job losses was growth experienced in the information sector (increase of 3,100 jobs).¹

From September 2017 through February 2020, the average unemployment rate in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area was 2.6%. After the shelter-in-place order was issued in March 2020, unemployment levels immediately began to rise. The March 2020 unemployment level increased to 3.5% and the April unemployment rate rose further to 12.0%. These levels are up from the February

Unemployment Rate (Unadjusted)			
	April 2019	March 2020	April 2020**
San Jose Metropolitan Statistical Area*	2.3%	3.5%	12.0%
State of California	3.8%	5.8%	16.1%
United States	3.3%	4.5%	14.4%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** April 2020 estimates are preliminary and may be updated.			

2020 figure of 2.7%. Additionally, it is important to note that while the regional unemployment levels have recently risen, the rate continues to be lower than the unadjusted unemployment rate for the State (16.1%) and the nation (14.4%). While many economists anticipated the unemployment figures to continue to significantly rise, the May 2020 unemployment rates were recently received from the State of California Employment Development and the local unemployment rate decreased slightly to 11.2% (State: 15.9%, nation: 13.0%).

¹ State of California Employment Development: Labor Market Information Division Press Release, May 22, 2020

OVERVIEW (CONT'D.)

Overall construction activity through April 2020 has increased 32.9% from 2018-2019 levels. The increase is primarily due to strong commercial activity that has occurred since the beginning of the fiscal year, coupled with an extremely high level of industrial activity that occurred in July 2019. The 2019-2020 Adopted Budget was developed with the expectation that private development activity would remain strong

but would likely moderate over the course of the year. Of the three construction activity sectors, residential activity is the only sector to decline from the previous year level. As summarized in the table, through April 2020, residential permit valuation totaled \$337.6 million, which represents a 30.1% decline from the high level experienced through April 2019. Residential activity through April 2020 included 1,190 multi-family units and 450 units for single-family construction for a total of 1,640 units. A notable project in April was for a 130-unit apartment building with 5,500 square feet of ground-floor retail (located on South Market Street just north of Interstate 280).

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD April 2019	YTD April 2020	% Change
Residential	\$ 482.9	\$ 337.6	(30.1%)
Commercial	\$ 430.3	\$ 762.5	77.2%
Industrial	\$ 391.9	\$ 634.4	61.9%
TOTAL	\$ 1,305.2	\$ 1,734.4	32.9%

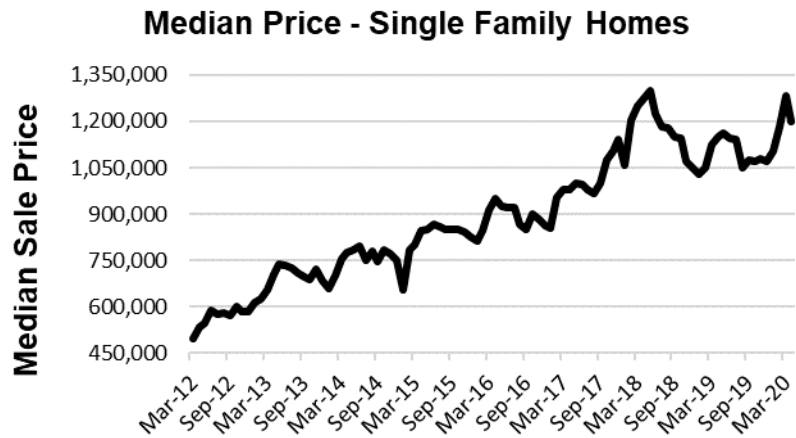
Commercial valuation through April 2020 experienced growth of 77.2% from the prior year level (\$762.5 million in 2019-2020 and \$430.3 million in 2018-2019). As a result of the shelter-in-place mandate, commercial activity in the month of April was extremely low at \$4.0 million (compared to \$46.9 million in April 2019) with alternations accounting for all of the commercial activity. A notable project in March was for a construction permit for a 520,946 square foot three-level below grade garage (located south of Coleman Avenue and west of State Route 87).

Industrial construction valuation through April was significantly higher than prior year levels, with receipts totaling \$634.4 million in 2019-2020, up 61.9% from the prior year level. This increase is primarily due to an extremely high level of new construction activity in July that is attributable to exceptional industrial activity, setting a valuation record of \$386.0 million. Due to the shelter-in-place mandate, the industrial activity in April was an extremely low \$6.2 million (compared to \$69.5 million in April 2019) with alterations accounting for all of the industrial activity.

The shelter-in-place mandate that began in March significantly restricted in-progress construction activity. Building inspections by video were offered for simpler permits where possible and development partners continued to work remotely on all other aspects of project review (planning entitlement and construction plan checking on already submitted applications), in preparation for when restrictions would be lifted. As of May 4, 2020, building inspectors have been back in the field, as the shelter-in-place was revised to allow for the return of all construction work if the requirements for small or large projects were met.

OVERVIEW (CONT'D.)

From spring 2012 through fall 2018, the median sale price for homes had consistently experienced year-over-year growth. Beginning in October 2018, however, Santa Clara County experienced a slow down in the local real estate market, with median sale prices dropping, the average days on market increasing, and the number of sales decreasing. This slowdown lasted for about



12 months, until the real estate market began stabilizing, with median home prices and property sales once again growing compared to prior year levels. However, due to the COVID-19 pandemic and the ensuing recession, real estate activity is anticipated to significantly drop. During the shelter-in-place order, there has been little movement in the real estate market; and as restrictions are lifted it is anticipated that the real estate market will be sluggish due to recessionary conditions coupled with higher unemployment. Real estate data has been received from the Santa Clara County Association of Realtors for April 2020, which indicates the single-family home price in April 2020 totaled \$1.2 million, which is 4.4% higher than the April 2019 price. However, this modest year-over year increase is significantly lower than the 14.0% year-over-year growth experienced in March. Additionally, the number of property transfers (sales) in April 2020 declined 54.3% compared to the same period in the prior year. It is anticipated that property sales and median home prices will continue in this downward trajectory for the remainder of the fiscal year, and continue into 2020-2021.

The Consumer Confidence Index, which is a survey that measures how optimistic or pessimistic consumers are regarding their expected financial situation, declined sharply in March and then further deteriorated April. Lynn Franco, Senior Director of Economic Indicators at The Conference Board stated “Consumer confidence weakened significantly in April, driven by a severe deterioration in current conditions. The 90-point drop in the Present Situation Index (consumers’ assessment of current business and labor market conditions), the largest on record, reflects the sharp contraction in economic activity and surge in unemployment claims brought about by the COVID-19 crisis. Consumers’ short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy. However, consumers were less optimistic about their financial prospects and this could have repercussions for spending as the recovery takes hold. The uncertainty of the economic effects of COVID-19 will likely cause expectations to fluctuate in the months ahead”². Economic conditions will continue to be closely monitored as shelter-in-place restrictions are lifted and the global, national, and local economies continue to open.

² The Conference Board, Consumer Confidence Survey, April 28, 2020

GENERAL FUND

REVENUES

General Fund revenues through April 2020 totaled \$892.1 million, which represents a decrease of \$204.2 million (18.6%) from the April 2019 level of \$1.01 billion. This decrease is primarily attributable to the City not borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANs) in 2019-2020, which were previously issued for cash flow purposes to facilitate the annual prefunding of employer retirement contributions for pension benefits. However, in 2019-2020, this prefunding, which totaled \$150.0 million in 2018-2019, did not occur as the retirement contributions were not prefunded. Excluding the TRANs revenue in 2018-2019, revenue in 2019-2020 has decreased approximately \$54.2 million (5.7%) from the prior year. This decrease is primarily due to the timing of payments associated with Property Tax revenue (\$36.7 million), lower Other Revenue receipts (\$26.8 million), which is primarily due to one-time property sales that occurred in 2018-2019, and lower Transient Occupancy Tax receipts due to the COVID-19 pandemic (\$1.6 million). Partially offsetting these declines are growth experienced in several categories compared to prior year levels, including Revenue from the State (\$7.1 million), Use of Money and Property (\$4.0 million), Licenses and Permits (\$2.8 million), and Business Taxes (\$2.0 million). The majority of these increases are due to moderately stronger collection levels than originally estimated, with the exception of Revenue from the State, which reflects higher grant revenue received in 2019-2020 compared to the prior year.

Due to the COVID-19 pandemic and the shelter-in-place mandate, economic activity in San José was severely restricted. As a result, revenue and expenditure adjustments were brought forward as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020. The actions approved as part of this memorandum decreased General Fund sources by a net of \$29.7 million in 2019-2020. General Fund revenue will continue to be closely monitored through the end of the fiscal year, but it is currently anticipated that revenue will meet budgeted levels, with the exception of Business Taxes, which are anticipated to fall \$1 million - \$2 million below the budgeted estimate.

KEY GENERAL FUND REVENUES

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 364,000,000	\$ 249,361,965	\$ 286,106,963

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Aircraft Property Tax, and Homeowner’s Property Tax Relief. Based on the most recent information provided by Santa Clara County, 2019-2020 Property Tax receipts are estimated at \$369.3 million, which is \$5.3 million above the 2019-2020 Modified Budget estimate and reflects growth of 11.8% from the 2018-2019 collection level of \$330.2 million. The growth

GENERAL FUND (CONT'D.)

in Property Tax revenue is primarily attributed to Secured Property Tax, which is estimated at \$343.4 million in 2019-2020 versus 2018-2019 collections of \$302.4 million. Although the 2019-2020 Property Tax estimate is estimated to exceed the budgeted level by \$5.3 million, due to uncertainty regarding ERAF proceeds, which are described in more detail below, this additional funding was not included in the 2019-2020 Ending Fund Balance/2020-2021 Beginning Fund Balance of the 2020-2021 Adopted Budget. Additional information about each of the Property Tax sub-categories is provided below.

Secured Property Tax represent over 90% of the revenue in the Property Tax category. Based on the most recent information provided by Santa Clara County, Secured Property receipts are anticipated to total \$343.4 million in 2019-2020. The revised estimate is comprised of general Secured Property Tax (\$299.6 million), Educational Revenue Augmentation Fund (ERAF) revenues (\$23.0 million), and Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax (\$20.8 million). The revised Secured Property Tax receipts estimate is \$14.0 million higher than the Adopted Budget estimate, however, a significant portion of the additional revenue (\$10.0 million) was anticipated and allocated in the 2019-2020 Mid-Year Budget Review that was approved by the City Council on February 11, 2020.

The Adopted Budget estimate for general Secured Property Tax estimate totaled \$293.6 million in 2019-2020, which assumed growth of 5.5% from the 2018-2019 collection level. This growth primarily reflected an increase in assessed value due to the California Consumer Price Index (CCPI) increase of 2% and increased valuation due to changes in ownership or new construction. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. The revised general Secured Property Tax estimate provided by Santa Clara County totals \$299.6 million, which is approximately \$6 million above the Adopted Budget estimate, and reflects growth of 7.6% from the 2018-2019 collection level.

Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In 2018-2019, the City received \$15.9 million primarily from excess 2017-2018 ERAF funds. In 2019-2020, excess ERAF receipts totaled \$23.0 million, which has been incorporated into the 2019-2020 Secured Property Tax estimate. Recently, disputes have arisen between the State of California and several Bay Area Counties regarding calculations of ERAF payments. Furthermore, the State of California's May Revise Budget includes language that will likely impact the calculation of ERAF, which would result in significantly less excess ERAF funds being allocated to Santa Clara County and the City. While the full effects of the revised methodologies and the implementation are still unclear, there is potential the City may need to repay the State up to \$15.7 million of the ERAF funds received in 2019-2020, which has not been incorporated in the 2019-2020 Modified Budget. It is anticipated that 2020-2021 revenue would be impacted as a result of this change in the ERAF

GENERAL FUND (CONT'D.)

calculation as well. A portion of the decrease was anticipated and factored into the 2020-2021 Adopted Budget; however, the most recent estimate indicates the City's ERAF loss could be approximately \$2.5 million higher than initially estimated. Changes to ERAF calculations will continue to be closely monitored and reported through future Bi-Monthly Financial Reports and the 2019-2020 Annual Report as further information becomes available.

As a result of the SARA bond refunding that occurred in December 2017, the City began receiving a residual property tax distribution. In 2017-2018, receipts totaled \$11.8 million, but dropped to \$8.2 million in 2018-2019. This decrease was due to outstanding Supplemental Education Revenue Augmentation Fund (SERAF) loans that were paid off in 2019. In 2019-2020, SARA residual property tax revenue is budgeted at \$18.0 million; however, the updated information from the County indicates that approximately \$20 million may actually be received in the current year.

In the **Unsecured Property Tax** category, collections through April of \$15.5 million were 1.6% below the prior year collections. A majority of the revenue received in this category is received in October of each year, with the final payment being received in April. Based on information provided by Santa Clara County as well as actual revenue performance through April, it is anticipated that Unsecured Property Tax receipts will end the year at \$15.5 million, which is approximately \$500,000 above the budgeted level.

For the **SB 813 Property Tax** category, collections totaled \$3.6 million through April, while \$5.7 million had been received last year at this time. The 2019-2020 Adopted Budget estimate of \$6.3 million is well below the 2018-2019 actual collection level of \$8.6 million as collections in this category ended 2018-2019 stronger than anticipated. The most recent 2019-2020 estimate from the County for this category totals \$6.0 million, which is approximately \$300,000 below the budgeted estimate.

The **Aircraft Property Tax** payment is historically received in October of each year. Through April 2020, revenue of \$3.0 million has been received, which is above the prior year receipts of \$2.5 million. The 2019-2020 receipts are anticipated to be approximately \$550,000 above the 2019-2020 Adopted Budget estimate of \$2.4 million.

In the **Homeowners Property Tax Relief** category, revenues in 2019-2020 are expected to be at the budgeted estimate of \$900,000, which is consistent with the 2018-2019 collection level.

GENERAL FUND (CONT'D.)

