

2021-2022 Budget Community Discussions

May 2021



Office of
Mayor Sam Liccardo



@sliccardo



facebook.com/samliccardo1



Proposed Agenda

- Overview of the Budget Process
- Budget Overview
- Budgetary Impacts of COVID
- Budgetary Changes: Investments for 2021-2022
- Questions & Comments



Annual Budget Process Overview

February 26, 2021

2021-2025 Five-Year Forecast Released

March 5, 2021

Mayor's 2020-2021 March Budget Message Released

March 16, 2021

Public Hearing & Council Review/Approval of Mayor's March Budget Message

May 3, 2021

City Manager's Proposed Operating Budget Released

May 13, 15, 19, 2021

Community Budget Meetings

May 12 - 17, 2021

City Council Budget Study Sessions

May 18, 2021

Initial Public Budget Hearing

June 7, 2021

Mayor's June Budget Message Released

June 14, 2021

Final Public Budget Hearing

June 15, 2021

Council Review/Approval of Mayor's June Budget Message and Budget

June 22, 2021

Adoption of the 2019-2020 Budget and Fees and Charges





Community Budget Meetings

Thursday, May 13th
6pm-8pm

Join on Zoom:
<https://sanjoseca.zoom.us/j/99550205879>

Or Call-in*:
(888) 475-4499 Meeting ID: 995 5020 5879

Saturday, May 15th
10:30am-12:30pm

Join on Zoom:
<https://sanjoseca.zoom.us/j/92268285140>

Or Call-in*:
(888) 475-4499 Meeting ID: 922 6828 5140

Wednesday, May 19th
6pm-8pm

Join on Zoom:
<https://sanjoseca.zoom.us/j/97968152312>

Or Call-in*:
(888) 475-4499 Meeting ID: 979 6815 2312

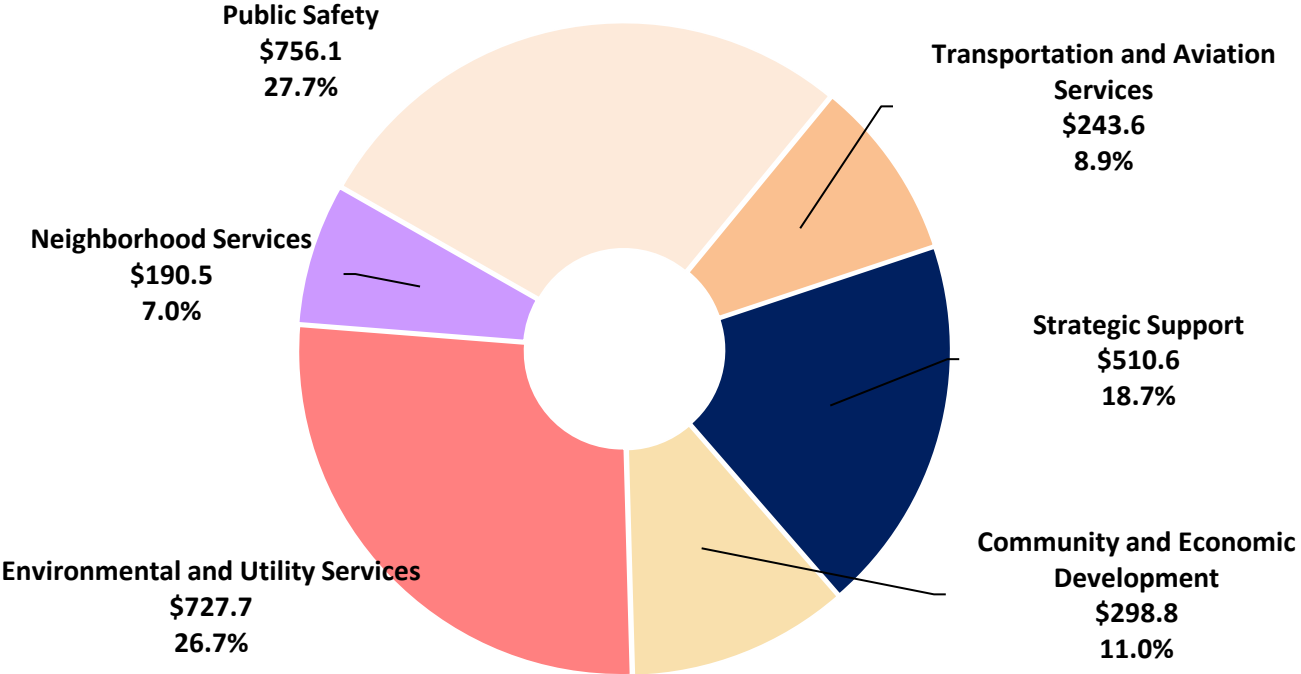
Budget Overview





2021-2022 Proposed Operating Budget

Uses by City Service Area (All Funds; \$ in Millions)



* Excludes Fund Balance, Transfers, Reserves, and Capital Project expenditures.

