

**2019-2020
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GENERAL FUND EXPENDITURE PERFORMANCE

The General Fund expenditure performance for 2019-2020 is discussed in detail in this section. This includes an overview of the General Fund expenditure performance, a discussion of significant departmental variances, and highlights of the non-departmental expenditures.

Overview

**TABLE B
2019-2020 GENERAL FUND EXPENDITURE SUMMARY
COMPARISON OF BUDGET TO ACTUAL**

Category	2019-2020 Modified Budget*	2019-2020 Actual**	Variance	% Variance
Personal Services	\$ 877,020,266	\$ 860,636,566	\$ (16,383,700)	(1.9%)
Non-Personal/Equipment/Other ¹	188,137,162	157,609,345	(30,527,817)	(16.2%)
City-Wide Expenses	132,360,247	95,007,480	(37,352,767)	(28.2%)
Capital Contributions	95,850,454	53,592,617	(42,257,837)	(44.1%)
Transfers	48,967,078	48,967,078	0	0.0%
Reserves	268,635,159	0	(268,635,159)	(100.0%)
TOTAL GENERAL FUND	\$ 1,610,970,366	\$ 1,215,813,086	\$ (395,157,280)	(24.5%)

* 2019-2020 appropriations as modified by Council through June 30, 2020, and 2018-2019 carryover encumbrances.

** Actual 2019-2020 expenses plus encumbrances.

As shown in Table B, General Fund expenditures and encumbrances through June 30, 2020 of \$1.22 billion were \$395.2 million, or 24.5%, below the modified budget total of \$1.61 billion. Approximately 70% of this savings was generated from unspent reserves (\$268.6 million), with the remaining savings generated from expenditure appropriations. Total 2019-2020 expenditures and encumbrances were \$102.7 million, or 7.8%, below the 2018-2019 level of \$1.3 billion. This variance is due lower to City-Wide Expenses (\$145.1 million), partially offset by higher Personal Services (\$17.8 million), Capital Contributions (\$17.0 million), Non-Personal/Equipment/Other (\$6.5 million), and Transfers (\$1.1 million).

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

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As shown in Table C, the actual General Fund expenditures of \$1.2 billion were approximately \$49.1 million (3.9%) below the estimate used in the development of the 2020-2021 Adopted Budget. A portion of these savings (\$5.0 million) was carried over to 2020-2021 with the accompanying revenue for grant or reimbursement-related projects and programs, bringing the variance down to \$44.1 million. Clean-up actions of \$22.0 million are recommended in this report to reconcile the Development Fee Programs for 2019-2020 (\$10.6 million) and to adjust various rebudget amounts and reflect clean-up adjustments (\$11.4 million). After accounting for these technical actions, the remaining General Fund expenditures savings totaled \$22.1 million, or 1.4% of the modified budget.

**TABLE C
2019-2020 EXPENDITURE ESTIMATE TO ACTUAL VARIANCES**

	2019-2020 Estimate	2019-2020 Actual	\$ Variance	% Variance
Expenditures	\$1,264,932,258	\$1,215,813,086	\$(49,119,172)	(3.9%)

These net expenditure savings, when combined with the net variance associated with the General Fund revenues and higher than anticipated liquidation of prior year encumbrances, represent the additional ending fund balance that is available for allocation in 2020-2021. Specifically, as discussed earlier in this report, in 2020-2021, a total of \$28.4 million in additional fund balance is available, which is comprised of net expenditure savings of \$22.1 million (1.4% of the modified budget), higher than estimated revenues of \$5.0 million (0.4% of the modified budget), and higher than estimated liquidation of prior year encumbrances (\$1.4 million). Recommendations on the allocation of these additional funds are provided elsewhere in this report.

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

Personal Services expenditures of \$860.6 million ended the year \$16.4 million (1.9%) below budgeted levels, but \$17.8 million (2.1%) above the 2018-2019 expenditure levels of \$842.9 million. Expenditures in both years ended the year below the budget primarily as the result of position vacancy savings throughout the organization. Departments with the highest variances in 2019-2020 include the following: Planning, Building and Code Enforcement (\$4.9 million, including the Development Fee Programs); Parks, Recreation and Neighborhood Services (\$4.2 million); and Fire Department (\$2.7 million, including the Development Fee programs).

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Non-Personal/Equipment/Other expenditures of \$157.6 million ended the year \$30.5 million (16.2%) below budgeted levels, but \$6.5 million (4.3%) above the 2018-2019 expenditure level of \$151.1 million. The departments with the largest Non-Personal/Equipment/Other variances included: Parks, Recreation and Neighborhood Services (\$5.7 million, including Fee Activities); Planning, Building and Code Enforcement (\$4.0 million, including the Development Fee Programs); Information Technology (\$4.0 million); City Manager's Office (\$2.6 million); and Police Department (\$2.5 million). The Mayor and City Council appropriations also ended the year \$5.4 million below the modified budget. The majority of the Non-Personal/Equipment/Other savings were rebudgeted to 2020-2021 as part of the 2020-2021 Adopted Budget (\$12.4 million) or are recommended to be rebudgeted in the Annual Report (\$2.8 million), resulting in net savings of \$15.3 million.