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 249,300,000	\$ 178,281,553	\$ 179,975,699

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes. The 2019-2020 Adopted Budget for Sales Tax totaled \$258.3 million, which allowed for a 2.0% drop from the 2018-2019 collection level of \$263.5 million. A majority of Sales Tax revenue is received through four quarterly payments from the California Department of Tax and Fee Administration (CDTFA). Before the shelter-in-place orders, Sales Tax revenue was on pace to exceed the Adopted Budget estimate and total \$261.5 million in 2019-2020, which excluded any revenue anticipated from the Revenue Capture Agreement. However, in March 2020, as the COVID-19 pandemic rapidly accelerated, the County of Santa Clara instituted a shelter-in-place order, which severely curtailed economic activity. The shelter-in-place mandate will likely impact almost all sectors of Sales Tax revenue, including retail sales, construction, transportation, and business-to-business. Therefore, after analyzing the limited Sales Tax available data and consulting with economists, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020, reduced the 2019-2020 Sales Tax estimate to \$234.5 million (excluding the Revenue Capture Agreement), which reflects a 12.2% decline from prior year receipts. Additionally, due to the CDTFA distributing revenue related to the Revenue Capture Agreement (additional information provided below) for the first time in the 2nd Quarter Sales Tax receipts, which was received in February 2020 reflecting October-December 2019 activity, the 2019-2020 Budget estimate was modified as part of the memorandum to reflect additional Sales Tax revenue of \$18.0 million. As a result of the actions approved as part of the memorandum, the 2019-2020 Modified Budget estimate for Sales Tax totals \$249.3 million. The third quarterly payment for Sales Tax was received in May 2020 (reflecting January-March activity), however, the final payment of Sales Tax revenue (which reflects April-June activity) will not be received until August 2020. Upon receipt and reconciliation of the final Sales Tax payment, additional information will be reported through future Bi-Monthly Financial Reports and the 2019-2020 Annual Report.

On September 24, 2019 the City Council approved the Revenue Capture Agreement Between City of San José and eBay, Inc. As part of this memorandum, the City Council adopted a resolution authorizing the City Manager to negotiate and execute a Revenue Capture Agreement between the City and eBay, beginning in 2019 and ending in 2034. This agreement may result in the City receiving additional General Sales Tax ranging from \$5.0 million up to possibly \$29.5 million annually.

Below is a discussion of the three Sales Tax sub-categories; General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax.

GENERAL FUND (CONT'D.)

General Sales Tax revenue is the largest driver of the Sales Tax category, and accounts for almost 80% of all Sales Tax receipts. The 2019-2020 Adopted Budget for General Sales Tax totaled \$204.6 million, which reflected a 2.5% drop from the 2018-2019 actual receipts. This decrease reflected a one-time adjustment to a 2018-2019 overpayment from CDTFA attributable to 2017-2018 activity, partially offset by a 2.5% underlying growth rate of sales tax activity. Before the shelter-in-place mandate, two quarters of General Sales Tax revenue had been received. Based on those receipts and estimated payments for the rest of the year, the General Sales Tax revenue was anticipated to exceed the budgeted estimate by \$3.4 million and total \$208.0 million. As a result of the shelter-in-place mandate, however, the final two quarterly General Sales Tax payments are anticipated to be impacted. As part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020, the General Sales Tax budgeted estimate was reduced by \$24.5 million (from \$204.6 million to \$180.1 million). As previously discussed, due to revenue being received from the CDTFA as part of the Revenue Capture Agreement, the memorandum also included a recommendation to increase the General Sales Tax budgeted estimate by \$18.0 million. As a result of the actions approved in the memorandum, the modified 2019-2020 General Sales Tax budgeted estimate was reduced from \$204.6 million to \$198.1 million.

General Sales Tax payments for three quarters of the fiscal year have been received from the CDTFA, reflecting activity from July 2019–March 2020. These payments (excluding the Revenue Capture Agreement) total \$145.3 million, reflecting approximately 81% of the modified budget estimate. The 4th quarter General Sales Tax payment will be received in August 2020, which will reflect April-June 2020 activity. It is important to note that the State developed several programs for small business taxpayers, including a 90-day extension for 3rd quarter payments, and a 1-year deferral program for 3rd quarter and 4th quarter payments. The City's Sales Tax Consultant, Avenu Insights & Analytics, is currently estimating the 3rd quarter payment that was distributed by the CDTFA was likely negatively impacted by approximately \$5.8 million due to the small business programs. Of this amount, approximately \$3.5 million may be allocated in the 4th quarter payment, with the remaining amount being disbursed in 2020-2021. The 3rd quarter payment received by the CDTFA represented a 18.8% decline from the prior year level. However, after factoring in the estimated loss of \$5.8 million related to small business programs, the year-over-year decline is 6.4%. As mentioned, the final payment for Sales Tax will not be received until the end of August, however, after reviewing the 3rd quarter receipts and looking at the limited data currently available, it is anticipated General Sales Tax collections will meet the modified budgeted estimate.

In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which was implemented in October 2016. The 2019-2020 Adopted Budget for Local Sales Tax totaled \$47.0 million, which was relatively flat from the 2018-2019 actual receipts. Before the shelter-in-place mandate, two quarters of Local Sales Tax revenue had been received. Based on those receipts and estimated payments for the rest of the year, the Local Sales Tax revenue was anticipated to meet the budgeted estimate. As a result of the shelter-in-place mandate, however, the final two quarterly Local Sales Tax payments are anticipated to be impacted. As part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the

GENERAL FUND (CONT'D.)

City Council on April 28, 2020, the Local Sales Tax budgeted estimate was reduced by \$2.3 million (from \$47.0 million to \$44.7 million). Since Local Sales Tax receives a higher-proportion of receipts from internet sales than General Sales Tax, the Local Sales Tax category is anticipated to fall less than General Sales Tax during the shelter-in-place order.

Local Sales Tax payments for three quarters of the fiscal year have been received from the CDTFA, reflecting activity from July 2019–March 2020. These payments total \$33.2 million, reflecting approximately 74% of the modified budget estimate. The 4th quarter Local Sales Tax payment will be received in August 2020, which will reflect April-June 2020 activity. As discussed above, the State developed several programs for small business taxpayers that are anticipated to impact 3rd and 4th quarter payments. The City’s Sales Tax Consultant, Avenu Insights & Analytics, is currently estimating the 3rd quarter payment that was distributed by the CDTFA was likely negatively impacted by approximately \$1.2 million due to the small business programs. Of this amount, approximately \$1.0 million may be allocated in the 4th quarter payment, with the remaining amount being disbursed in 2020-2021. In April, the 3rd quarter payment (which represents January-March activity) was received by the CDTFA, which represented a 19.2% decline from the prior year level. However, after factoring in the estimated loss of \$1.2 million related to small business programs, the year-over-year decline is 7.8%. As mentioned, the final payment for Sales Tax will not be received until the end of August, however, after reviewing the 3rd quarter receipts and looking at the limited data currently available, it is anticipated Local Sales Tax collections may meet or fall slightly below the modified budgeted estimate.

Proposition 172 Sales Tax collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. The 2019-2020 modified budgeted estimate of \$6.5 million is relatively flat from the 2018-2019 collection level. It is currently anticipated that collections will meet the budgeted estimate by year-end.

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 13,500,000	\$ 12,938,654	\$ 14,586,389

The 2019-2020 budget estimate for the General Fund **Transient Occupancy Tax** (TOT) allocation (40% of the total tax) is \$13.5 million, as modified during the 2019-2020 Mid-Year Budget Review (\$2.5 million decrease) and in April 2020 as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts (\$6.5 million decrease). Initial estimates for 2019-2020 assumed growth of approximately 8.7% from the 2018-2019 estimated collection level of \$20.7 million; however, actual collections and year-to-date hotel performance through the early half of the fiscal year plateaued following a historic, sustained year-over-year growth pattern. These conditions persisted until the emergence of the COVID-19 pandemic and corresponding shelter-in-place requirements in mid-March, which drastically reduced travel and hotel activity, and prompted further reductions to estimated revenues for 2019-2020. Current estimated levels represent a 40% reduction (\$9.0 million) from original assumptions for 2019-2020, and a 34% reduction from actual 2018-2019 collections.

GENERAL FUND (CONT'D.)

The revised estimate for 2019-2020 was developed in late March 2020 based on a limited sample of survey data from San Jose market hotels to compare performance leading up to, and immediately following, the shelter-in-place order in response to COVID-19. Comparing the week of March 15, 2020 to the week of March 17, 2019, occupancy levels had decreased by 75.4 percent and revenue per available room (RevPAR) by 85.1 percent. Projections for the remainder of 2019-2020 assumed this reduced performance (85% of 2018-2019 levels) would persist with continuation of shelter-in-place orders and diminished travel and hotel room demand. This scenario materialized through May 2020, but not to the drastic level initially suggested by the March data. However, the impacts for hotel activity and Transient Occupancy Tax collections are still unprecedented. Monthly occupancy dropped from a rate of 69.2% in February 2020 to a historic low of 15.1% in April 2020 during the height of COVID-19 response. Meanwhile, revenue-per-available room (RevPAR) decreased by 88.1% over the same period, from \$132.06 to \$15.73. Contrary to expectation, there was a slight rebound in May 2020, with the occupancy rate increasing to 25.2% and RevPAR increasing to \$24.17.

The City has recently received the May 2020 TOT collections, which increase the year-to-date receipts to \$13.54 million. Based on recent activity, an additional \$600,000 is projected to be received by year-end, which would bring the total collections to \$14.1 million, or approximately \$600,000 over the modified budgeted estimate. This economically sensitive tax will continue to be closely monitored and additional information will be reported through future Bi-Monthly Financial Reports and the 2019-2020 Annual Report.

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 96,645,000	\$ 76,724,421	\$ 76,774,328

The **Utility Tax** category includes the Electricity Utility Tax, Gas Utility Tax, Water Utility Tax, and the Telephone Utility Tax. Through April, Utility Tax receipts of \$76.7 million are consistent with the prior year level. The 2019-2020 Adopted Budget was built on the assumption that 2018-2019 Utility Tax revenue would end the year at \$99.0 million and grow less than 1% to \$99.6 million in 2018-2019. However, since 2018-2019 ended the year at \$99.3 million, growth of less than 0.5% was needed in 2019-2020 to meet the Adopted Budget estimate. Before the COVID-19 pandemic, Utility Tax revenue was estimated to meet budgeted levels; however, due to the shelter-in-place receipts are now anticipated to be impacted as businesses have reduced operations and the high unemployment level may impact some residents' ability to pay their utility bills. Therefore, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020, included a recommendation to decrease the Utility Tax revenue estimate by \$3.0 million, from \$99.65 million to \$96.65 million. It is currently anticipated that overall Utility Taxes will meet modified budgeted levels by year-end.

In the **Electricity Utility Tax** category, collections through April totaled \$38.5 million, which is approximately \$3.2 million above the prior fiscal year. The 2019-2020 Adopted Budget assumed

GENERAL FUND (CONT'D.)

that 2018-2019 receipts would total \$46.0 million, and grow approximately 2% to \$46.9 million in 2019-2020. However, since 2018-2019 ended the year slightly below budget (\$45.6 million), growth of almost 3% is needed to meet the budgeted estimate. Although suppressed activity is anticipated for the remainder of the fiscal year, due to strong performance before the shelter-in-place, it is anticipated Electricity Utility Tax receipts will meet or slightly exceed the budgeted estimate by year-end.

In the **Gas Utility Tax** category, receipts through April totaled \$9.1 million, which is consistent with the prior year level. The 2019-2020 Adopted Budget estimate of \$10.4 million allows for an almost 7% decline from actual 2018-2019 collections due to receipts performing stronger than anticipated at the end of 2018-2019. Based on historical collection patterns and stronger than anticipated activity before the shelter-in-place mandate, receipts are anticipated to meet or slightly exceed the budgeted estimate by year-end.

Water Utility Tax collections through April of \$12.1 million are slightly below prior year receipts of \$12.2 million. The 2019-2020 Adopted Budget was built on the assumption that \$16.3 million would be received in 2018-2019, then grow approximately 2.5% to \$16.7 million in 2019-2020. However, since 2018-2019 receipts totaled \$16.6 million, growth of less than 1% is required to meet the 2019-2020 budgeted level. Based on historical collection patterns and anticipated suppressed activity through the remainder of the fiscal year, receipts are anticipated to meet or fall slightly below the budgeted estimate by year-end.

Collections in the **Telephone Utility Tax** category of \$17.0 million through April are approximately \$3.2 million below the prior year collections. The 2019-2020 Modified Budget estimate of \$22.6 million allows for a decline of 12.8% from the 2018-2019 actual collection level of \$26.0 million. Based on current collection trends, receipts in this category are anticipated to meet the modified budgeted estimate by year-end.

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 70,200,000	\$ 61,752,144	\$ 59,735,942

The Business Taxes category consists of the Cannabis Business Tax, Cardroom Tax, Disposal Facility Tax, and General Business Tax. Through April, while overall collections of \$61.8 million are 3.4% above the prior year levels, activity for the remainder of 2019-2020 are anticipated to be suppressed due to the shelter-in-place order. The 2019-2020 Adopted Budget estimate for Business Taxes totaled \$72.2 million which allowed for a 3.6% decline from 2018-2019 levels. However, due to anticipated effects of the shelter-in-place mandate on this revenue source, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020, included a reduction to the Business Taxes budget estimate by \$2.0 million (from \$72.2 million to \$70.2 million).

GENERAL FUND (CONT'D.)

Cardroom Business Tax revenue is anticipated to decline as the cardrooms shut down their operations in March and Cannabis Business Tax revenue is anticipated to drop as only limited operations were allowed for a portion of the shelter-in-place mandate. Additionally, due to updated estimates for Cardroom revenue being lower than previously assumed, it is currently anticipated that the Business Taxes revenue may fall \$1 - \$2 million below the modified budgeted estimate.