City of San José Proposed Operating Budget Overview

2021-2022 PROPOSED CITY BUDGET:

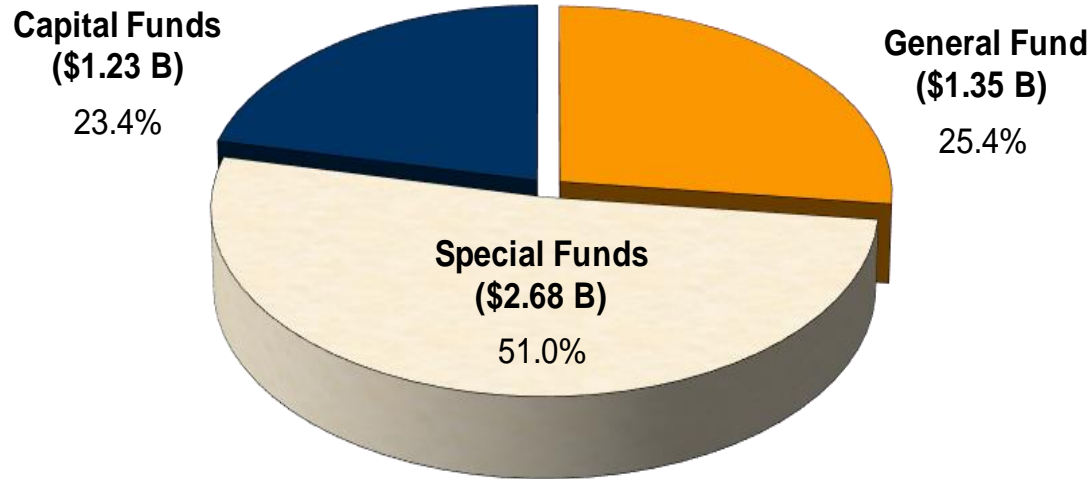
\$4.5 billion

TOTAL NUMBER OF FUNDS:

135

TOTAL NUMBER OF POSITIONS (FTE):