In the City-Wide Expenses category, expenditures and encumbrances of \$95.0 million ended the year \$37.4 million below the budgeted level of \$132.4 million. Of this amount, \$28.4 million was assumed as savings in 2019-2020 and rebudgeted to 2020-2021, including \$5.0 million that was offset by revenue sources. Of the remaining balance of \$9.0 million, rebudget adjustments totaling \$4.8 million are recommended in this report, and if approved, would result in net savings of \$4.1 million in this category, a 3.1% variance from the budgeted level. The 2019-2020 City-Wide Expenses were \$145.1 million below the 2018-2019 expenditure level of \$240.1 million.

In the Capital Contributions category, expenditures of \$53.6 million ended the year \$42.3 million below the budgeted level of \$95.9 million. A total of \$38.6 million was rebudgeted to 2020-2021 in the Adopted Budget, with a remaining savings amount available of \$3.6 million. As part of this report, additional rebudget adjustments totaling \$3.4 million are recommended, reducing the Capital balance to \$209,000. The 2019-2020 expenditure level of \$53.6 million was \$17.0 million below the 2018-2019 level of \$36.6 million.

The Transfers category expenditures of \$49.0 million ended the year at the budgeted amount.

The largest single category of remaining funding available in 2019-2020, as planned, is the Reserves category (\$268.6 million), including Earmarked Reserves (\$154.8 million), the 2019-2020 Ending Fund Balance Reserve (\$73.9 million), and the Contingency Reserve (\$40.0 million). The 2020-2021 Adopted Budget assumed that \$268.6 million would be available at year-end, with reserves either re-established in 2020-2021 or used as a funding source for the 2020-2021 Adopted Budget. No reductions to the \$40.0 million Contingency Reserve occurred in 2019-2020.

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Review of General Fund Expenditure Performance

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

Departmental expenditures (\$1.0 billion) represented almost 85% of the total 2019-2020 General Fund expenditures. As can be seen in Table D on the following page, all departments remained within their total budget allocation and expended a cumulative 95.6% of their budgets, generating overall savings of \$46.9 million (4.4%). Of this amount, \$13.5 million was rebudgeted in the 2020-2021 Adopted Budget; and additional rebudgets of \$13.4 million are recommended in this report (including the Development Fee Programs reconciliation of \$10.6 million and other rebudget adjustments), leaving a balance of \$20.0 million. Of this balance amount, \$1.9 million was assumed as savings in the development of the 2020-2021 Ending Fund Balance estimate, resulting in a balance of \$18.1 million.

Of the 19 City departments/offices, 14 had expenditure savings of less than \$1.0 million or 10.0% of their budget. The remaining five departments/offices had expenditure savings in excess of \$1 million and 10% of their budget in 2019-2020, and included the following: City Manager; Information Technology; Mayor and City Council; Parks, Recreation and Neighborhood Services; and Planning, Building and Code Enforcement. Those departments with General Fund expenditure variances of over 10.0% and \$1.0 million are discussed in detail in the following section. In addition, the year-end status of expenditures for both the Police and Fire Departments is also summarized.

Non-Departmental expenditures totaled \$197.6 million, or approximately 16% of the total 2020-2021 General Fund expenditures. The unexpended balance at year-end totaled \$348.2 million; reserves of \$268.6 million represent the largest portion of unexpended funds and were almost entirely carried over or used in the 2020-2021 Adopted Budget as planned. Excluding reserves, a balance of \$79.6 million remained in this category at year-end. In the 2020-2021 Adopted Budget, \$67.0 million was rebudgeted in the City-Wide Expenses and Capital Contributions categories. Additional rebudget adjustments in these categories totaling \$8.2 million are recommended in the 2019-2020 Annual Report, resulting in total unexpended funds of \$4.4 million.