Cannabis Business Tax collections reflect cannabis business tax as well as cannabis business tax compliance revenues. In November 2016, the California Marijuana Legalization Initiative (Proposition 64) legalized recreational marijuana use in the State of California. As a result, the sale of recreational cannabis at the 16 licenses dispensaries in San José began in January 2018. Through April, Cannabis Business Tax revenue totaled \$11.4 million, which is 1.6% below the prior year level. The 2019-2020 Adopted Budget estimate of \$13.5 million allows for a 15.0% drop from 2018-2019 actual collection level. This decrease was anticipated due to neighboring cities passing Cannabis taxes in the November 2018 election, which will provide competition for San José when the dispensaries are open in other jurisdictions. During a portion of the shelter-in-place, Cannabis dispensary operations had reduced operations, which may impact year-end receipts; however, due to strong performance before the pandemic, the Cannabis Business Tax budgeted estimate is anticipated to be exceeded by \$500,000 - \$1 million by year end.

Through April, **Cardroom Business Tax** receipts of \$13.5 million are 4.1% below prior year collections. Due to the shelter-in-place mandate, cardrooms closed in March and have not reopened as of the writing of this report. Additionally, when the businesses re-open to the public, operations are anticipated to be limited due to social distancing requirements. The 2019-2020 Adopted Budget for Cardroom Business Tax receipts totaled \$18.7 million, which was consistent with prior year collection levels. However, due to anticipated impacts of the shelter-in-place mandate, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020, included a \$2.0 million reduction to the Cardroom Business Tax estimate (from \$18.7 million to \$16.7 million). Even with this reduced budgeted estimate, due to cardrooms still not being open, it is anticipated receipts will fall approximately \$3 million - \$3.5 million below the modified budgeted estimate.

Disposal Facility Tax (DFT) revenue of \$9.7 million is 11.2% above the prior year level. The 2019-2020 budgeted estimate of \$12.0 million is fairly consistent with the 2018-2019 actual collection level of \$12.1 million. While DFT collections are anticipated to be impacted by the COVID-19 pandemic, due to the strong performance before the shelter-in-place mandate, revenue is anticipated to exceed the budgeted estimate by approximately \$500,000. Multiple factors impact collections including construction activity, population density, and the hauling of solid waste from outside the immediate area as other facilities might be farther away or costlier. Therefore, this revenue source can fluctuate from year to year.

GENERAL FUND (CONT'D.)

Through April, **General Business Tax** receipts of \$27.2 million are 7.1% above the prior year collection levels. The 2019-2020 budget estimate for General Business Tax revenue totals \$28.0 million, which is consistent with the 2018-2019 actual collection level. Negative adjustments to the General Business Tax allocations are anticipated to occur in June to adjust for bad debt write-offs; however, based on historical collection trends and the strong revenue performance through April, General Business Tax revenue is anticipated to meet budgeted levels by year-end.

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 62,009,468	\$ 59,532,838	\$ 56,781,360

The Licenses and Permits category contains fees and charges collected by various departments. The most significant revenue sources are development-related fees, which include Building Permits and Fire Permits. Through April, revenues of \$59.5 million are 4.8% above the prior year level of \$56.8 million. The 2019-2020 Adopted Budget estimate of \$62.0 million allows for a 5.0% drop from prior year collections of \$65.3 million. Although the shelter-in-place mandate has impacted development-related projects, due to the extremely strong performance in this revenue category before the pandemic, receipts are estimated to meet the budgeted levels by year-end.

Building Permit revenues of \$32.0 million through April are 4.6% higher than the 2018-2019 collection level for the same period. The 2019-2020 Adopted Budget estimate of \$33.8 million allows for an 8.0% drop from the 2018-2019 actual collection level of \$36.7 million due to collections performing stronger than anticipated at the end of 2018-2019. While Building Permit activity is anticipated to be impacted by the shelter-in-place mandate, due to strong performance before the pandemic, receipts are anticipated to meet or slightly exceed the budgeted estimate by year-end. Any excess revenues over expenditures for this fee program will be set aside in the Planning Development Fee Program Reserve.

All Building Permit categories are performing at or above expected levels with the exception of new residential building permits, new residential plumbing permits, new residential mechanical permits, new residential electrical permits, and permit processing fees which are performing below anticipated levels.

As discussed in the Economic Impact section of this report, residential activity through April 2020 consisted of 1,190 multi-family units and 450 single-family units for a total of 1,640 units. Commercial activity amounted to a valuation of \$762.5 million (new construction of \$551.3 million, alterations of \$211.2 million). Industrial activity through April reached a valuation of \$634.4 million (new construction of \$387.2 million, alterations of \$247.2 million).

Fire Permits, which consist of development and non-development related permits, totaled \$13.6 million through April, which represents an 8.0% increase from the prior year collections. The 2019-2020 budgeted estimate of \$14.0 million is consistent with the actual 2018-2019 collection

GENERAL FUND (CONT'D.)

level. While Fire Permit activity is anticipated to be impacted by the shelter-in-place mandate, due to strong performance before the pandemic, receipts are anticipated to meet the budgeted estimate by year-end.

Development related receipts through April of \$7.8 million are 10.6% higher than prior year collections. The 2019-2020 Adopted Budget estimate of \$8.4 million allows for a slight drop from the 2018-2019 actual collection level of \$8.6 million due to collections performing stronger than anticipated at the end of 2018-2019. While the shelter-in-place mandate is anticipated to suppress revenue for the remainder of the fiscal year, due to activity being strong before the pandemic, collections are anticipated to meet budgeted levels by year-end. Any excess revenues over expenditures for this fee program will be set aside in the Fire Development Fee Program Reserve.

Non-Development receipts of \$5.8 million are above the \$5.6 million in revenues received through April 2019. This collection primarily represents all four major billing cycles (July, September, December, and April) for non-development annual renewable fire permits for this fiscal year. It is currently anticipated that non-development receipts will slightly exceed the budgeted estimate by year-end.

Revenue	2019-2020 Budget Estimate	YTD Actual	Prior YTD Collections
Fees, Rates, and Charges	\$ 48,345,920	\$ 42,324,947	\$ 44,884,750

The Fees, Rates, and Charges category contains various fees and charges levied to recover costs of services provided by several City departments, including Library; Parks, Recreation and Neighborhood Services; Planning, Building and Code Enforcement; Police; Public Works; and Transportation. Through April, revenues totaled \$42.3 million, which is 5.7% below the \$44.9 million received in the prior year. The year-over-year drop is primarily attributable to lower Parks, Recreation and Neighborhood Services Fees, Planning Fees, and Public Works Fees, which have been impacted by the shelter-in-place mandate and are further discussed below. Due to the anticipated fee declines, Fees, Rates, and Charges revenue was decreased by \$10.8 million (from \$59.1 million to \$48.3 million) as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020. It is currently anticipated that overall Fees, Rates, and Charges revenue will meet the modified budget estimate by year-end.

Parks, Recreation and Neighborhood Services (PRNS) Fee revenues total \$15.2 million through April, reflecting a decline of 17.8% from the prior year level. This drop is primarily due to classes, camps, and after-school activities not occurring during the shelter-in-place mandate, as well as the closure of Happy Hollow Park and Zoo. The Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum included a reduction to PRNS revenue by \$5.5 million (from \$23.1 million to \$17.6 million). With the decrease in the budgeted estimate, PRNS Fee is anticipated to meet the revised budgeted estimate by year-end.

GENERAL FUND (CONT'D.)

Through April, **Planning Fee** revenues of \$5.9 million are 9.4% below the prior year collection level of \$6.5 million. Due to the shelter-in-place mandate, development-fee revenue is anticipated to be impacted by 40% for the remainder of 2019-2020. As a result, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020 included a reduction to Planning Fee revenue by \$1.75 million (from \$8.1 million to \$6.3 million). With this decrease in the budgeted estimate, Planning Fee is anticipated to meet the revised budgeted estimate by year-end. In the Planning Fee category, revenue has been stable or strong for several fees, including preliminary reviews, non-residential site development permits, residential and non-residential planned development permits, and non-residential conditional use permits. Offsetting this growth in activity are fees that are performing below anticipated levels, including public noticing, residential General Plan amendments, non-residential conventional rezonings/rezonings, and miscellaneous permits.

Public Works Fee revenues are comprised of the Development Services Fee Program, Utility Fee Program, and Small Cell Permitting. Through April, collections of \$11.6 million consisted of Development Services Fee Program revenue (\$6.0 million), Utility Fee Program receipts (\$3.2 million), and Small Cell Permitting revenue (\$2.2 million). These collections reflect a 5.6% drop from the prior year level of \$12.2 million, which is primarily attributable to lower Utility Fee Program and Development Fee Program revenue. Due to the shelter-in-place mandate, development-fee revenue is anticipated to be impacted by 40% for the remainder of 2019-2020. As a result, the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020 included a reduction to Public Works Fee revenue by \$3.5 million (from \$17.2 million to \$13.7 million). With the decrease in the budgeted estimate, Public Works Fee is anticipated to meet the revised budgeted estimate by year-end.

EXPENDITURES

Through April, General Fund expenditures (without encumbrances) of \$972.2 million were 7.5% below the prior year level of \$1.05 billion. Encumbrances of \$67.6 million were 17.3% above the prior year level of \$57.6 million. General Fund expenditures and encumbrances through April of \$1.04 billion constitute 65.1% of the total budget including reserves, and 75.1% of the budget excluding reserves. The Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum that was approved by the City Council on April 28, 2020 included several expenditure adjustments. As previously discussed, the COVID-19 pandemic has negatively impacted General Fund sources, therefore, in order to maintain a balanced budget through the remainder of the fiscal year, expenditure adjustments were also necessary. As part of that memorandum, Department Expenses (\$9.7 million), City-Wide Expenses (\$7.8 million) and General Fund Capital Contributions (\$4.1 million) were reduced. It is currently anticipated that expenditures will end the year within the modified budgeted levels.

Following is a discussion of the performance of the Police and Fire Departments, the largest General Fund departments.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES

Department	2019-2020 Budget	YTD Actual	Prior YTD Actual
Police	\$ 453,333,495	\$ 358,073,350	\$ 332,751,172

Police Department expenditures are tracking slightly below budgeted levels through April. Personal services expenditures of \$336.0 million are within the anticipated level for this point of the year (79.69% expended, compared to the par level of 80.07%); however, overtime expenditures of \$36.9 million (118.73% of the total \$31.1 million budget) have exceeded budgeted levels. This overage has been offset by regular vacancy savings, and a corresponding realignment was approved by the City Council on June 23, 2020 as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020. While personal services expenditures are projected to remain within budgeted levels by year end, the potential impact of overtime usage in response to the recent protests is unclear, as these costs were incurred in late May/early June. Non-personal/equipment expenditures of \$22.1 million are 1.9% lower than the prior year and are anticipated to end the year within budgeted levels.

Response to the COVID-19 public health threat interrupted normal departmental operations, and constrained available funding for the remainder of 2019-2020. With the suspension of the Guardian Rapid Response Program, Downtown Foot Patrol, and the Walking Beats Patrol, personal services funding was reduced by \$650,000 to partially offset projected General Fund revenue losses. Significant costs have been incurred to facilitate shelter-in-place adherence, including the patrol of closed schools and businesses to prevent burglaries, call-taking to determine a potential COVID-19 connection, and transportation of potentially infected prisoners. Approximately \$5.4 million in personal services costs for COVID-19 response are expected to be reclassified to the Coronavirus Relief Fund prior to year-end close.

Apart from the challenges posed by COVID-19, the Police Department has continued to work diligently to fill vacancies in both sworn and civilian positions, using vacancy savings and \$7.0 million in one-time funding from the Hire Ahead program funding to support Police Academy Recruits and backfill sworn positions on overtime. However, vacancy levels have contributed to the build-up of compensatory time balances for sworn personnel. There is a limit of 480 hours of compensatory time balances after which sworn personnel are paid in overtime for any additional hours worked. Currently, 378 sworn personnel are at the 480-hour limit.

Overtime consists of overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer’s Association (POA) limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of April 2020 was 322,646 hours for sworn personnel. This represents an increase of 38,293 hours or 13.5% compared to the April 2019 balance of 284,353. As described above, 378 sworn personnel have reached the compensatory balance limit of 480 hours and all overtime worked by these

GENERAL FUND (CONT'D.)

employees are paid overtime. The Police Department is enforcing compensatory time controls by requiring all sworn staff, outside of the Bureau of Field Operations (BFO), to reduce compensatory time balances by the end of the calendar year or submit a request for an extension, per the MOA. Due to staffing levels needed to respond to calls for service, BFO is currently exempted until such time the Department reaches full street-ready sworn staffing (sworn who are fully trained and able to work as solo beat officers).

The table below provides a summary of sworn staffing vacancies and street-ready officers. While the sworn positions are filled, there is still a significant gap between filled positions and working street-ready officers.

	2019-2020 (as of 5/1/2020)	2018-2019 (as of 4/26/2019)
Authorized Sworn Positions	1,151	1,110
Vacancies	(6)	(23)
Filled Sworn Positions	1,145	1,087
Field Training Officer/Recruits	(137)	(131)
Street-Ready Sworn Officers Available	1,008	956
Disability/Modified Duty/Other Leaves	(69)	(64)
Street-Ready Sworn Officers Working	939	892

One-time funding for the Hire Ahead program in 2019-2020 enabled the Police Department to conduct three Police Recruit Academies in 2019-2020 to accelerate the number of street-ready sworn Police Officers and put more back on patrol: the first began in late June 2019 with 53 recruits; the second academy began in October 2019 with 49 recruits; and, the third was planned to begin in February 2020 with an estimated 45 to 55 recruits. However, the February academy has been delayed until June 2020 due to the COVID-19 pandemic. The Hire Ahead program is expected to continue through 2021-2022, with funding included in the 2020-2021 Adopted Operating Budget for 2020-2021, and reserved for 2021-2022.

A total of \$22.1 million (69.6%) of the Department’s Non-Personal/Equipment Modified Budget (including carryover encumbrances) was expended or encumbered through April. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle operation, maintenance and replacement, the Department has approximately \$2.6 million, or 17.8% of the non-centrally-determined appropriation available for the remainder of the fiscal year. Approved rebudgets from this balance include the following: Permitting Software, Intergraph Maintenance Upgrade, 9-1-1/3-1-1 Call Center Consultant Study, Sexual Assault Survivor Assistance, Sexual Assault Workplan, and the Mobile Radar Trailer. Combined, these Non-Personal/Equipment rebudgets total \$905,000.