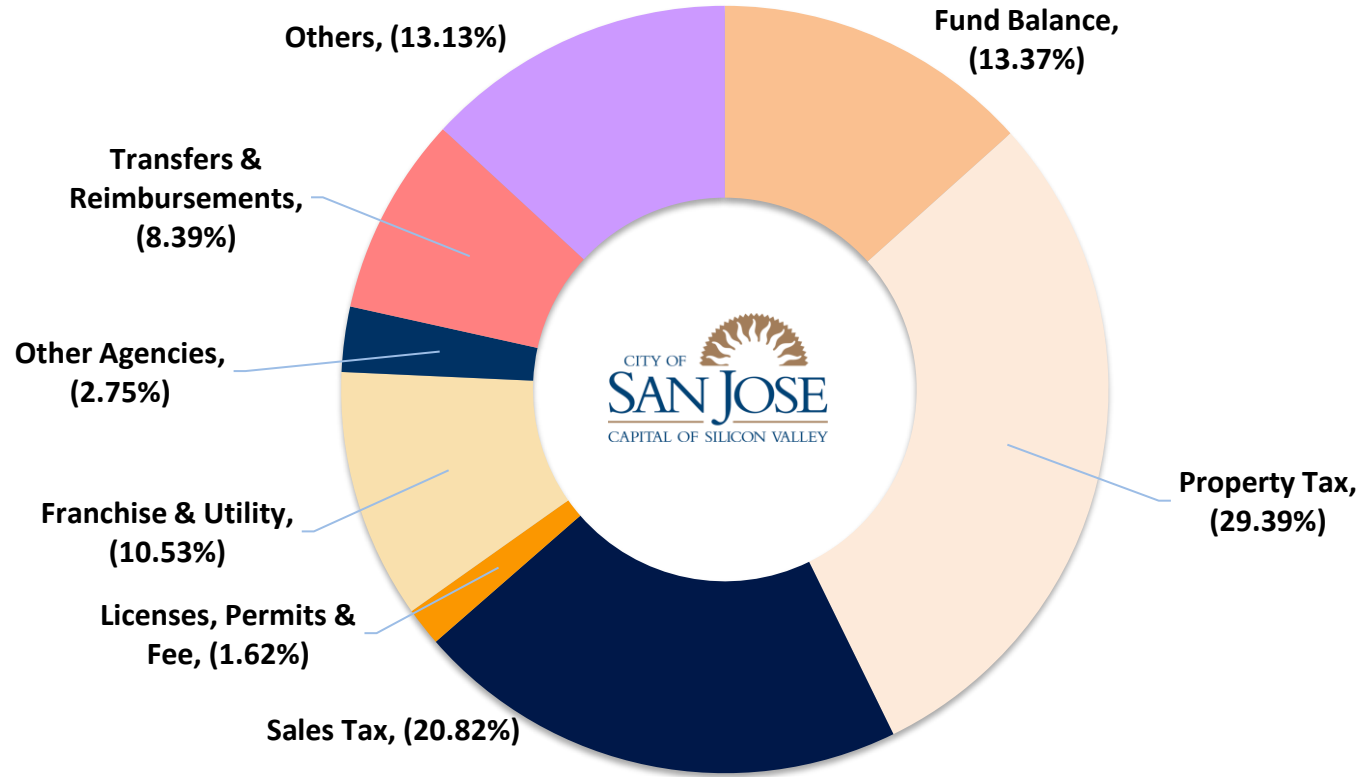
6,640



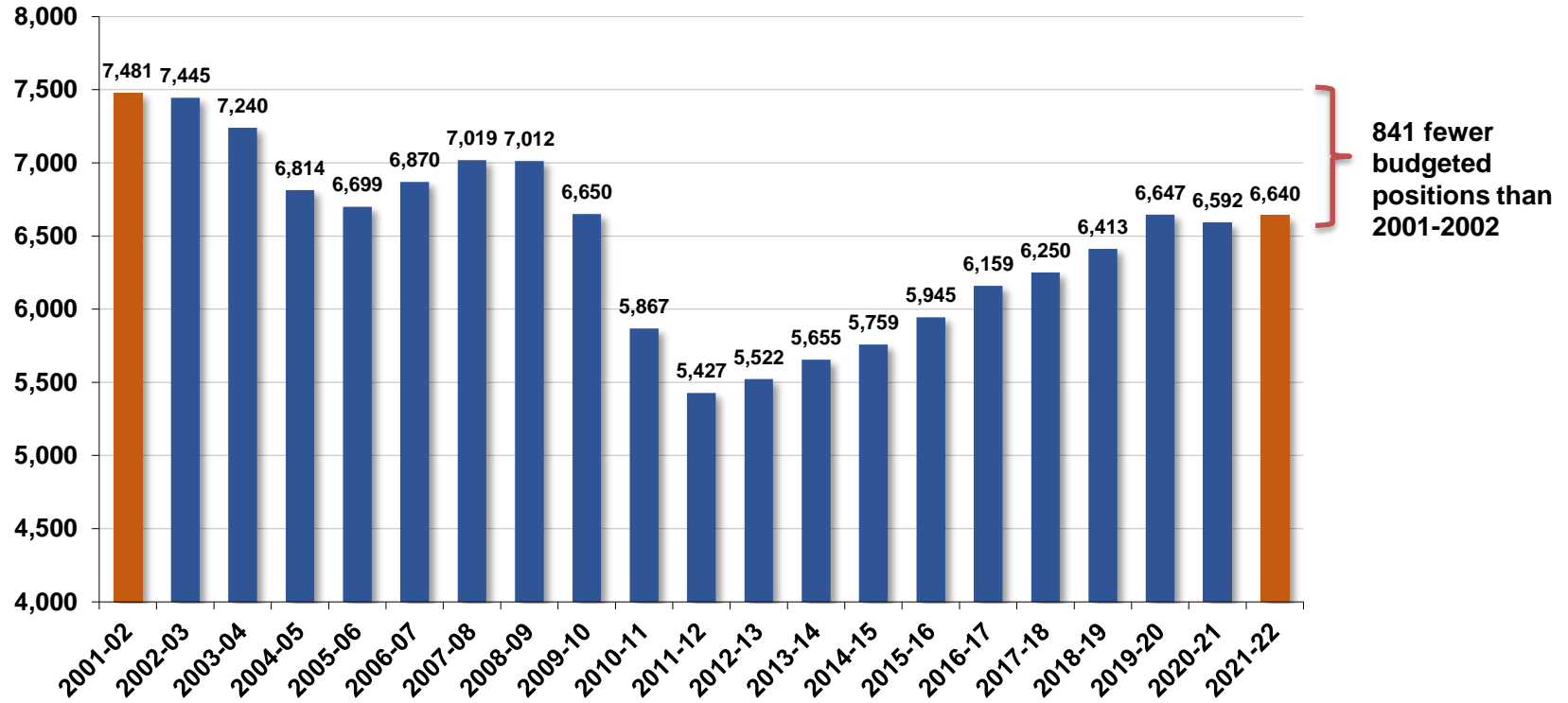
2021-2022 Budget Overview

Revenue Sources

Net Total General Fund:
\$1,345,684,382



A Smaller City Team Serving a Bigger City



Preparing for a Deficits

2022-2026 Revised Five-Year Forecast and Revenue Projections for the General Fund

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Five-Year Surplus/ (Shortfall)
Incremental Surplus/ (Shortfall)	(\$38.3) ²	\$3.3	\$0.2	\$4.4	\$1.9	(\$28.5)