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**TABLE D
TOTAL GENERAL FUND EXPENDITURES**

Departmental	2019-2020 Modified Budget	2019-2020 Expenditures	\$ Variance	% Variance
City Attorney	\$ 19,054,002	\$ 18,216,340	\$ (837,662)	(4.4%)
City Auditor	2,213,220	2,142,216	(71,004)	(3.2%)
City Clerk	2,433,099	2,412,956	(20,143)	(0.8%)
City Manager	21,185,608	17,687,817	(3,497,791)	(16.5%)
Economic Development	6,497,747	5,935,507	(562,240)	(8.7%)
Environmental Services	3,841,957	3,439,372	(402,585)	(10.5%)
Finance	19,770,875	18,826,091	(944,784)	(4.8%)
Fire	202,668,657	197,804,702	(4,863,955)	(2.4%)
Housing	578,998	557,890	(21,108)	(3.6%)
Human Resources	11,143,015	10,365,129	(777,886)	(7.0%)
Independent Police Auditor	1,319,582	1,254,258	(65,324)	(5.0%)
Information Technology	30,463,017	25,875,500	(4,587,517)	(15.1%)
Library	36,703,692	35,819,274	(884,418)	(2.4%)
Mayor and City Council	17,851,250	12,403,206	(5,448,044)	(30.5%)
Parks, Recreation & Neighborhood Services	90,815,983	80,911,584	(9,904,399)	(10.9%)
Planning, Building & Code Enforcement	61,216,357	52,254,937	(8,961,420)	(14.6%)
Police	447,171,181	444,375,544	(2,795,637)	(0.6%)
Public Works	52,947,398	51,837,887	(1,109,511)	(2.1%)
Transportation	37,281,790	36,125,701	(1,156,089)	(3.1%)
Subtotal	1,065,157,428	1,018,245,911	(46,911,517)	(4.4%)
Non-Departmental				
City-Wide Expenses	132,360,247	95,007,480	(37,352,767)	(28.2%)
Capital Contributions	95,850,454	53,592,617	(42,257,837)	(44.1%)
Transfers	48,967,078	48,967,078	-	0.0%
Earmarked Reserves	154,771,159	-	(154,771,159)	(100.0%)
Contingency Reserve	40,000,000	-	(40,000,000)	(100.0%)
Ending Fund Balance Reserve	73,864,000	-	(73,864,000)	(100.0%)
Subtotal	545,812,938	197,567,175	(348,245,763)	(63.8%)
TOTALS	\$ 1,610,970,366	\$ 1,215,813,086	\$ (395,157,280)	(24.5%)

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Discussion of Significant Departmental Variances and Other Issues

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

Police Department

On an overall basis, the Police Department expenditures totaled \$444.4 million, or 99.4% of its General Fund budget of \$447.2 million, including encumbrances, resulting in savings of \$2.8 million (0.6%).

Personal Services expenditures of \$415.9 million were consistent with budgeted levels, yielding overall savings of \$350,000. Of these anticipated savings, \$150,000 was rebudgeted through the 2020-2021 Adopted Budget. However, overtime expenditures of \$45.5 million exceeded the 2019-2020 Modified Budget of \$39.7 million by approximately \$5.8 million (14.6%). An upward adjustment of \$3.0 million was approved as part of the 2018-2019 Annual Report to address an urgent program need for the new Guardian Rapid Response Program, but this program was suspended in March 2020 due to the COVID-19 pandemic and school closures. In addition, actions included in the 2019-2020 Year-End Budget Review reallocated \$8.6 million from salary and benefits savings to address estimated overtime requirements. While the Police Department continued to diligently fill vacancies in both sworn and civilian positions, hiring 153 recruits through three Recruit Academies, overtime was utilized to backfill vacant sworn and civilian positions and support targeted enforcement operations. These enforcement operations targeted areas of high crime activity through suppression cars, specifically related to gang enforcement, prostitution, graffiti, and high-profile investigations, as well as the Downtown Foot Patrol Unit.

The COVID-19 pandemic interrupted normal departmental operations, constraining available funding for the remainder of 2019-2020, increasing demands on dispatch, and requiring the redeployment of patrols. With the suspension of the Guardian Rapid Response Program, Downtown Foot Patrol, and the Walking Beats Patrol, corresponding funding (\$650,000) was reallocated to partially offset projected General Fund revenue losses stemming from COVID-19. Significant costs, estimated at \$5.4 million, were also 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, changes in protocol response to all calls for deceased persons, health order compliance checks, and transportation of potentially infected prisoners. Of this \$5.4 million, \$3.4 million was ultimately reclassified to the Coronavirus Relief Fund in consideration of available documentation. Unanticipated expenses were also incurred in May and June 2020 in response to demonstrations and civil unrest, estimated at \$1.2 million.

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 Sworn Hire Ahead Program to support Police Academy Recruits and backfill sworn positions with 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

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Discussion of Significant Departmental Variances and Other Issues

balances after which sworn personnel are paid in overtime for any additional hours worked. Currently, 333 sworn personnel have reached 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 2019-2020 for sworn personnel was 338,880 hours. This balance represents a 14.7% increase compared to the 2018-2019 total sworn compensatory time balance of 295,426 hours. The primary reason for this increase in total compensatory time is due to the vacancies and the reliance on overtime to backfill critical positions. Continued active management of the overtime budget and earned compensatory time is necessary to ensure overall Personal Services expenditures remain within budgeted levels. As described above, 333 sworn personnel have reached the compensatory balance limit of 480 hours and all overtime worked by these employees is paid as 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).