GENERAL FUND (CONT'D.)

Department	2019-2020 Budget	YTD Actual	Prior YTD Actual
Fire	\$ 243,358,938	\$ 192,264,292	\$ 177,522,337

The Fire Department’s budget totals \$243.4 million, which is comprised of \$232.4 million in personal services and \$11.0 million in non-personal/equipment expenditures. Overall, Fire Department expenditures are performing slightly below estimated levels through April. Personal services expenditures of \$183.8 million, or 79.11% of the 2019-2020 Modified Budget, are slightly below the expected level of 80.07% at this point of the year. It is currently anticipated that expenditures will end the year within budgeted levels. However, the Fire Department’s non-personal/equipment budget of \$11.0 million is expected to exceed budgeted levels by \$200,000 due to unanticipated expenses related to the repair of an Urban Search & Rescue boat, replacement of damaged radio parts, hose replacement due to the drastic increase in the number of local and statewide vegetation fires, and maintenance of fire station exercise equipment. In order to ensure the appropriation ended the year within the budgeted level, the Approval of Various Budget Actions for Fiscal Year 2019-2020 memorandum, included actions to shift vacancy savings from personal services to non-personal/equipment (\$200,000). In addition, Manager’s Budget Addendum #32, Recommended Amendments to the 2020-2021 Proposed Operating and Capital Budgets, included actions to rebudget unexpended personal services funding for Active Shooter Refresher Training (\$120,000) and the 20-01 Firefighter Academy (\$503,831), and unexpended non-personal/equipment funding for various programs and projects (\$64,956).

It is important to note that the Approval of Various Budget Actions for Fiscal Year 2019-2020 approved by the City Council on June 23, 2020 also included budget actions to realign estimated costs of \$40.7 million from the General Fund to the Coronavirus Relief Fund to account for the necessary services provided by the Fire Department to respond to the COVID-19 pandemic.

Overall, the average sworn vacancy rate of 3.09% through April 2020 is slightly lower than the vacancy rate of 5.92% experienced this time last year, though vacancies have been above the budgeted rate of 2.5%. The second Firefighter Recruit Academy for 2019-2020 began in March 2020 and will conclude on August 7, 2020, with an anticipated 22 graduates.

In accordance with the City Council’s approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of April, of the 32 current authorized staffing level, the Fire Department had 32 sworn personnel on administrative assignments.

CONTINGENCY RESERVE

The General Fund Contingency Reserve was amended as part of the 2018-2019 Annual Report, increasing the reserve by \$1.5 million; from \$38.5 million to \$40.0 million. This reserve level complies with Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, that requires the Contingency Reserve to be at a minimum of 3% of the operating budget.

OTHER FUNDS

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 11.1 million passengers, a decrease of 9.2% from the figures reported through April of the prior year. International passengers represent a decrease of 21.3% while Domestic passengers decreased 8.4% from prior fiscal year-to-date totals. The chart below depicts the year-over-year change for the month of April and Fiscal Year-to-Date for the last seven years.



Fiscal year-to-date mail, freight and cargo totaled 84.0 million pounds, which represents a 13.0% decrease from the prior year. Revenue-generating activities all posted decreases over the same period of the prior fiscal year: Traffic Operations (landings and takeoffs) by 0.2%, Landed Weights by 2.7%, gallons of Aviation Fuel sold by 10.6%, and Ground Transportation (taxicabs & TNC’s) operations by 6.5%.

Starting in March 2020, the Airport began experiencing, and expects to continue to experience, a decrease in General Airport Revenues as a result of the COVID-19 pandemic. Through April, overall revenue performance at the Airport tracked 3% below estimated levels. Airline Rates and Charges, or Landing Fees and Terminal Rentals, tracked 6% lower than the benchmark due to reduced commercial flights. Airfield revenues tracked 10% lower than the benchmark due to reduced air carrier parking, in-flight kitchen and ground support concession revenues. Terminal Concessions tracked 10% higher than the benchmark; however, City Council approval of amendments to non-aeronautical concession agreements to provide temporary financial relief were approved after April invoices were processed. It is expected that adjustments in May will reduce Terminal Concessions revenues from food & beverage and retail concessionaires. Parking & Roadway tracked 3% lower than benchmark due to reduced public parking and rental car concession fee revenue. General and Non-Aviation revenue tracked 3% higher than the benchmark primarily due to interest income earnings partially offset by lower fuel flowage fees.

OTHER FUNDS (CONT'D.)

Construction and Conveyance Tax Funds

Through April 2020, Construction and Conveyance (C&C) Tax receipts totaled \$31.4 million, which represents 82.6% of the 2019-2020 estimate (\$38.0 million). This amount is 6.7% below receipts through April 2019, which totaled \$33.6 million. However, the April 2020 year-over-year receipts reflect a 32.5% drop from the prior year. Additionally, the City has since received the May C&C receipts, which totaled \$2.8 million, a 21.3% drop from the May 2019 receipts. The April and May drops are reflective of the shelter-in-place mandate, which is anticipated to have a significant impact on the local real estate market. When taking into account receipts through May, C&C receipts total \$34.2 million, which represents approximately 90% of the 2019-2020 estimate. Therefore, even though collections are significantly dropping, due to the strong collection levels before the pandemic, overall 2019-2020 C&C receipts are anticipated to meet the revenue estimate by year-end.

Over 99% of the total Construction and Conveyance Taxes are comprised of conveyance receipts, a tax based on the value of property transfers (sales). As discussed in the Economic Environment section of this report, from fall 2018 through fall 2019 Santa Clara County experienced a slow down in the local real estate market, which included median sale prices dropping, the average days on market increasing, and the number of sales decreasing. Towards the end of 2019 the real estate market began to stabilize, with median home prices and property sales once again growing compared to prior year levels. However, due to the COVID-19 pandemic and the ensuing recession, real estate activity is anticipated to significantly drop. Since housing statistics are a key driver for the overall C&C collection levels, significant changes in the housing market will drastically affect the C&C Tax receipts. The local market will continue to be closely monitored, with updates provided in future Bi-Monthly Financial Reports and the 2019-2020 Annual Report.

Other Construction-Related Revenues

Revenues associated with construction activity are anticipated to meet or exceed budgeted levels by year-end. Construction activities drive revenue collection in several categories, including the Building and Structure Construction Tax and the Construction Excise Tax (which are described in further detail below) that help fund the City's Traffic Capital Program, and are an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

Through April, the **Building and Structure Construction Tax** collection level of \$29.4 million has exceeded the budgeted estimate of \$24.0 million, and is 77.9% above the prior year receipts of \$16.5 million, primarily due to both a high valuation level of commercial and industrial land use building permits. When the 2019-2020 Adopted Capital Budget was developed it was anticipated that 2018-2019 Building and Structure Construction Tax receipts would total \$16.0 million, then decrease by approximately 6% to \$15.0 million in 2019-2020. However, since 2018-2019 receipts ended the year at \$22.5 million, the 2019-2020 budget allows for a 33.4% decline from the prior year collection level. Due to the impacts of the shelter-in-place order, Building and

OTHER FUNDS (CONT'D.)

Structure Construction Tax revenue will likely be suppressed for the remainder of the fiscal year. However, due to the strong performance before the pandemic, it is currently anticipated that tax receipts will end the year approximately \$9 - \$10 million above budgeted levels.

Through April, the **Construction Excise Tax** collection level of \$18.2 million is 9.6% below the prior year receipts of \$20.1 million. Although there is higher valuation level of commercial land use building permits from the same time last year, residential activity has dropped which has negatively impacted receipts. Additionally, the year-over-year decline is partially attributable to the tax rate decrease for office use, which was implemented in April 2019 and differentiates office space from other commercial development and lowered the tax rate for office use from 3% to 0.5%. The year-to-date revenue represents 90.9% of the 2019-2020 Adopted Budget estimate of \$20.0 million. When the 2019-2020 Adopted Capital Budget was developed it was anticipated 2018-2019 Construction Excise Tax receipts would total \$21.0 million, then decrease by approximately 5% to \$20.0 million in 2019-2020. However, since 2018-2019 receipts ended the year at \$25.8 million, the 2019-2020 budget allows for a 22.4% decline from the prior year collection level. Due to the impacts of the shelter-in-place order, Construction Excise Tax revenue will likely be suppressed for the remainder of the fiscal year. However, due to the strong performance before the pandemic, it is currently anticipated that tax receipts will end the year approximately \$1 million above budgeted levels.

Construction tax receipts are affected by the valuation of building permits issued. The shelter-in-place mandate that began in March significantly restricted in-progress construction activity. Development partners have continued to work remotely on all other aspects of project review, including construction plan checking on already submitted applications, in preparation for when restrictions would be lifted. As of May 4, 2020, the shelter-in-place was revised to allow for the return of all construction work if the requirements for small or large projects were met. The impact to construction tax revenue as a result of the shelter-in-place will continue to be closely monitored.

Transient Occupancy Tax Fund

As the 10% Transient Occupancy Tax (TOT) is split 4% to the General Fund and 6% to the Transient Occupancy Tax Fund, the lower revenue collections, as discussed in the General Fund Revenues section of this report, will impact the cultural arts activities, the Convention and Visitors Bureau, and convention center operations that these revenues support. Significant adjustments to estimated revenues from the Transient Occupancy Tax and corresponding Convention Center Facilities District Special Tax were approved on April 28, 2020 as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts. Relative to initial estimates for 2019-2020, and following earlier downward adjustments as part of the 2019-2020 Mid-Year Budget Review, the projections for Transient Occupancy Tax (TOT) collections were further reduced by \$9.75 million (40%), and for the Convention Center Facilities District (CCFD) Special Tax collections by (33.6%) due to the emergence of the COVID-19 pandemic and corresponding shelter-in-place requirements in mid-March, which drastically reduced travel and

OTHER FUNDS (CONT'D.)

hotel activity. Revised estimates factored for year-to-date performance leading up to the shelter-in-place order, and the limited available data immediately following. As discussed in the Key General Fund Revenues section of this document, drastic drops in occupancy rates (75.4%) and revenue-per-available room (85.1%) were observed relative to the same period for 2018-2019. Projections for the remainder of 2019-2020 assumed this reduced performance (85% of 2018-2019 levels) would persist with continuation of shelter-in-place orders and diminished travel and hotel room demand, which materialized through May 2020 but not to the extent initially suggested by the March data.

Through May 2020, each of the revised revenue estimates have been met for the respective funds. Year-to-date Transient Occupancy Tax collections exceed the current estimate of \$20.25 million, with potential collections of approximately \$900,000 or more anticipated in June, reflecting preceding monthly activity. Similarly, year-to-date Convention Center Facilities District Special Tax collections exceed the current estimate of \$12.35 million by \$209,000, with additional collections of approximately \$500,000 or more anticipated in June, pending reconciling adjustments.


However, the sudden and historic shocks to these respective revenues prompted numerous budgetary adjustments to rebalance allocations within supported funds. Available funding for cultural art grants and related programming, and operation of the CVB and its marketing programs were reduced by \$2.2 million, respectively due to the anticipated impacts of COVID-19. Additionally, funding for Team San Jose operations and capital improvements to the City's convention and cultural facilities was reduced by \$4.4 million. Meanwhile, event cancellations across all facilities stemming from COVID-19 have increased operations subsidy levels for facility management, as the immediacy of cancellations and corresponding revenue losses exceeded the near-term capacity to contain and reduce costs during the final quarter of the 2019-2020. As a result, Team San Jose has implemented multiple rounds of layoffs and capital improvements have been halted across facilities, with the current expectation that business will not begin to recover until late in the second quarter of 2020-2021.

While existing reserves partially bridged revenue losses for the current year, available funding is more constrained for 2020-2021. The Administration is continuing to collaborate closely with Team San Jose and community-based organization stakeholders of cultural grant programs to effectively manage available resources, including assistance through other eligible funding sources, such as through the non-profit assistance supported through federal CARES Act funds. Further detail concerning the outlook for TOT and CCFD revenue impacts in 2020-2021 due to COVID-19 is provided in Manager's Budget Addendum #4, General Fund Revenue Assumptions and Transient Occupancy Tax Amendments.

CONCLUSION

Due to the COVID-19 pandemic, the economic outlook for San José drastically changed in a short period of time. As mentioned throughout this report, adjustments to address the budgetary shortfall anticipated as a result of the pandemic were brought forward as part of the Approval of Various Budget Actions for Fiscal Year 2019-2020 to Address COVID-19 Impacts memorandum, which was approved by the City Council on April 28, 2020. The revenue anticipated to be most significantly impacted in 2019-2020 due to the shelter-in-place mandate include Sales Tax, Business Taxes, Transient Occupancy Tax, and development-fee related revenues. Additionally, as shelter-in-place mandates are lifted, revenues for many economically sensitive revenue categories are anticipated to continue to be impacted by recessionary conditions and social distancing requirements.

While there are individual variances within certain revenue and expenditure categories, overall, the City's funds are anticipated to end the year within budgeted levels. Additionally, the Approval of Various Budget Actions for Fiscal Year 2019-2020 memorandum, which was approved by the City Council on June 23, 2020, included recommendations to adjust both the General Fund and various Special and Capital Funds to align the budget with current estimates to avoid any overages in individual appropriations, and to recognize new revenues and associated expenditures and reserves. The final outcome of the 2019-2020 budget performance will be reported through the 2019-2020 Annual Report, scheduled to be released on September 30, 2020 and reviewed by the City Council in mid-October 2020.