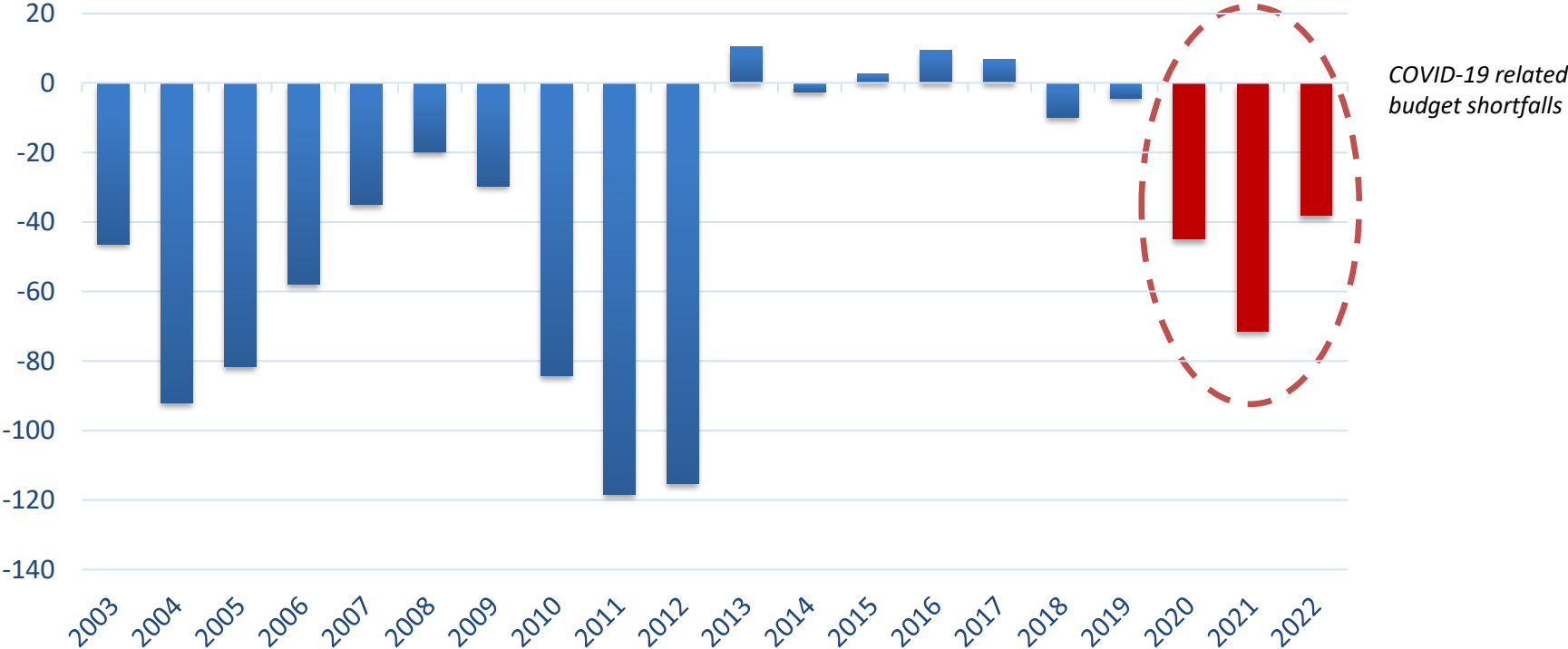
Pessimistic Case:
\$116.6 million five-year shortfall

1 - Does not include 1) costs associated with services that were funded on a one-time basis in 2020-2021; 2) costs associated with unmet/deferred infrastructure and maintenance needs; and 3) one-time revenue sources or expenditure needs.

2 - This figure was revised from the \$48.1 million shortfall as presented in the February 2021 Forecast. The figure for 2021-2022 was revised as a result of continued analysis of projected revenues and expenditures.


3 - Began 2020-2021 with a structural ongoing deficit of \$25.7M

Past and Present: Balancing over \$750M of Shortfalls




Budgetary Impacts of COVID





Budgetary Impacts of COVID-19

- Severely reduced revenues from:
 - Sales Tax
 - Hotel Tax
 - Airport-related Fees
 - Business Taxes
- Increased expenses related to emergency response



Budgetary Impacts of COVID-19

From 2020 through 2022, the anticipated General Fund revenue loss is **\$160 million**, including:

- 2019-20: \$45 million
- 2020-21: \$78 million
- 2021-22: \$38 million

City Pandemic Response with Partners:

- Distributed < 2.5 million weekly meals
- Connected >100,000 residents to free broadband
- Launched Silicon Valley Strong & enlisted 6,000 volunteers
- Raised \$25+ million for struggling residents, small businesses, & nonprofits
- Moved > 3,361 unhoused residents to shelter, permanently housing another 2,175



#SILICON VALLEY STRONG

Tightening Our Belts

2019-20:

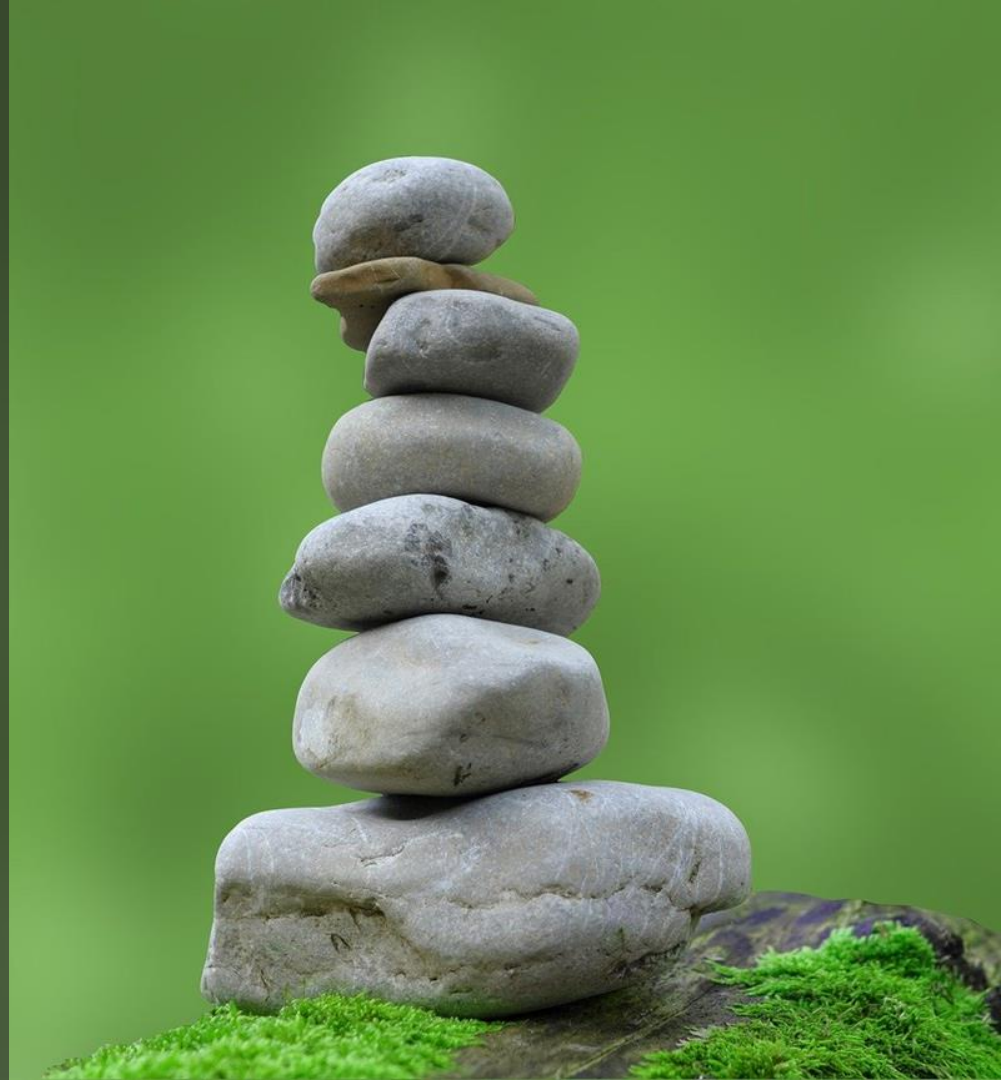
- Hiring freezes & vacancy eliminations
- Suspension of non-essential spending