As of September 2020, the Department had 1,159 authorized sworn staff, of which 36 were vacant (3.1%) and 134 were in training (11.6%), leaving 981 street ready sworn positions (this includes sworn employees on disability/modified duty/other leaves) as shown in the chart below. When sworn employees on Disability/Modified Duty/Other Leaves are excluded, the total of 903 sworn positions were actually available.

	2019-2020 (as of 9/6/2019)	2020-2021 (as of 9/11/2020)
Authorized Sworn Positions	1,151	1,159
Vacancies	(36)	(28)
Filled Sworn Positions	1,115	1,131
Field Training Officer/Recruits	(134)	(96)
Street-Ready Sworn Officers Available	981	1,035
Disability/Modified Duty/Other Leaves	(78)	(78)
Street-Ready Sworn Officers Working	903	957

During 2019-2020, the Department had 53 recruits, 49 recruits, and 55 recruits in the June 2019, October 2019, and February/June 2020 Academies, respectively. Due to the COVID-19 pandemic, the February 2020 Academy was temporarily suspended in March but resumed in late June. To fill the vacant sworn positions and put more Police Officers back on patrol, the Department will continue to conduct three Police Recruit Academies in 2020-2021, with one starting in late June 2020 with 55 recruits, and the next one beginning in October 2020 with an estimated 45 to 55 recruits.

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Fire Department

Overall, the Fire Department expended \$197.8 million (97.6%) of its 2019-2020 General Fund budget (\$202.7 million), resulting in savings of \$4.9 million. Excluding savings associated with the Fire Development Fee Program (\$1.9 million), which are recommended for transfer to the new Fire Development Fee Program Fund, General Fund expenditure savings totaled \$2.9 million. Approximately \$800,000 of the anticipated savings was rebudgeted during the development of the 2020-2021 Adopted Budget, with additional rebudget actions totaling \$70,000 recommended as part of this report. Final General Fund savings for the Fire Department total \$2.0 million, evenly split between Personal Services and Non-Personal/Equipment expenditures.

Personal Services expenditures totaled \$188.8 million, or 98.6% of the \$191.5 million budget. Total savings of \$2.7 million, \$1.0 million of which was in the Fire Development Fee Program, were attributable to an overall department vacancy rate of 4.0%. Of the General Fund savings, \$624,000 was rebudgeted as part of the 2020-2021 Adopted Budget for the 2020-2021 Firefighter Academy and for the completion of Active Shooter Training, resulting in \$1.0 million in net savings. These totals are also exclusive of \$40.7 million of Personal Services costs incurred for emergency medical response that were determined to be eligible for CARES Act funding and charged to the Coronavirus Relief Fund. A corresponding budget action reduced the Fire Department's Personal Services budget by an equivalent amount.

The Fire Department's overall overtime expenditures of \$13.8 million ended the year 1.5% below the modified budget level of \$14.0 million, due to the active monitoring of daily absences and staffing. Minimum staffing requirements were fulfilled through a combination of full-time staff and overtime. The Department ended 2019-2020 with a total of 258 filled Firefighter/Paramedic positions compared to the approximately 261 authorized positions (213 front-line positions, 47 relief positions, 1 administrative position) that are necessary to fully staff all apparatus for all three shifts. A total of 181 front-line positions (72 Firefighter/Paramedics, 65 Fire Engineers, 44 Captains) five Battalion Chiefs, and ten support positions are necessary to maintain daily minimum staffing needs. Firefighter/Paramedic staffing levels are continually monitored, with resources deployed to meet service needs.

Non-Personal/Equipment expenditures and encumbrances totaled \$9.0 million, or 80.3% of the \$11.2 million budget, generating total year-end savings of \$2.2 million. Approximately \$200,000 of the anticipated savings was rebudgeted during the development of the 2020-2021 Adopted Budget, with additional rebudget actions totaling \$70,000 recommended as part of this report. After excluding savings related to the Fire Development Fee Program (which are recommended to be transferred to the Fire Development Fee Program Fund), remaining General Fund savings totals approximately \$900,000 and is primarily due to vehicle operating costs savings.

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Fire Department's Annual Vacancy and Absence Rates and Their Impact on Overtime

Since the release of a 2001 Overtime Audit, information is provided on the Fire Department's annual vacancy and absence rates and their impact on overtime usage. Through 2011-2012, this information was reported to the Public Safety, Finance and Strategic Support (PSFSS) Committee. The Administration's recommendation to incorporate the Fire Department's annual vacancy and absence rates and their impact on overtime into the Annual Report was approved by the PSFSS Committee on March 21, 2013.