JIM SHANNON
Budget Director

Attachment



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the Month Ended April 30, 2020

Fiscal Year 2019-2020

(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended April 30, 2020
Fiscal Year 2019-2020
(UNAUDITED)

Table of Contents

	<i>Page Reference</i>
General Fund	
Comparison of Current Year's Monthly Cash Balance vs. Prior Year's Balance.....	1
Comparison of Current Year-to-Date Revenues vs. Prior Year-to-Date Revenues.....	2
Comparison of Current Year-to-Date Expenditures vs. Prior Year-to-Date Expenditures.....	2
Comparison of Current Year-to-Date Revenues for Major Revenue Sources vs. Prior Year-to-Date Revenues.....	3
Comparison of Current Year-to-Date Expenditures by Type vs. Prior Year-to-Date Expenditures.....	3
Source and Use of Funds.....	4-6
Supplemental Schedule of Departmental Revenues.....	7
Other Funds	
<i>Special Funds</i>	
Comparison of Current Year-to-Date Construction & Conveyance Tax Revenues vs. Prior Year-to-Date Revenues.....	8
Comparison of Current Year-to-Date Construction & Conveyance Tax Expenditures vs. Prior Year-to-Date Expenditures.....	8
Comparison of Year-to-Date Revenues and YTD Expenditures vs. Prior Year-to-Date Revenue and Expenditures for:	
Airport Revenue Fund 521 and Airport Maintenance & Operation Fund 523.....	9
WPCP Operation Fund 513.....	10
General Purpose Parking Funds 533 & 599	11
Clean Energy Fund 501.....	12
Source and Use of Funds	13-15

Finance Department, City of San José
Monthly Financial Report
Financial Results for the Month Ended April 30, 2020
Fiscal Year 2019-2020
(UNAUDITED)

Table of Contents

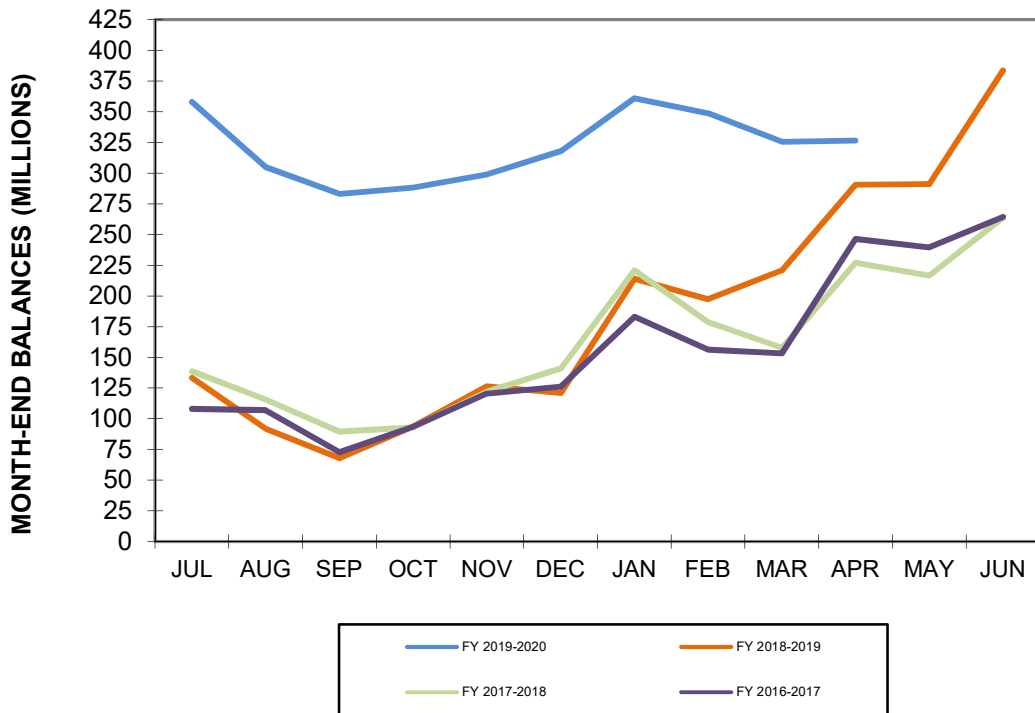
	<i>Page Reference</i>
Other Funds (Cont'd)	
<i>Capital Project Funds</i>	
Source and Use of Funds.....	16
<i>Other Fund Types</i>	
Source and Use of Funds.....	17

Submitted by:



JULIA H. COOPER
Director, Finance Department

**GENERAL FUND
Comparison of Cash Balances vs. Prior Year's Balance**



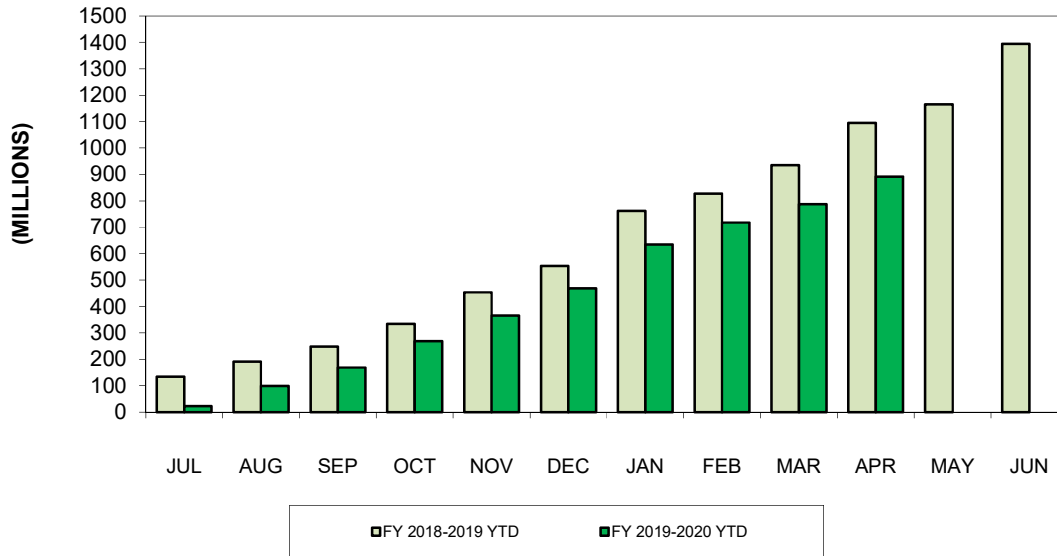
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2019-2020	FY 2018-2019	FY 2017-2018	FY 2016-2017
JULY (1)	\$ 358,057,314	\$ 133,276,057	\$ 138,576,379	\$ 108,012,647
AUGUST	304,849,235	91,972,139	115,540,880	107,081,005
SEPTEMBER	283,092,234	67,970,290	89,537,017	72,718,873
OCTOBER	288,196,905	93,654,030	93,031,593	93,456,157
NOVEMBER	299,006,136	126,316,418	122,022,698	120,485,944
DECEMBER	317,868,572	121,024,958	140,886,445	126,203,310
JANUARY (2)	360,969,681	214,000,120	220,937,707	183,072,948
FEBRUARY	348,806,133	197,277,698	178,836,751	156,320,836
MARCH	325,495,352	220,734,066	157,759,493	153,282,389
APRIL (2)	326,537,038	290,493,766	227,063,040	246,281,183
MAY	-	291,171,986	216,439,757	239,467,743
JUNE	-	383,572,703	263,800,843	264,266,135

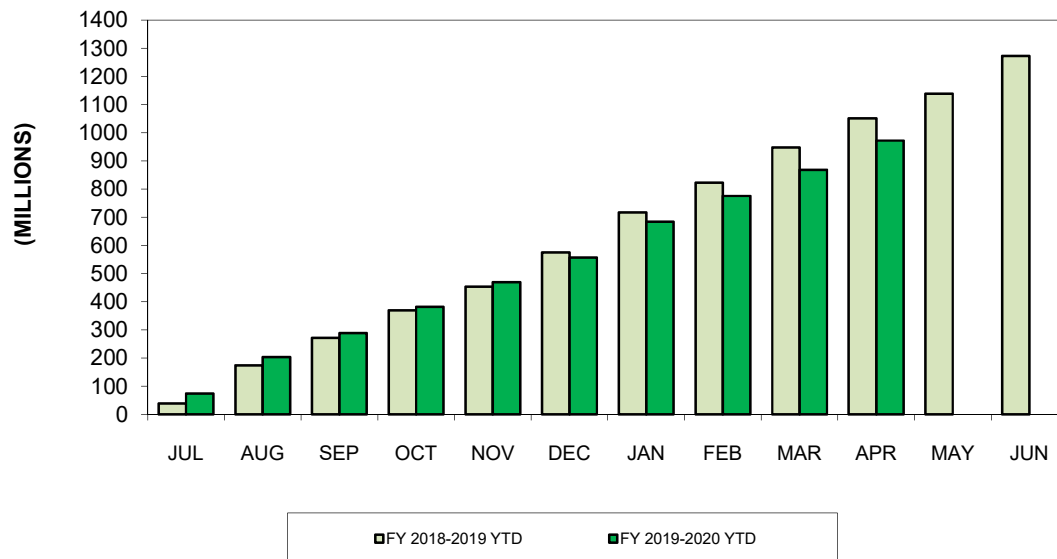
(1) The General Fund cash balance decreases each July and August mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City. Effective July 2019, the City discontinued pre-funding of retirement contributions.

(2) The General Fund cash balance increases in January and April of every year mainly due to the receipt of the first and second annual installment of property taxes from Santa Clara County.

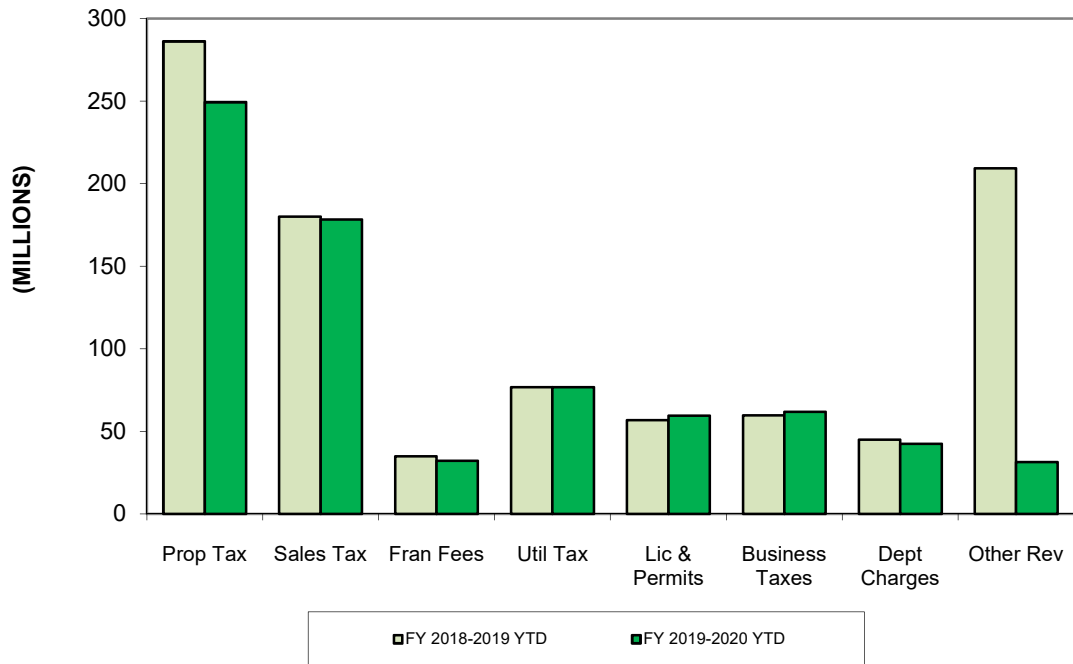
GENERAL FUND
Comparison of YTD Revenues vs. Prior YTD Revenues
Actual



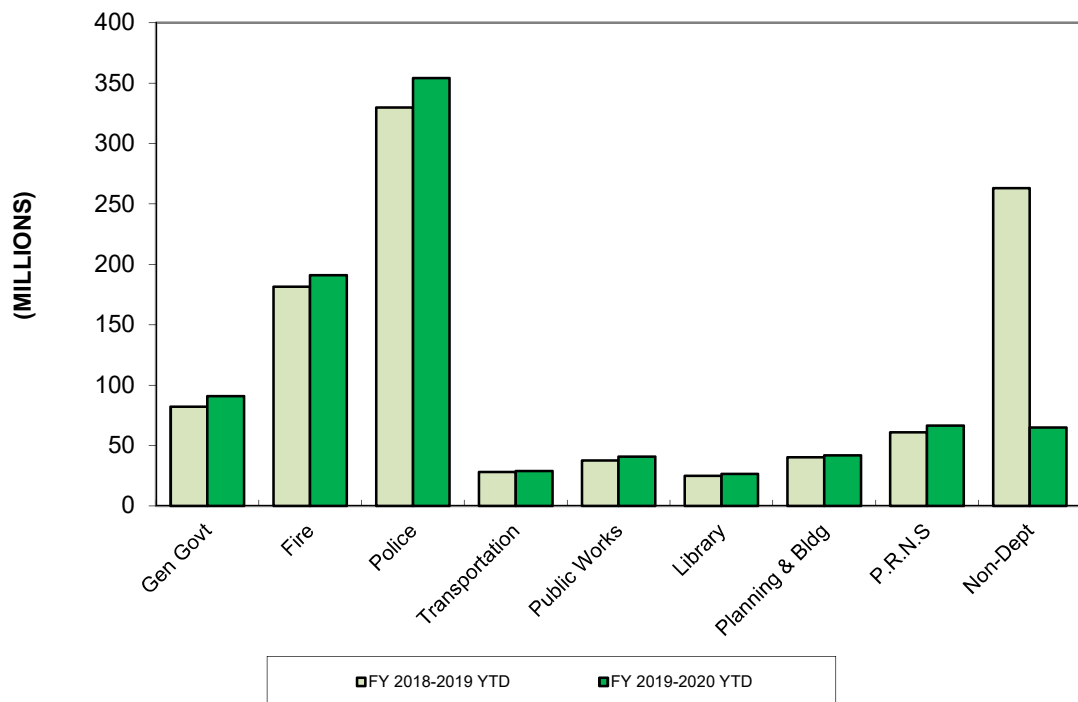
GENERAL FUND
Comparison of YTD Expenditures vs. Prior YTD Expenditures
Actual



**GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual**



**GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual**



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)

	ADOPTED FY 2019-2020 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2019-2020 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	-	-	45,488	45,488	45,488	100.00%	39,039	102.54%	38,071	6,449	16.52%
Available Balance	289,425	76,706	-	366,131	326,537	89.19%	249,953	100.00%	249,953	76,584	30.64%
Total Fund Balance	289,425	76,706	45,488	411,619	372,025	101.61%	288,992	100.34%	288,024	83,033	28.73%
General Revenues											
Property Tax	354,000	10,000	-	364,000	249,362	68.51%	286,107	86.65%	330,199	(36,745)	-12.84%
Sales Tax	258,300	(9,000)	-	249,300	178,282	71.51%	179,976	68.29%	263,530	(1,694)	-0.94%
Telephone Line Tax	20,000	-	-	20,000	15,116	75.58%	16,494	76.39%	21,593	(1,378)	-8.35%
Transient Occupancy Tax	22,500	(9,000)	-	13,500	12,939	95.84%	14,586	71.03%	20,536	(1,647)	-11.29%
Franchise Fees	48,641	-	-	48,641	32,092	65.98%	34,744	71.79%	48,397	(2,652)	-7.63%
Utility Tax	99,645	(3,000)	-	96,645	76,724	79.39%	76,774	77.35%	99,253	(50)	-0.07%
Business Taxes	72,200	(2,000)	-	70,200	61,752	87.97%	59,736	79.75%	74,903	2,016	3.37%
Licenses and Permits	62,009	-	-	62,009	59,533	96.01%	56,781	86.96%	65,295	2,752	4.85%
Fines, Forfeits and Penalties	16,213	(1,000)	-	15,213	14,663	96.38%	13,493	77.54%	17,402	1,170	8.67%
Use of Money and Property	13,144	24	-	13,168	11,318	85.95%	7,249	71.97%	10,072	4,069	56.13%
Revenue from Local Agencies	14,830	2,460	-	17,290	9,322	53.92%	7,851	47.05%	16,685	1,471	18.74%
Revenue from State of CA	12,961	14,040	-	27,001	9,360	34.67%	2,763	18.30%	15,102	6,597	238.76%
Revenue from Federal Government	4,769	563	-	5,332	933	17.50%	1,679	54.06%	3,106	(746)	-44.43%
Fees, Rates and Charges	58,952	(10,606)	-	48,346	42,325	87.55%	44,889	80.59%	55,703	(2,564)	-5.71%
Other Revenues	23,502	13,175	-	36,677	31,265	85.24%	209,233	84.58%	247,368	(177,968)	-85.06%
Total General Revenues	1,081,666	5,656	-	1,087,322	804,986	74.03%	1,012,355	78.53%	1,289,144	(207,369)	-20.48%
Transfers & Reimbursements											
Overhead Reimbursements	53,016	-	-	53,016	49,948	94.21%	49,447	92.88%	53,237	501	1.01%
Transfers from Other Funds	23,411	13,299	-	36,710	12,812	34.90%	9,922	28.11%	35,295	2,890	29.13%
Reimbursements for Services	24,150	-	-	24,150	24,329	100.74%	23,175	134.74%	17,200	1,154	4.98%
Total Transfers & Reimbursements	100,577	13,299	-	113,876	87,089	76.48%	82,544	78.07%	105,732	4,545	5.51%
Total Sources	1,471,669	95,660	45,488	1,612,817	1,264,100	78.38%	1,383,891	82.23%	1,682,900	(119,791)	-8.66%

(*) - Current YTD Actual, Prior YTD Actual and Prior Year-End Actual are based on the Generally Accepted Accounting Principles (GAAP) basis in the United States. This results in some variances from the budgetary basis as certain transactions are recognized as revenues or expenditures on a budgetary basis but not on a GAAP basis.

Note: Figures may not total due to rounding.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS	% CHANGE	
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR		PRIOR YTD	LESS PRIOR YTD	ACTUAL
	BUDGET	AMENDMENTS		BUDGET				ACTUAL (1)(*)	YEAR-END		ACTUAL (1)	ACTUAL	
General Government													
Mayor and Council	17,746	(67)	60	17,739	10,830	79	61.05%	9,715	81.75%	11,884	1,115	11.48%	
City Attorney	16,917	1,605	1,177	19,699	13,843	1,354	70.27%	13,191	80.78%	16,330	652	4.94%	
City Auditor	2,576	(155)	14	2,435	1,866	3	76.63%	2,058	85.68%	2,402	(192)	-9.33%	
City Clerk	2,642	(138)	8	2,512	1,896	34	75.48%	1,962	81.89%	2,396	(66)	-3.36%	
City Manager	23,825	11,288	1,191	36,304	15,481	1,491	42.64%	15,081	81.71%	18,457	400	2.65%	
Finance	19,814	(197)	522	20,139	14,858	1,078	73.78%	13,478	82.41%	16,354	1,380	10.24%	
Information Technology	28,879	123	1,996	30,998	18,504	3,015	59.69%	13,472	70.56%	19,094	5,032	37.35%	
Human Resources	11,839	(559)	64	11,344	8,238	1,362	72.62%	7,865	79.30%	9,918	373	4.74%	
Independent Police Auditor	1,454	(134)	2	1,322	988	5	74.74%	1,125	91.15%	1,234	(137)	-12.18%	
Office of Economic Development	6,617	(507)	792	6,902	4,474	713	64.82%	4,227	82.82%	5,104	247	5.84%	
Total General Government	132,309	11,259	5,826	149,394	90,978	9,134	60.90%	82,174	79.65%	103,173	8,804	10.71%	
Public Safety													
Fire	242,011	496	852	243,359	191,048	1,217	78.50%	181,333	81.15%	223,466	9,715	5.36%	
Police	446,811	4,574	1,948	453,333	354,235	3,838	78.14%	329,853	80.60%	409,233	24,382	7.39%	
Total Public Safety	688,822	5,070	2,800	696,692	545,283	5,055	78.27%	511,186	80.79%	632,699	34,097	6.67%	
Capital Maintenance													
Transportation	38,425	(1,048)	215	37,592	28,953	1,619	77.02%	28,027	79.78%	35,129	926	3.30%	
Public Works	50,116	1,139	905	52,160	40,745	3,336	78.12%	37,724	83.07%	45,412	3,021	8.01%	
Total Capital Maintenance	88,541	91	1,120	89,752	69,698	4,955	77.66%	65,751	81.64%	80,541	3,947	6.00%	
Community Service													
Housing	589	(65)	71	595	197	106	33.11%	329	70.00%	470	(132)	-40.12%	
Library	36,536	522	195	37,253	26,476	3,979	71.07%	24,975	75.49%	33,084	1,501	6.01%	
Planning, Bldg & Code Enf.	62,152	(2,030)	1,828	61,950	41,827	1,957	67.52%	40,206	82.61%	48,667	1,621	4.03%	
Parks, Rec & Neigh Svcs	91,688	743	667	93,098	66,444	3,732	71.37%	60,908	76.70%	79,408	5,536	9.09%	
Environmental Services	4,208	(375)	42	3,875	2,811	507	72.54%	2,319	76.81%	3,019	492	21.22%	
Total Community Services	195,173	(1,205)	2,803	196,771	137,755	10,281	70.01%	128,737	78.19%	164,648	9,018	7.00%	
Total Dept. Expenditures	1,104,845	15,215	12,549	1,132,609	843,714	29,425	74.49%	787,848	80.31%	981,061	55,866	7.09%	

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Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END ACTUAL (1)(*)	CUR YTD LESS	% CHANGE	
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL (*)	ENCUMBR	ACTUAL %	YTD	OF PRIOR		PRIOR YTD	LESS PRIOR YTD	ACTUAL
	BUDGET	AMENDMENTS		BUDGET			OF BUDGET	ACTUAL (1)(*)	YEAR-END ACTUAL		ACTUAL (1)(*)	ACTUAL (1)	LESS PRIOR YTD ACTUAL
Non-Dept Expenditures													
City-wide Expenditures:													
Econ & Neighborhood Develop.	26,803	(12)	5,652	32,443	15,315	9,176	47.21%	10,780	83.25%	12,949	4,535	42.07%	
Environmental & Utility Services	2,576	439	61	3,076	1,641	88	53.35%	1,410	64.18%	2,197	231	16.38%	
Public Safety	22,845	841	459	24,145	14,925	620	61.81%	16,253	85.08%	19,104	(1,328)	-8.17%	
Recreation & Cultural Services	11,105	416	558	12,079	7,855	1,630	65.03%	6,997	68.93%	10,151	858	12.26%	
Transportation Services	3,716	(89)	1	3,628	2,477	-	68.27%	2,368	78.93%	3,000	109	4.60%	
Strategic Support	46,210	2,543	3,984	52,737	21,446	4,843	40.67%	172,185	94.99%	181,271	(150,739)	-87.54%	
Total City-wide Expenditures	113,255	4,138	10,715	128,108	63,659	16,357	49.69%	209,993	91.83%	228,672	(146,334)	-69.69%	
Other Non-Dept Expenditures:													
Capital Improvements	49,225	24,337	22,224	95,786	24,836	21,806	25.93%	8,251	57.43%	14,366	16,585	201.01%	
Transfers to Other Funds	37,708	15,179	-	52,887	40,028	-	75.69%	44,759	93.58%	47,831	(4,731)	-10.57%	
Total Non-Dept Expenditures	200,188	43,654	32,939	276,781	64,864	38,163	23.44%	263,003	90.42%	290,869	(134,480)	-51.13%	
Reserves													
Contingency Reserve	38,500	1,500	-	40,000	-	-	0.00%	-	0.00%	-	-	0.00%	
Earmarked Reserves	128,137	34,448	-	162,585	9	23	0.01%	-	0.00%	-	9	0.00%	
Total Reserves	166,637	35,948	-	202,585	9	23	0.00%	-	0.00%	-	9	0.00%	
Total Uses	1,471,669	94,818	45,488	1,611,975	972,246	67,611	60.31%	1,050,851	82.62%	1,271,930	(78,605)	-7.48%	

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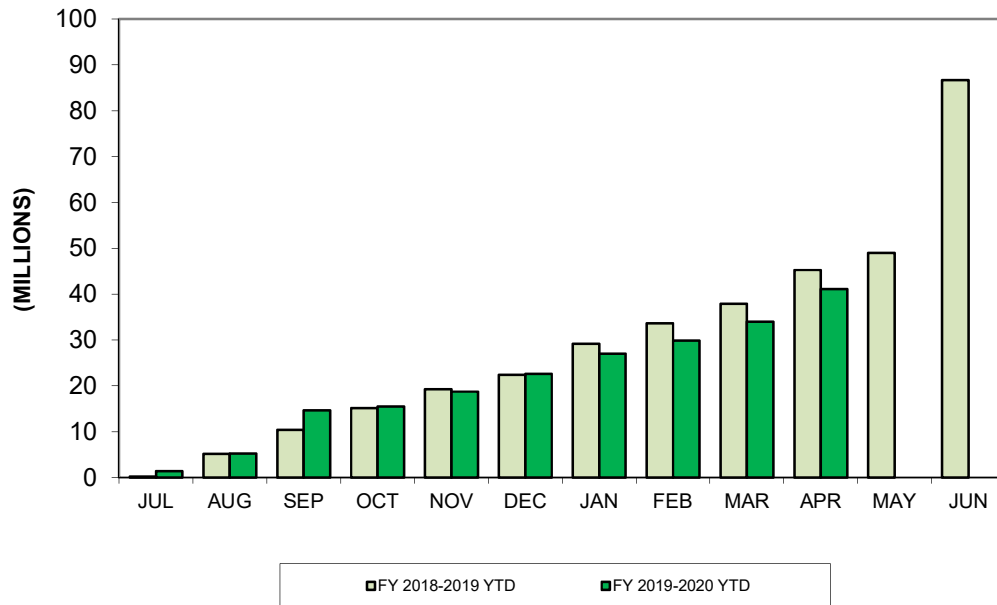
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED FY 2019-2020 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2019-2020 BUDGET	CUR YTD ACTUAL (*)	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL (*)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END ACTUAL (*)	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	912	-	-	912	854	93.64%	1,228	90.69%	1,354	(374)	-30.46%
Public Works	17,575	-	-	17,575	11,555	65.75%	12,241	79.78%	15,344	(686)	-5.60%
Transportation	2,243	100	-	2,343	2,220	94.75%	1,521	82.75%	1,838	699	45.96%
Library	303	-	-	303	165	54.46%	272	84.21%	323	(107)	-39.34%
Planning, Bldg & Code Enforcement	7,793	-	-	7,793	5,933	76.13%	6,430	82.20%	7,822	(497)	-7.73%
Parks Rec & Neigh Svcs	23,336	44	-	23,380	15,172	64.89%	18,577	84.92%	21,877	(3,405)	-18.33%
Miscellaneous Dept Charges	6,790	(10,750)	-	(3,960)	6,426	-162.27%	4,620	64.66%	7,145	1,806	39.09%
Total Fees, Rates, and Charges	58,952	(10,606)	-	48,346	42,325	87.55%	44,889	80.59%	55,703	(2,564)	-5.71%