2020-21 (ending June 30th)

- Cut spending, reduced reserves
- Refinanced debt to reduce financing costs
- Used federal CARES Act dollars

2021-22 (beginning July 1st)

- Propose ongoing spending (\$6.7 million) cuts
- Use American Rescue Fund dollars
- 85% of ongoing deficit remaining; created reserve for '22-'23



Impact of Only Partially Resolving the Ongoing Shortfall

(\$ in millions)

The proposed budget resolves 15% of the ongoing shortfall in the General Fund, on an ongoing basis

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Projected Revenues	\$1,230.56	\$1,272.70	\$1,317.80	\$1,366.90	\$1,414.30
Projected Expenditures	\$1,268.86	\$1,307.66	\$1,352.56	\$1,397.26	\$1,442.76
Annual Surplus/ (Shortfall)	(\$38.29)	(\$34.96)	(\$34.76)	(\$30.36)	(\$28.46)
Recommended 2021-2022 Ongoing Solutions	\$6.70	\$6.70	\$6.70	\$6.70	\$6.70
Revised Annual Surplus/(Shortfall)	(\$31.59)	(\$28.26)	(\$28.06)	(\$23.66)	(\$21.76)

} Multi-year deficit impacts

Promising Forecasts?

- "With vaccines becoming widely available, the March 2021 forecast now anticipates a strong recovery" (UCLA Anderson Forecast – March 2021)
- "...experts warn that **rosy predictions** about a surging economy **depend on one key assumption: no surprises**" (Mercury News – April 2021)

The Mercury News

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What experts say is the one risk to the Bay Area's economic recovery

'If we have to close the place down again I'm not going to survive.'



NATION, WORLD + SOCIETY

UCLA Anderson Forecast anticipates near-record growth as economic recovery continues

In California, recovery may come later but should ultimately be faster than rest of U.S.



Economic Recovery by Sector – Hotels

- Half of US hotel rooms will remain empty in 2021. Business travel down 85% through April 2021, & then only ticking up slightly (American Hotel & Lodging Association – January 2021)
- “Silicon Valley’s hotel market is expected to fully recover from its coronavirus ailments by sometime in 2023” (Mercury News – May 2021)



The Mercury News

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TRENDING: Home prices surge Plaza Del Rey woes California 'safety stop' law Bay Area 'landrush' Building the perfect salad Pinot pioneer dies

BREAKING NEWS Why you should vaccinate your 12 to 15-year-old against COVID-19

BUSINESS ECONOMY News

COVID economy: Bay Area hotel outlook brightens, recovery is years away
Silicon Valley hotel recovery will outpace East Bay, San Francisco: CBRE report

f t e

HOTELS

STR downgrades its 2021 forecast as Covid rages on

By Christina Jelski | Jan 27, 2021



Economic Recovery by Sector – Airlines

- Airline traffic won't return to 2019 levels before 2024.
- Staggering debt levels will lead to ticket price increases (McKinsey & Company – April 2021)

The screenshot shows the Forbes website interface. At the top, the date is 'Apr 6, 2021, 06:53pm EDT' and the view count is '1,451 views'. The main article is titled '2021 Is Shaping Into A Transition Year For The U.S. Airline Industry' by Ben Baldanza, a contributor in the 'Aerospace & Defense' category. A 'Follow' button is visible. Below the article is a 'Listen' button with a play icon and a duration of '06:09'. The Fortune logo is prominently displayed with navigation links for 'RANKINGS', 'MAGAZINE', 'NEWSLETTERS', 'PODCASTS', 'COVID-19', and 'MORE'. A search bar and 'Subscribe Now' button are also present. A row of featured articles includes 'Most Popular: A new cryptocurrency claims to be an eco-friendly Bitcoin alternative. Is it worth a look?', 'PGA TOUR pro Justin Rose on preserving golf for the future FROM JORDAN-MICHELLE AMERICA', 'Ethereum: The lowdown on what it is and why it's surging', and 'Goldman Sachs director reportedly quits after striking it rich in Dogecoin'. Below this is a section for 'TRAVEL - AIRLINE INDUSTRY' with the headline 'Airline industry on pace to lose \$48 billion this year, IATA warns' by Christopher Jasper, Siddharth Philip, and Bloomberg, dated April 21, 2021, 8:50 AM PDT. The image for this article shows a man's face in front of a blue background with the Union Jack flag.