Overtime funding and relief staffing levels are reviewed annually to ensure they are appropriately measured, funded, and managed for sworn minimum staffing requirements. Understanding absence and vacancy rates is important as absence rates are a major personal services cost driver and the associated impact on overtime requires close departmental management.

In 2019-2020, the Department maintained 184 daily minimum line positions to staff all fire companies at 33 operating fire stations. Daily absences and/or vacant positions are backfilled by available relief personnel or off-duty personnel are called in to work (on overtime). Maintaining this daily minimum staffing level optimized operational effectiveness and was in conformance with the Memorandum of Agreement between the City of San José and International Association of Firefighters (IAFF), Local 230. Total absence hours of 327,335 in 2019-2020 increased by approximately 5.7% from 309,563 in 2018-2019. This increase was due to rises in administrative leave due to COVID-19 and disability hours (from 80,710 in 2018-2019 to 126,897 in 2019-2020). The overall increase was partially offset by a decrease in vacation, sick leave and modified duty hours (from 223,491 in 2018-2019 to 195,596 in 2019-2020). Vacancy hours decreased significantly from 104,944 in 2018-2019 to 77,952 in 2019-2020 with the total vacancy rate remaining steady at 4.0%. In 2019-2020, the combined absence and vacancy rates were 20.7%, requiring 405,287 hours of backfill.

City Manager

With 2019-2020 expenditures of \$17.7 million, including encumbrances, the City Manager's Office (CMO) expended 83.5% of their \$21.2 million General Fund budget, resulting in savings of \$3.5 million. Personal services expenditures were 94.2% expended with savings of \$848,000, which is primarily attributable to several vacancies in the Office of Emergency Management (OEM), the Office of Employee Relations, and the Office of Communications. Active recruitments for some of these positions were put on hold due to the City's COVID-19 response, but recruitments for the OEM positions have resumed in 2020-2021. A total of \$200,000 of personal services savings is recommended to be rebudgeted as part of this report for OEM positions funded by the Urban Areas Security Initiative Grant, reducing the expenditure variance to \$649,000 for personal services costs.

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Non-personal/equipment expenditures ended the year 60.3% or \$2.6 million below the budgeted level of \$6.6 million, including encumbrances. A large portion of the non-personal/equipment savings (\$1.9 million) was rebudgeted as part of the 2020-2021 Adopted Budget for projects currently underway in OEM and the Office of Civic Innovation. Included in this report are recommendations to rebudget \$50,000 for projects continuing into 2020-2021, primarily for OEM's Community Emergency Response Training program and to complete Emergency Management Plans, which reduces the expenditure variance down to \$728,000 for non-personal/equipment costs.

Information Technology

Information Technology Department (ITD) expenditures, including encumbrances, totaled \$25.9 million in 2019-2020. This expenditure level is \$4.6 million, or 15.1%, below the budgeted level of \$30.5 million. Personal services expenditure savings (including fee activity) totaled \$600,000 in 2019-2020, which was primarily due to vacancies throughout the department. At the end of 2019-2020, there were 17 vacant positions. Non-personal/equipment expenditures and encumbrances totaling \$11.7 million ended the year \$4.0 million below the budgeted level; the savings was the result of non-essential spending, including technology projects, training, upgrades, contractor work, and replenishing inventories. A portion of these savings (\$2.1 million) were rebudgeted as part of the 2020-2021 Adopted Budget for the Cybersecurity Roadmap, Print Management, IT Project Management of Business Tax System, and Business Process Automation projects. After accounting for the rebudgets captured in the 2020-2021 Adopted Budget, remaining non-personal/equipment savings totaled \$1.9 million.

Parks, Recreation and Neighborhood Services

Parks, Recreation and Neighborhood Services Department (PRNS) expenditures, including encumbrances, totaled \$80.9 million in 2019-2020. This expenditure level is \$9.9 million, or 10.9%, below the budgeted estimate of \$90.8 million. Personal services expenditure savings (including fee activity) totaled \$6.2 million in 2019-2020, which was primarily due to position vacancies. At year-end there were 89.8 vacant positions in PRNS. Non-personal/equipment expenditures, including encumbrances, ended the year with savings of \$3.7 million, which is 13.8% below the budgeted estimate of \$26.8 million. Personal Services, Fee Activity, and Non-Personal/Equipment expenditure categories all experienced year-end savings, which was primarily due to all spring and early summer programming being cancelled as a result of the COVID-19 pandemic. Of the \$9.9 million total savings for PRNS, rebudgets totaling \$1.3 million were included in the 2020-2021 Adopted Budget and \$86,000 is recommended to be rebudgeted in this report to continue work on various projects, reducing the year-end savings to \$8.5 million.