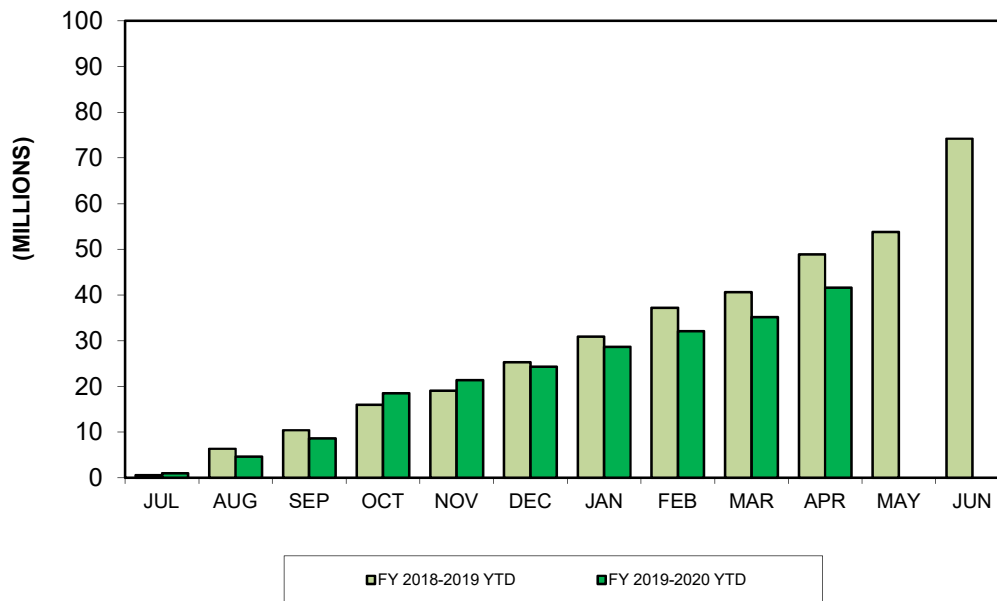
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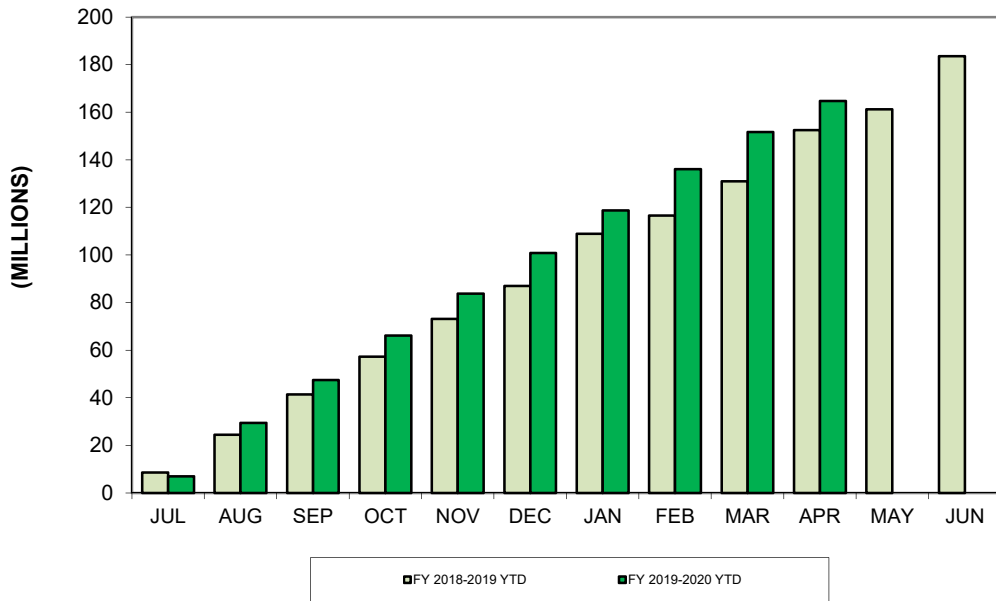
**CONSTRUCTION & CONVEYANCE TAX FUNDS 377-378 & 380-398
Comparison of YTD Revenues vs. Prior YTD Revenues**



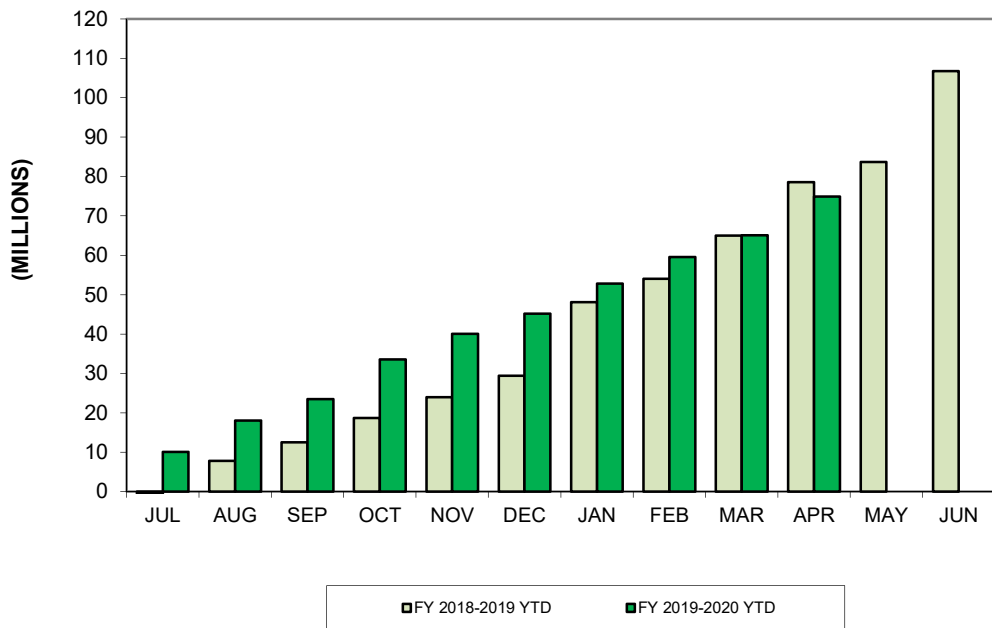
**CONSTRUCTION & CONVEYANCE TAX FUNDS 377-378 & 380-398
Comparison of YTD Expenditures vs. Prior YTD Expenditures**



**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues vs. Prior YTD Revenues**

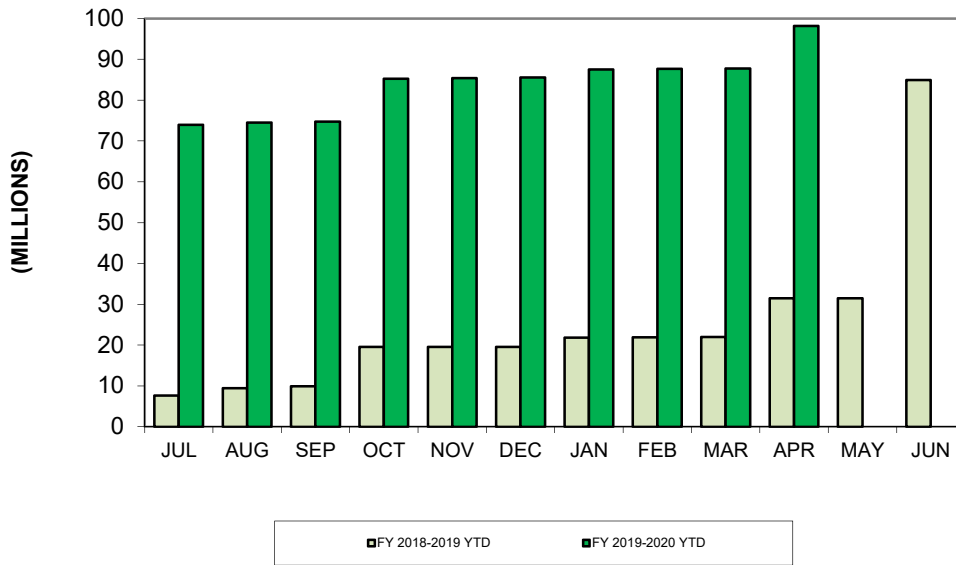


**AIRPORT MAINTENANCE & OPERATION FUND 523
Comparison of YTD Expenditures vs. Prior YTD Expenditures**

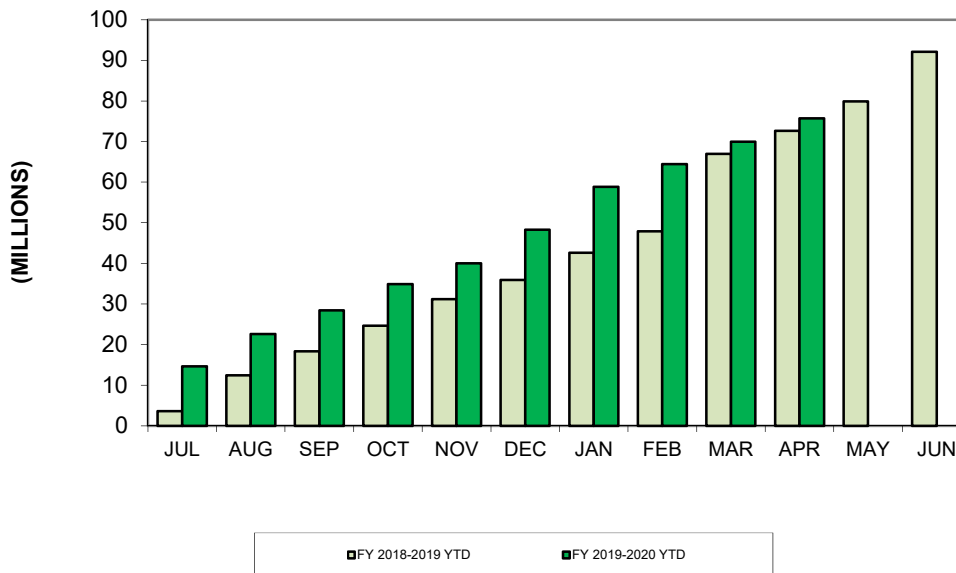


Note: The graphs above include the Airport Revenue Fund (521) and Airport Maintenance & Operation Fund (523) only.

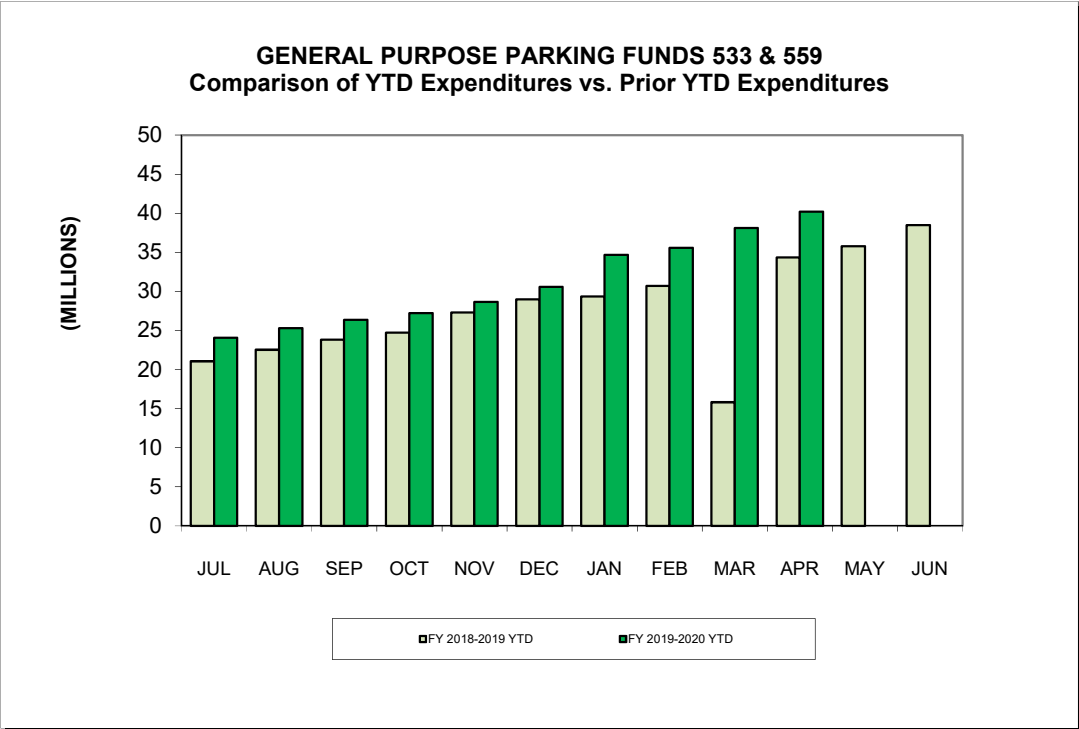
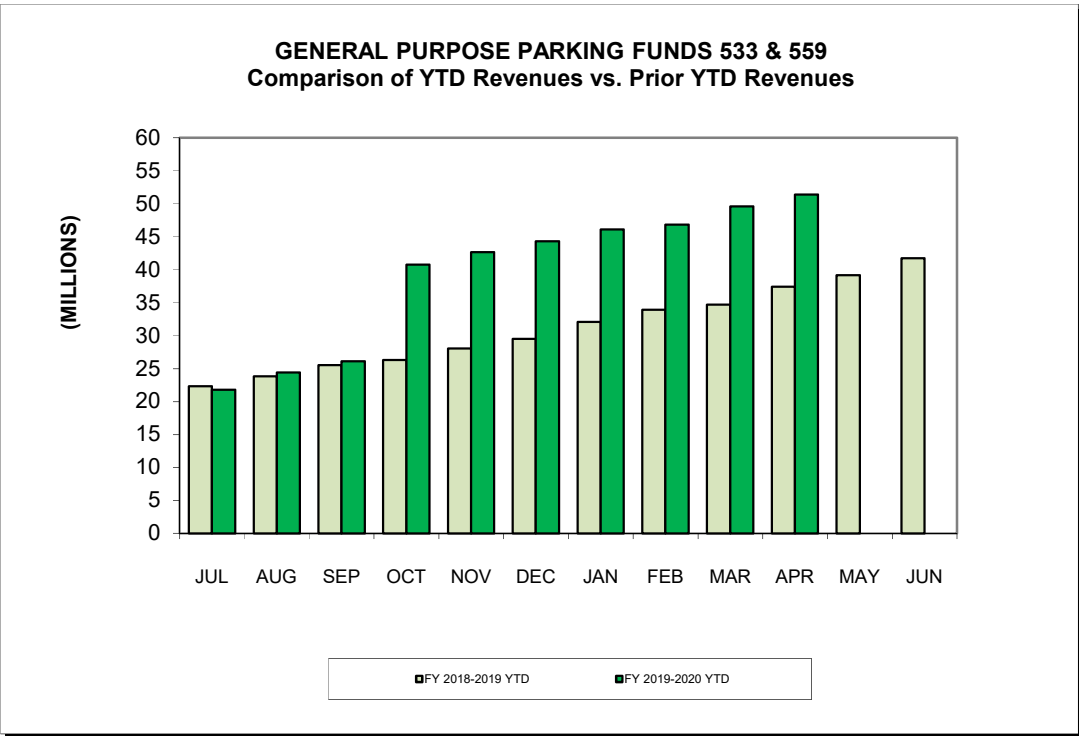
**WPCP OPERATION FUND 513
Comparison of YTD Revenues vs. Prior YTD Revenues**