Economic Recovery by Sector – Real Estate & Lending

- “Millions of families are at risk of losing their homes to foreclosure in the coming months, even as the country opens back up...” (Consumer Financial Protection Bureau)
- Retail vacancy will climb to 11% or 12%
- For office space, vacancies rose to a rate of 18.2% in the first quarter (Moody's Analytics)

Bloomberg Opinion

on news moving markets. **Enable Notifications.**

Economics

Wave of Foreclosures May Follow Housing Market Boom

Conditions look rosy now, but what happens when mortgage forbearance plans expire in spring 2021?

By [Michael R. Strout](#)
October 30, 2020



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Pandemic Impact May Weigh on Commercial Real Estate Recovery

The distribution of COVID-19 vaccines is fueling optimism that Americans will increasingly return to the ways they used to shop, travel and work before the pandemic.

By [Associated Press](#) | April 8, 2021, at 11:19 a.m.

Share



Key Budgetary Changes

Investments for 2021-2022





Proposed Budget Change from Current Year Adopted

2021-2022 Proposed Budget — All Funds (Table 1)			
	2020-2021 Adopted	2021-2022 Proposed	% Change
General Fund	\$ 1,547,689,229	\$ 1,345,684,382	(13.1%)
Special Funds	2,644,236,028	2,681,578,420	1.4%
<Less: Operating Transfers>	(808,424,841)	(705,705,275)	(12.7%)
Net Operating Funds	3,383,500,416	3,321,557,527	(1.8%)
Capital Funds	1,406,431,266	1,227,352,769	(12.7%)
<Less: Capital Transfers>	(4,095,000)	(5,259,000)	28.4%
Net Capital Funds	1,402,336,266	1,222,093,769	(12.9%)
Total	\$ 4,785,836,682	\$ 4,543,651,296	(5.1%)





March Budget Message for 2021-2022

- **Equitable Recovery for a Better Normal**
- **Back to Basics: Clean & Safe City**
- **Homelessness and Affordable Housing Crisis**
- **Fiscal Resilience and our Future**



Equitable Recovery for a Better Normal: Resilience Corps

Employs young adults with living wage jobs

- Focus: participants from high-poverty neighborhoods
- More than 400 job placements focus on:
 - Pandemic Response
 - Environmental and Disaster Resilience
 - Educational Recovery
 - Economic Recovery
- Allocates \$20 million in federal ARP & FEMA \$





Equitable Recovery for a Better Normal: Closing the Digital Divide

San José Digital Inclusion

- \$7.35 million proposed (with key partners):
- **Now connecting >100,000 San José residents with free (Wi-Fi) broadband**
 - Community Wi-Fi: neighborhoods near ESUHSD high schools: James Lick, Overfelt, Yerba Buena
 - 12,800 Mobile "Hot Spots" distributed
 - Community Centers & Libraries: free Wi-Fi in Parking Lots
- Goal: **300,000 residents** connected by late 2022



Equitable Recovery for a Better Normal: Addressing Learning Loss

San José Learns

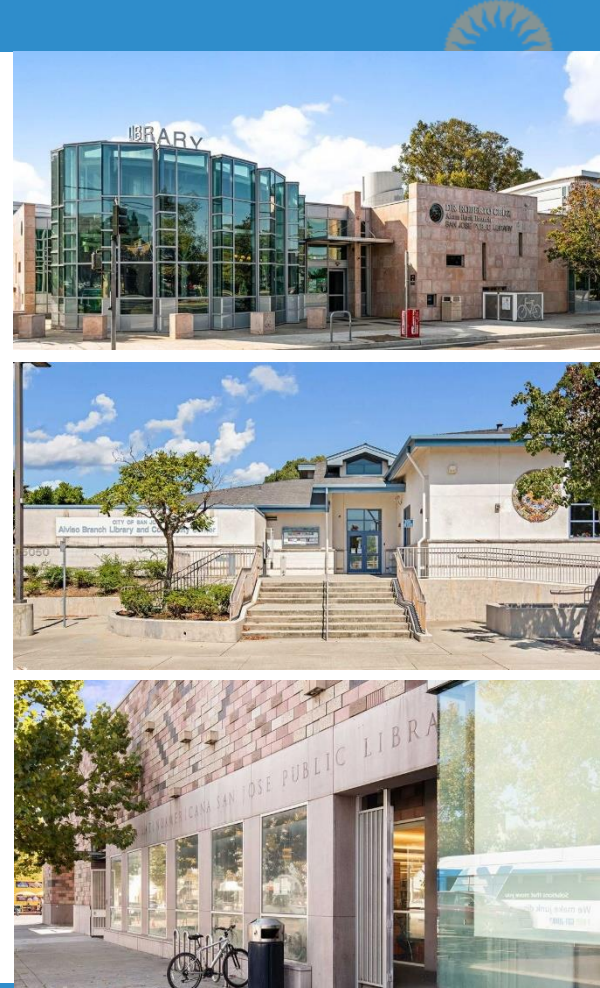
Provides hundreds of students with after-school & summer learning in 16 high-need neighborhoods