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Mayor and City Council

With total expenditures and encumbrances of \$12.4 million, the Mayor’s Office, the City Council Offices, and Council General expended 69% of their total General Fund budgets of \$17.9 million, resulting in savings of \$5.4 million at year-end. Of the total savings, \$3.8 million was realized in the City Council Offices, \$1.6 million was realized in the Mayor’s Office, and \$16,000 was realized in Council General as outlined below:

2019-2020 Actual Expenditure Performance

	2019-2020 Modified Budget	2019-2020 Actuals	Variance
Council District 1	\$ 1,366,701	\$ 911,041	\$ 455,660
Council District 2	1,036,831	940,160	96,671
Council District 3	1,117,446	994,968	122,478
Council District 4	1,888,668	655,058	1,233,610
Council District 5	1,271,711	813,063	458,648
Council District 6	1,196,400	812,481	383,919
Council District 7	981,814	696,744	285,070
Council District 8	1,125,582	962,604	162,978
Council District 9	1,207,519	775,953	431,566
Council District 10	919,142	702,139	217,003
Mayor’s Office	5,678,217	4,094,402	1,583,814
Council General	61,219	44,594	16,625
	\$ 17,851,250	\$ 12,403,206	\$ 5,448,044

In the 2020-2021 Adopted Budget, anticipated 2019-2020 savings of \$3.8 million (\$3.0 million in the City Council Offices, \$754,000 in the Mayor’s Office, and \$8,400 in Council General) were rebudgeted. Actual year-end savings, however, exceeded these estimates. Based on year-end performance, additional rebudgets totaling \$1.6 million are recommended in this report.

Planning, Building and Code Enforcement

The Planning, Building and Code Enforcement Department (PBCE) ended the year at \$52.3 million, which is \$9.0 million below the 2019-2020 Modified Budget level of \$61.2 million. After accounting for rebudgets included in the 2019-2020 Adopted Operating Budget (\$640,000), the resulting net variance for the department totals \$8.3 million.

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Discussion of Significant Departmental Variances and Other Issues

Personal services savings in 2019-2020 totaled \$4.9 million (including the Development Fee Program), which represents 9.3% of the 2019-2020 Modified Budget level of \$52.8 million. This savings is primarily the result of vacant positions in the Non-Development Fee Program (Code Enforcement) and the Building and Citywide Planning Development Fee Programs, and the redeployment of employees to assist with the City's response to the COVID-19 pandemic. During 2019-2020, PBCE experienced vacancy rates ranging from 15% to 20% throughout the year as the Department continued to face challenges to attract and retain qualified candidates, primarily in the Building Inspector, Environmental Inspector, and Planner classifications. Employees were also redeployed to support the City's response to the COVID-19 pandemic, generating savings in departmental costs. Examples of redeployed positions include Code Enforcement Inspectors, a Senior Analyst, and the Communications Manager.

The Non-Personal/Equipment 2019-2020 expenditures totaled \$4.4 million (including the Development Fee Program), which is \$4.0 million below the 2019-2020 Modified Budget of \$8.4 million. Approximately \$650,000 was anticipated and rebudgeted as part of the 2020-2021 Adopted Budget, bringing the variance down to \$3.4 million. This non-personal/equipment savings is primarily due to policy and program work that was delayed due to the Santa Clara County's shelter-in-place order in response to the COVID-19 pandemic. The remaining savings is due, in part, to contractual services and software license and maintenance, primarily for peak staffing for plan review, consultant services, and the Integrated Permit System upgrade project.

It is important to note that any excess revenues, interest earnings, and expenditure savings associated with the Development Fee Programs, which consist of Building, Planning, Citywide Planning, Fire, and Public Works, have been historically set aside in the General Fund as part of the Development Fee Program Reserves. In 2020-2021, the Development Fee Programs have been reallocated into special funds to improve transparency and financial and budgetary administration. A reconciliation of the Building, Citywide Planning, and Planning Development Fee Programs in the General Fund was completed and actions are included in this report to recognize the transfer of the remaining funds from the General Fund to the individual special funds.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

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

**TABLE E
2019-2020 NON-DEPARTMENTAL GENERAL FUND EXPENDITURES
(In \$000s)**

Category	2019-2020 Modified Budget	2019-2020 Actual	Variance	% Variance
City-Wide Expenses	\$ 132,360,247	\$ 95,007,480	\$ (37,352,767)	(28.2%)
Capital Contributions	95,850,454	53,592,617	(42,257,837)	(44.1%)
Transfers	48,967,078	48,967,078	-	0.0%
Earmarked Reserves	154,771,159	-	(154,771,159)	(100.0%)
Contingency Reserve	40,000,000	-	(40,000,000)	(100.0%)
Ending Fund Balance Reserve	73,864,000	-	(73,864,000)	(100.0%)
TOTAL	\$ 545,812,938	\$ 197,567,175	\$ (348,245,763)	(63.8%)