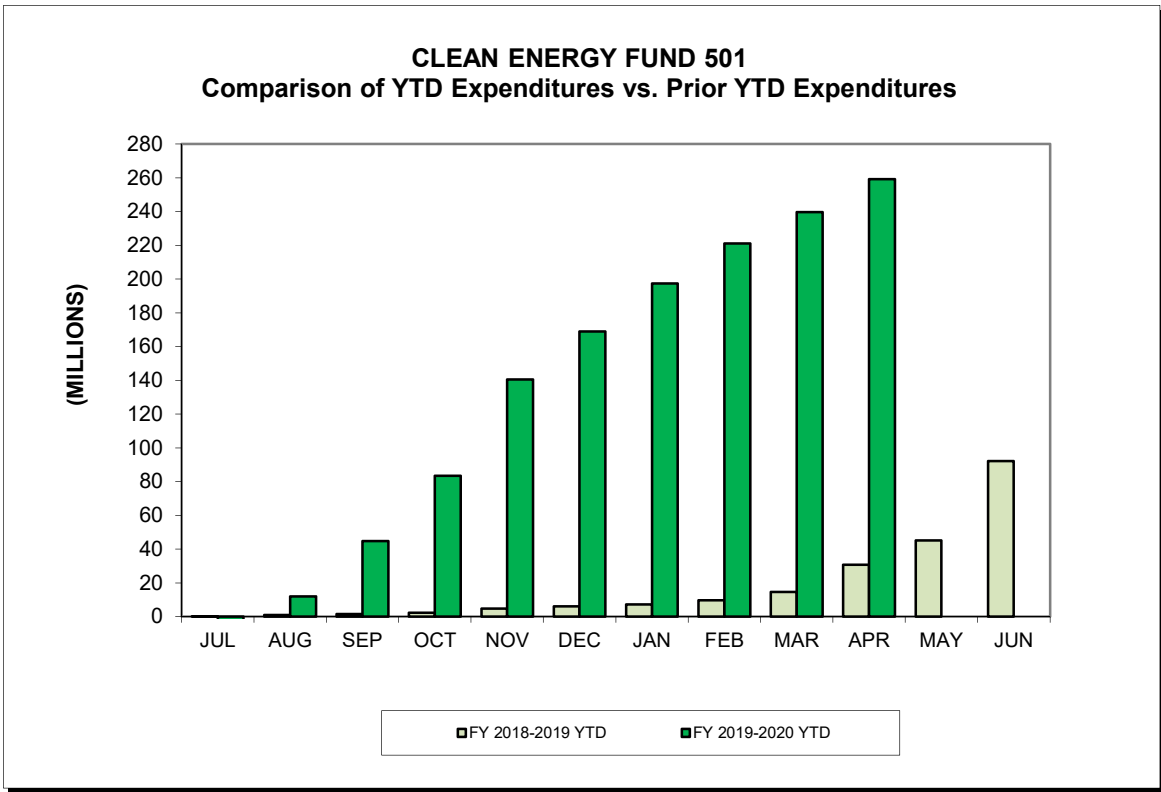
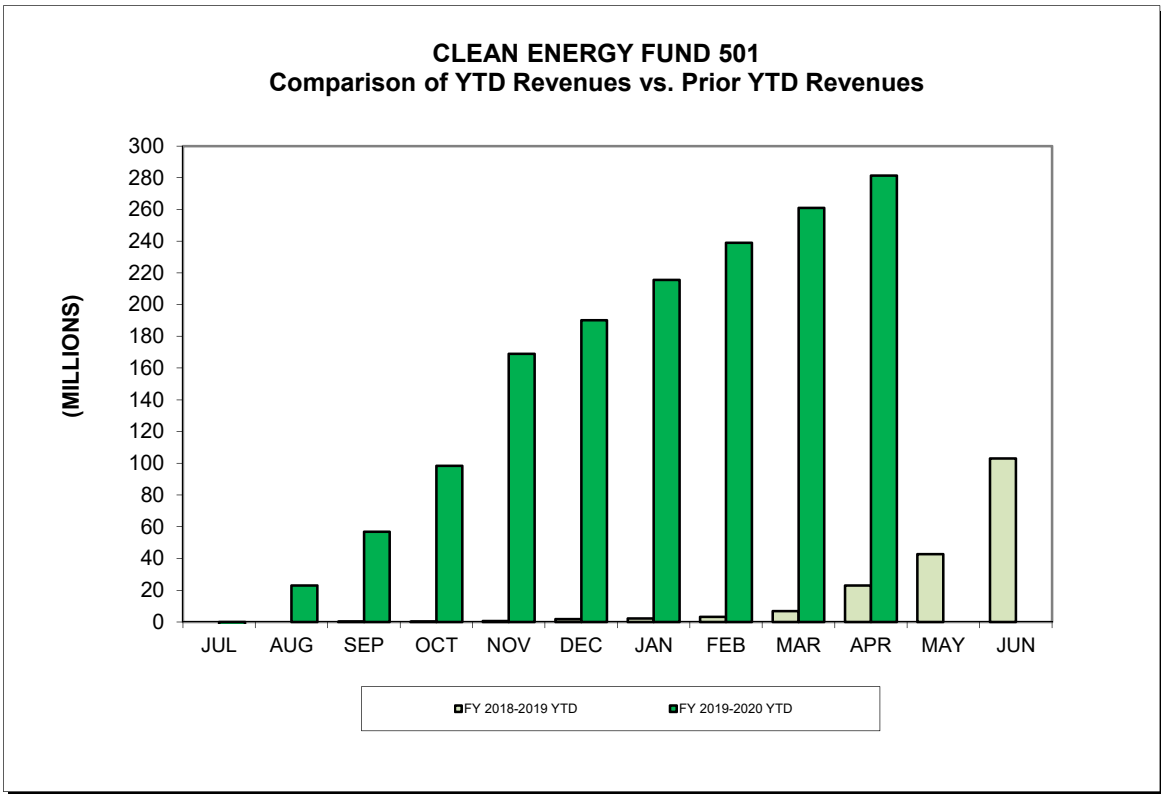
**WPCP OPERATION FUND 513
Comparison of YTD Expenditures vs. Prior YTD Expenditures**



Note: Increase in revenues is due to \$64 million transferred in from Sewer Service & Use Charge Fund (541) in July 2019. An additional \$6 million and \$10 million were collected in the first and second quarter, respectively.



Note: The increase in revenue is due to the \$12.8 million reimbursement from the Successor Agency to the Redevelopment Agency of the City of San Jose.



Note: The Clean Energy Fund is the newest enterprise fund established in FY2017-2018 to account for revenues from the sale of electricity and the costs associated with the Clean Energy Program. The power sales revenue started in November 2018.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction/Conveyance Tax							
Prior Year Encumbrance	-	-	7,451	7,451	7,451	-	10,796
Beginning Fund Balance	67,739	16,782	-	84,521	84,521	-	77,311
Revenues	62,194	208	-	62,402	41,156	-	45,289
Total Sources	129,933	16,990	7,451	154,374	133,128	-	133,396
Total Uses	129,933	16,990	7,451	154,374	41,616	8,520	48,895
Airport							
Prior Year Encumbrance	-	-	14,179	14,179	14,179	-	19,203
Beginning Fund Balance	274,091	2,994	-	277,085	277,085	-	276,635
Revenues	627,804	16,169	-	643,973	481,521	-	474,373
Total Sources	901,895	19,163	14,179	935,237	772,785	-	770,211
Total Uses	901,895	19,163	14,179	935,237	421,372	29,837	410,785
Waste Water Treatment							
Prior Year Encumbrance	-	-	213,683	213,683	213,683	-	284,970
Beginning Fund Balance	192,982	24,506	-	217,488	217,488	-	125,632
Revenues	657,305	-	-	657,305	456,342	-	309,522
Total Sources	850,287	24,506	213,683	1,088,476	887,513	-	720,124
Total Uses	850,287	24,506	213,683	1,088,476	354,547	349,390	270,453
Parking							
Prior Year Encumbrance	-	-	9,808	9,808	9,808	-	2,854
Beginning Fund Balance	28,094	1,402	-	29,496	29,496	-	32,659
Revenues	55,299	-	-	55,299	51,387	-	37,403
Total Sources	83,393	1,402	9,808	94,603	90,691	-	72,916
Total Uses	83,393	1,402	9,808	94,603	40,178	11,166	34,357
Municipal Water							
Prior Year Encumbrance	-	-	2,324	2,324	2,324	-	2,636
Beginning Fund Balance	25,994	4,646	-	30,640	30,640	-	26,503
Revenues	56,912	-	-	56,912	44,473	-	43,081
Total Sources	82,906	4,646	2,324	89,876	77,437	-	72,220
Total Uses	82,906	4,646	2,324	89,876	42,207	4,854	42,385

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Community Energy							
Prior Year Encumbrance	-	-	4,549	4,549	4,549	-	49
Beginning Fund Balance	14,401	(716)	-	13,685	13,685	-	(252)
Revenues	327,526	5,000	-	332,526	281,338	-	23,058
Total Sources	341,927	4,284	4,549	350,760	299,572	-	22,855
Total Uses	341,927	4,284	4,549	350,760	259,142	69,682	30,635
Gas Tax							
Revenues	16,300	-	-	16,300	12,232	-	12,213
Total Sources	16,300	-	-	16,300	12,232	-	12,213
Total Uses	16,300	-	-	16,300	11,125	-	10,962
Building and Structures							
Prior Year Encumbrance	-	-	4,738	4,738	4,738	-	8,985
Beginning Fund Balance	43,732	12,249	-	55,981	55,981	-	42,440
Revenues	32,027	19,543	-	51,570	47,563	-	20,369
Total Sources	75,759	31,792	4,738	112,289	108,282	-	71,794
Total Uses	75,759	31,792	4,738	112,289	14,632	3,610	13,549
Residential Construction							
Beginning Fund Balance	1,553	783	-	2,336	2,336	-	2,048
Revenues	236	-	-	236	224	-	305
Total Sources	1,789	783	-	2,572	2,560	-	2,353
Total Uses	1,789	783	-	2,572	58	-	51
Transient Occupancy Tax							
Prior Year Encumbrance	-	-	667	667	667	-	832
Beginning Fund Balance	5,994	3,000	-	8,994	8,994	-	7,763
Revenues	33,871	(13,500)	-	20,371	19,444	-	22,039
Total Sources	39,865	(10,500)	667	30,032	29,105	-	30,634
Total Uses	39,865	(10,500)	667	30,032	29,865	3,470	22,636
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	109	109	109	-	322
Beginning Fund Balance	12,184	3,533	-	15,717	15,717	-	12,061
Revenues	29,973	(1,552)	-	28,421	31,146	-	68,637
Total Sources	42,157	1,981	109	44,247	46,972	-	81,020
Total Uses	42,157	1,981	109	44,247	23,176	738	69,471

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	ACTUAL
Golf							
Beginning Fund Balance	654	58	-	712	712	-	638
Revenues	8,848	2,300	-	11,148	11,129	-	3,050
Total Sources	9,502	2,358	-	11,860	11,841	-	3,688
Total Uses	9,502	2,358	-	11,860	10,494	-	2,822
Other Funds							
Prior Year Encumbrance	-	-	35,445	35,445	35,445	-	36,183
Beginning Fund Balance	381,515	57,519	-	439,034	439,034	-	393,631
Revenues	460,761	66,902	-	527,663	431,808	-	386,141
Total Sources	842,276	124,421	35,445	1,002,142	906,287	-	815,955
Total Uses	842,276	124,421	35,445	1,002,142	388,029	108,988	310,120

Note: Figures may not total due to rounding.

CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2019-2020	BUDGET		FY 2019-2020	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction Excise							
Prior Year Encumbrance	-	-	79,322	79,322	79,322	-	41,446
Beginning Fund Balance	64,542	(16,778)	-	47,764	47,764	-	82,808
Revenues	343,508	58,095	-	401,603	338,990	-	53,443
Total Sources	408,050	41,317	79,322	528,689	466,076	-	177,697
Total Uses	408,050	41,317	79,322	528,689	138,051	22,939	56,953
Other							
Prior Year Encumbrance	-	-	1,396	1,396	1,396	-	7,939
Beginning Fund Balance	21,799	1,040	-	22,839	22,839	-	20,309
Revenues	9,275	-	-	9,275	29,130	-	452
Total Sources	31,074	1,040	1,396	33,510	53,365	-	28,700
Total Uses	31,074	1,040	1,396	33,510	21,140	1,505	5,750

Note: Figures may not total due to rounding.

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE MONTHS ENDED April 30, 2020
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2019-2020 BUDGET	BUDGET AMENDMENTS		FY 2019-2020 BUDGET	ACTUAL	ENCUMBR	Y-T-D ACTUAL
Trust and Agency							
Prior Year Encumbrance	-	-	67	67	67	-	171
Beginning Fund Balance	5,638	5,005	-	10,643	10,643	-	8,923
Revenues	4,213	279	-	4,492	4,970	-	5,043
Total Sources	<u>9,851</u>	<u>5,284</u>	<u>67</u>	<u>15,202</u>	<u>15,680</u>	<u>-</u>	<u>14,137</u>
Total Uses	<u>9,851</u>	<u>5,284</u>	<u>67</u>	<u>15,202</u>	<u>3,315</u>	<u>178</u>	<u>3,274</u>

Note: Figures may not total due to rounding.