- Adds \$500K to existing \$1M allocation to address learning loss
- Deploys 50 Resilience Corps members to support summer and after-school learning



Equitable Recovery for a Better Normal: Library Access & Service

- Restoring branch library hours at 13 branches (\$900,000):
 - Alum Rock, Alviso, Bascom, Biblioteca Americana, East Branch, Edenvale, Educational Park, Evergreen, Hill View, Joyce Ellington, Seven Trees, Tully, and West Valley
- Lending 3,000 Wi-Fi "hot spots"
- Free Wi-Fi outside 24 libraries & community centers



Equitable Recovery for a Better Normal: Supporting Small Business

- San José Al Fresco (\$700,000):
 - Creation of "parklets" to enable outdoor dining & commerce lending 3,000 Wi-Fi "hot spots"
- Small Business & Manufacturing Recovery (\$1 million):
 - Small business assistance program, matching state grant funding
- Storefront Activation (\$650,000):
 - Reimburses for costs of tenant improvements and permits





Equitable Recovery for a Better Normal: Airport Connector

Innovative transit system connecting Mineta International Airport and Diridon Station

- To be privately financed and constructed
- Will require prevailing-wage construction jobs
- Will issue a public Request for Proposals by Fall





Back to Basics: A Cleaner, Safer San José

BeautifySJ:

- New investment in cleaning & beautification: \$7.6 million x 3 years
- Consolidation of disparate programs (illegal dumping response, graffiti, encampment cleaning, etc.) & 51 employees under single department director (PRNS) & division (Community Svcs)
- Encampments & Trash: expansion of Cash-for-Trash, San José Bridge, SOAR cleanups





Back to Basics: A Cleaner Safer San José

San José Bridge Employment Program

Hires unhoused residents to clean up our City

- Case management & support from non-profits
- 2020: in 70 locations, routine cleaning removed 155 tons of trash
- Feb. '21: 53 participants; 21 moved on to other employers
- 2021: expanding program to 100 participants



Back to Basics: A Cleaner Safer San José

Cash for Trash

The program allows unhoused residents to receive cash to clean public areas around their encampments

- 210 unhoused residents now participate weekly in this program, earning up-to \$20/week
- Participants have removed more than 23 tons of trash
- Expanding program to 500 unhoused residents





Back to Basics: A Cleaner, Safer San José

BeautifySJ

- BeautifySJ grants (up to \$5,000 per neighborhood)
- Clean-up of Parks Along Guadalupe River & Coyote Creek (\$1.4 million)
- Proactive Vehicle Abatement (\$900,000)
- Proactive Legal & Code Enforcement of Blighted and Nuisance Properties
- Street Landscape Maintenance Program (\$ 1 million)



Back to Basics: A Cleaner, Safer San José

- **Foot Patrol In Downtown and High-Need Neighborhoods:** walking beat (\$750,000)
- **Project Hope:** community engagement to address crime & blight: expanding to 9 neighborhoods (\$515,000)
- **Sideshow:** enhanced SJPD enforcement (\$500,000)
- **New Fire Stations & Staffing:** Stations 20 & 37 (\$2 million for new crews)





Back to Basics: A Cleaner, Safer San José

- **San José Abierto:** re-opening San José's public spaces with festivals, exhibits, performances, & events; partnering with arts organizations (\$1.2m)
- **Viva CalleSJ:** retaking San José's streets from cars (4 events)
- **Viva Parks:** reconnecting community through parks (100 events)



Streets and Pavement Program

Funding:

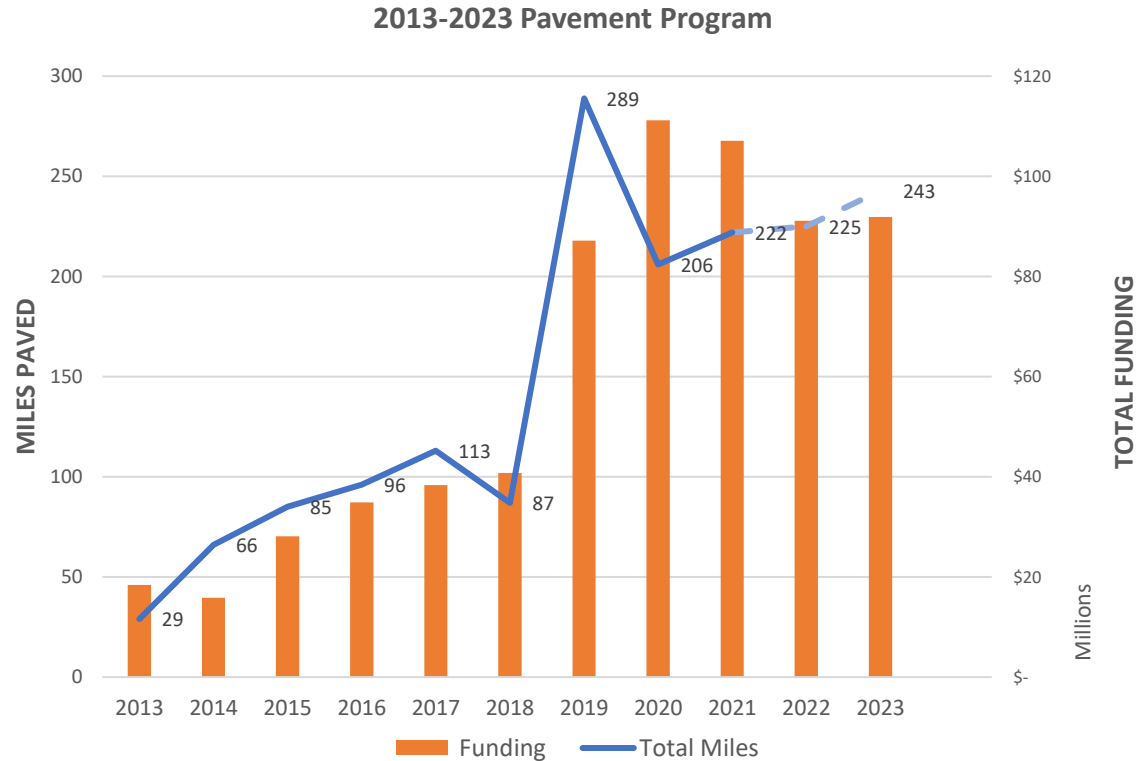
- Increase from \$18.4M (2013) to \$107.1M (2021)