City-Wide Expenses

The City-Wide Expenses category consists of funding that is related to more than one department or that is not directly associated with a department's ongoing operations. Committed expenditures in this category totaled \$95.0 million, or 72% of the 2019-2020 Modified Budget, resulting in savings of \$37.4 million. Of this amount, \$28.4 million was assumed as savings in 2019-2020 and rebudgeted to 2020-2021, including \$5.0 million that was offset by revenue sources. Of the remaining balance of \$9.0 million, rebudget adjustments totaling \$4.8 million are recommended in this report, and if approved, would result in net savings of \$4.1 million in this category, a 3.1% variance from the budgeted level.

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

- Workers' Compensation Claims payments of \$19.4 million were \$301,000, or 1.6%, over the 2019-2020 Modified Budget of \$19.1 million. This spending level is also above the prior year level of \$18.4 million and reflects higher expenditures in the Workers' Compensation Claims appropriations for Fire, Police, and the Planning, Building and Code Enforcement Departments. Appropriations were exceeded due to a portion of the workers' compensation expenditures submitted by the City's third-party administrator not being processed until fiscal year close. Separate actions to ratify these appropriations will be brought forward for City Council consideration on October 6th as part of the Adoption of an Ordinance Ratifying Final Expenditures In Various Appropriations for 2019-2020.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

- San José BEST and Safe Summer Initiative Programs expenditures of \$5.5 million were \$869,000, or 13.6% below the 2019-2020 Modified Budget of \$6.4 million. As part of the development of the 2020-2021 Adopted Budget, an estimated \$1.0 million in savings were rebudgeted, and this document recommends a downward adjustment of \$171,000 due to higher than anticipated expenses that occurred in 2019-2020.
- Expenditures for Homeless Rapid Rehousing of \$5.0 million and the Homeless Response Team of \$1.8 million totaled \$6.8 million and ended the year \$500,000 below budgeted levels across both appropriations. This spending level is above the prior year level of \$2.3 million total for both appropriations. A rebudget of project savings of \$400,000 for the Homeless Rapid Rehousing project is recommended in this report.
- General Liability Claims payments of \$4.7 million were 64.4% or \$8.5 million below the 2019-2020 Modified Budget of \$13.2 million but above 2018-2019 expenditures of \$3.8 million. The 2019-2020 savings were estimated during the development of the 2020-2021 Adopted Budget; \$8.5 million was rebudgeted into 2020-2021 for a total Adopted Budget of \$14.5 million.
- Sick Leave Payments Upon Retirement expenditures of \$3.4 million ended the year 32.7% below the annual allocation of \$5.0 million, and 28.4% below the 2018-2019 level of \$4.7 million.
- Diridon Station Area Development Planning expenditures of \$2.9 million were \$2.2 million, or 42.7%, below the 2019-2020 Modified Budget of \$5.1 million, yet above the 2018-2019 level of \$1.6 million by 46.2%. As part of the development of the 2020-2021 Adopted Budget, estimated savings of \$1.3 million were rebudgeted, and an additional rebudget of \$842,000 is recommended in this document. Also recommended is the addition of one-time funding of \$29,000 from Urban Communities for Museum Place to support a Project Manager position for the Diridon Station Area Planning project.
- Elections and Ballot Measures expenditures of \$1.9 million were \$876,000, or 32.0%, below the 2019-2020 Modified Budget of \$2.7 million. As part of the development of the 2020-2021 Adopted Budget, these savings were assumed and \$876,000 was rebudgeted for a total Adopted Budget of \$2.7 million. An increase of \$150,000 is recommended as part of this report to ensure there is sufficient funding to cover the costs of the November 2020 election.
- The Digital Inclusion Program expenditures of \$1.7 million were \$935,000, or 36.1%, below the Modified Budget estimate of \$2.6 million, and well above expenditures in 2018-2019 of \$210,000. The 2020-2021 Adopted Budget level is \$2.2 million. As the result of this program's annual reconciliation, an addition of \$256,000 is recommended in this report.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances
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Capital Projects

In 2019-2020, the General Fund provided funding totaling \$95.9 million for capital projects. Of this amount, approximately \$42.3 million was unexpended at year-end. The projects with the largest unexpended balances included:

Capital Projects	Unexpended Funds (\$000s)
The Tech Museum Controls Module Improvements	\$ 3,938
Local Sales Tax – PAB/PAC Phase I Elevator Modernization	3,155
Fire Training Center Relocation	3,130
Police Athletic League Stadium Turf Replacement	2,924
City Hall HVAC Control System Replacement	2,734
City Hall Campus Expansion	2,190
Emergency Power Generation for City Facilities	2,000
Unanticipated/Emergency Maintenance	1,868
RAMAC Park Turf Replacement	1,748
Fire Apparatus Replacement	1,584
The Tech Museum Tile Wall Evaluation and Repairs	1,261
City Hall Network Operations Center Main Switchboard Replacement	1,053
San Jose Stage Company	1,000
All Other Projects	13,679
Total Unexpended Capital Projects	\$ 42,264

Of the \$42.3 million unexpended at the end of 2019-2020, a total of \$38.6 million was rebudgeted to 2019-2020 in the Adopted Budget, leaving a balance of \$3.6 million. As part of the Annual Report, additional rebudget adjustments totaling \$3.4 million are recommended, bringing the Capital savings to \$209,000.

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

Transfers

In the Transfers category, expenditures of \$49.0 million ended the year at budgeted levels.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

Reserves

General Fund Reserve categories include Earmarked Reserves (\$154.8), Ending Fund Balance Reserve (\$73.9 million), and the Contingency Reserve (\$40.0), which totaled \$268.6 million as of June 30, 2019. The 2020-2021 Adopted Budget assumed that \$268.6 million would be available at year-end, with reserves either re-established in 2020-2021 or used as a funding source for the 2020-2021 Adopted Budget.

Earmarked Reserves

Earmarked Reserves totaled \$228.6 million on June 30, 2020, the largest of which were the: 2019-2020 Ending Fund Balance Reserve (\$73.9 million); Budget Stabilization Reserve (\$32.0 million); Fire Training Center Replacement Reserve (\$24.8 million); Building Development Fee Program Reserve (\$23.9 million); Workers Compensation/General Liability Catastrophic Reserve (\$15.0 million); 2019-2020 Future Deficit Reserve (\$10.9 million); 2020-2021 Police Sworn Hire Ahead Program Reserve (\$7.2 million); Fire Development Fee Program Reserve (\$6.1 million); Salaries and Benefits Reserve (\$5.0 million); Public Works Development Fee Program Reserve (\$4.3 million); Sick Leave Payments Upon Retirement Reserve (\$4.0 million); Cultural Facilities Capital Maintenance Reserve (\$3.1 million); and the Emergency Operations Center FF&E Reserve (\$2.5 million). Most of these Earmarked Reserves were either rebudgeted or used as a funding source for development of the 2020-2021 Adopted Budget.

Ending Fund Balance Reserve

The 2019-2020 Ending Fund Balance Reserve of \$73.9 million was proactively set aside to help ensure sufficient fund balance would be available at the end of 2019-2020 to meet the budgeted estimate used for the development of the 2020-2021 Adopted Budget. Annually, as part of the development of the General Fund Forecast and Adopted Budget for the following year, a certain amount of current year unrestricted ending fund balance is estimated to be available at the end of the year as a funding source for the following year's budget. This ending fund balance is expected to be generated from additional revenues above budgeted levels, expenditure savings, and the liquidation of carryover encumbrances during the year. In the 2020-2021 Adopted Budget, it was assumed that \$75.8 million would be generated from these sources. The establishment of the 2019-2020 Ending Fund Balance Reserve set aside a portion of this funding, with the assumption that the remaining amount would be realized by year-end.

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GENERAL FUND EXPENDITURE PERFORMANCE

Highlights of Non-Departmental Expenditures and Variances

Contingency Reserve

The City Council has established a budget policy of maintaining a minimum 3% Contingency Reserve in the General Fund. At the end of 2019-2020, the Contingency Reserve totaled \$40.0 million and remained unspent during the year. As part of the development of the 2020-2021 Adopted Budget, the full Contingency Reserve was rebudgeted to comply with the Council Policy of maintaining a minimum 3% Contingency Reserve in the General Fund. It is important to note, however, that if this Contingency Reserve is ever needed, it is only sufficient to cover General Fund payroll expenditures for approximately two weeks in the event of an emergency.

Further adjustments totaling \$17.7 million are recommended in this report, including: increasing the Budget Stabilization Reserve (\$14.0 million); increasing the Google Parking Lots Option Payment Reserve (\$1.1 million); increasing the Code Enforcement Permit System Reserve (\$1.0 million); establishing the FirstNet Emergency Communications Network Reserve (\$750,000); establishing the Solid Waste Code Enforcement Fee Program Reserve (\$600,000); increasing the City Attorney's Office Outside Litigation Reserve (\$500,000); and, other technical adjustments and liquidations of reserves for their designated purposes.

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