Miles Paved:

- Increased from 29 (2013) to 222 (2021)

2022 Plans:

- \$91.2M in funding
- 225 miles paved



Accelerating Solutions to Homelessness and Affordable Housing Crisis

Emergency and Transitional Housing Communities

- **Results in 2020:** built three communities with prefabricated construction for >300 unhoused
- **Faster, cheaper:** at 1/6 the cost of traditional construction, in 1/5 the time.
- **Fourth EIH site:** near Guadalupe River Park – under construction Summer 2021
 - > \$7M in funding from private donors



Accelerating Solutions to Homelessness and Affordable Housing Crisis

Big City Mayors' Coalition

- Advocacy secured Governor's commitment for \$12 billion in State \$ for homelessness solutions
- Advocating for direct allocation with Senate and Assembly
- Important focus: \$17 million annual cost for operating emergency housing in San José



Homelessness Response & Solutions

SOAR: Services Outreach Assistance & Resources (\$13 million)

- Washing stations, portable toilets, mobile showers, dumpsters, trash pick-up, & meals
- Includes vouchers, shelter access, diversion, and case management (\$4.25 million)
- Expansion from 16 to 26 sites

Public Restrooms

- Automated restrooms Downtown
- Pilot: employing unhoused residents to clean & protect & keep open public restrooms in parks



Accelerating Solutions to Affordable Housing Crisis

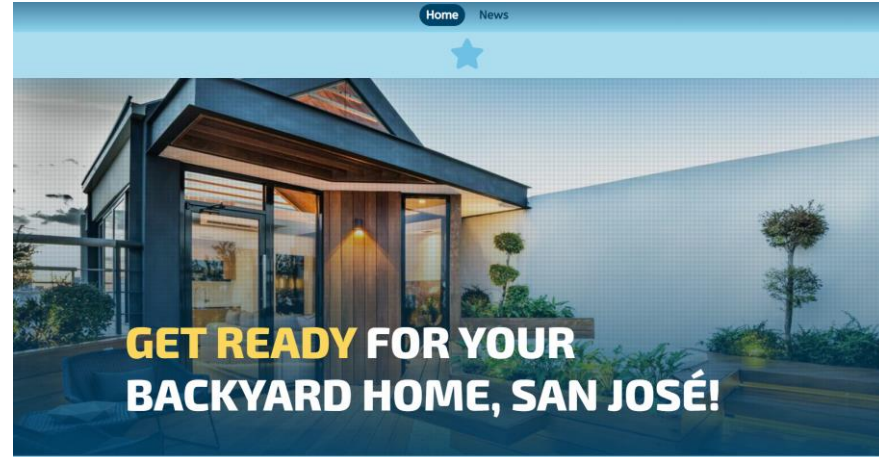
YIGBY: "Yes, in God's Back Yard"

- Enabling churches, temples, and mosques to build affordable & supportive housing on adjacent parking lots

Housing "Catalyst" Staffing

Accelerating processing of "Backyard Homes" (ADU's)

- ADUs= 38% of housing permits pulled in 2020; permit applications increased 26-fold between 2015 & 2020



www.SJBackyardHomes.com



Fiscal Resilience and Our Future

Impact of the American Rescue Plan

- Federal allocation: \$212 million
- March direction: save >\$80 million in reserve
- Reserve enables City to forestall \$32 million in cuts responsibly
- Strategy: if economic recovery restores revenues next year, then cuts can be avoided altogether.

Building Reserves

- Budget Stabilization Reserve: for uncertain future
- Essential Services Reserve: for one-time needs



Provide feedback through our Balancing Act exercise

<http://sanjose.abalancingact.com/2021>

Spanish

<http://sanjose.abalancingact.com/spanish2021>

Vietnamese

<http://sanjose.abalancingact.com/vietnamese2021>





June Budget Message

- **Released on June 7, 2021**
- Vote by Council on June 15, 2021
- Formal budget adoption: June 22, 2021

- June Budget Message incorporates budget modifications proposed through:
 - Public input
 - Council Budget Documents
 - City Manager's Memoranda



Questions?

www.sjmayor.org

