

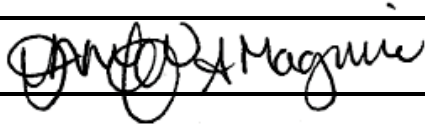
**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jim Shannon

**SUBJECT:** 2021-2022 ANNUAL REPORT

**DATE:** September 30, 2022

Approved



Date

9/30/2022

## **RECOMMENDATION**

It is recommended that the City Council:

- (a) Accept the 2021-2022 City Manager's Annual Report in compliance with City Charter Section 701 (F).
- (b) Adopt Appropriation Ordinance and Funding Sources Resolution amendments in various operating and capital funds to implement the 2021-2022 Annual Report recommendations, as detailed in Section IV (Recommended Budget Adjustments and Clean-Up/Rebudget Actions).

## **OUTCOME**

In accordance with Section 701 (F) of the San José City Charter, the 2021-2022 Annual Report describes the financial status of the City at the end of the 2021-2022 fiscal year. As specified in the City Charter, the focus of the City Manager's Annual Report is a comparison of actual revenue collections and expenditures to projections and appropriations included in the City's budget.

The 2021-2022 Annual Report will provide the City Council with the information necessary to review the financial performance of all City funds. In addition, this report provides a comparison of the actual 2021-2022 Ending Fund Balance for each fund to the estimates used in the development of the 2022-2023 Adopted Budget as well as information on the status of the year-end reserve levels for each of the City's budgeted funds.

Approval of the recommended budget actions will implement required fund balance reconciliations and necessary rebudget and clean-up adjustments based on the final financial performance (unaudited) for 2021-2022. This report also includes actions that are necessary to: revise the 2022-2023 budget to align budgeted revenue and expenditures with the most current information; correct technical problems; recognize new or adjust existing grant, reimbursement, or fee activity revenues and expenditures; fund two urgent fiscal program needs in the General Fund; reflect changes in project and program allocations based on revised cost estimates; and establish a limited number of new projects and programs in special and capital funds.

## **EXECUTIVE SUMMARY**

The Administration proactively managed 138 budgeted funds in 2021-2022. Budget actions were brought forward during the year to help ensure that revenues and expenditures remained in alignment with actual performance. Through this careful management, the various City funds generally ended the year with revenues close to the budgeted estimates and expenditures below the budgeted allocations.

Emerging from the pandemic, the City Council approved the 2021-2022 Adopted Budget with the assumption that the City's revenue and overall budgetary position would improve as the community and region recovered from the pandemic. The City again leveraged a significant influx of external funding sources, including from the American Rescue Plan (ARP) Act, to continue existing and initiate new community and economic recovery workstreams aligned to the City Council-approved Mayor's March and June Budget Messages for Fiscal Year 2021-2022 that focused on: Supporting an Equitable Recovery for a "Better Normal", Back to Basics – A Cleaner and Safer San José, Accelerating Solutions to Homelessness and the Affordable Housing Crisis, and Fiscal Resilience and Our Future.

The broader economic recovery happened more quickly and robustly than many anticipated, providing a surge of revenues across several City funds, including the General Fund, that helped to significantly change the City's budgetary position in 2021-2022 and into 2022-2023. In the General Fund, actions were taken over the course of the year to increase revenue estimates across nearly all major categories, including Property Tax, Sales Tax, Business Tax, Real Property Transfer Tax (Measure E), Utility Taxes, and others. As City operations continued their transition from pandemic response into pandemic recovery and more normal business operations, and due to the extremely competitive labor market that made it challenging to fill vacant positions, the City experienced elevated levels of expenditure savings across many of its funds. Due to careful forecasting, monitoring, and management throughout all City funds, overall 2021-2022 revenues and expenditures ended the year very close to budgeted expectations. The 2021-2022 General Fund Ending Fund Balance of \$559.0 million was \$51.4 million above the fund balance estimate assumed when the 2022-2023 Adopted Budget was developed and \$33.7 million after required clean-up/rebudget actions necessary to close out 2021-2022. The \$51.4 million variance represents 2.4% of the 2021-2022 Modified Budget and the \$33.7 million represents a variance of 1.6%. These funds are recommended to be allocated in the 2021-2022 Annual Report, as shown in the table below.

**EXECUTIVE SUMMARY**

**Recommended 2022-2023 General Fund Adjustments (\$000s)**

<b>Additional 2021-2022 Ending Fund Balance</b>	<b>\$51,379</b>
<b>Clean-Up/Rebudget Actions</b>	<b>(\$17,637)</b>
<hr/>	
<b>Fund Balance Available After Clean-up/Rebudget Actions</b>	<b>\$33,742</b>
<b>Recommended Budget Adjustments</b>	
Required Technical/Rebalancing Actions	(\$18,842)
Grants/Reimbursements/Fee Activities	(\$0)
(Sources = (\$125,000); Uses = (\$125,000))	
Urgent Fiscal/Program Needs	(\$4,500)
<b>Total Recommended Budget Adjustments</b>	<b>(\$23,342)</b>
<hr/>	
<b>Remaining Fund Balance After Clean-up/Recommended Adjustments</b>	<b>\$10,400</b>
<b>Distribution of Remaining Fund Balance Per City Council Policy I-18</b>	
Budget Stabilization Reserve	(\$7,600)
Information Technology Sinking Fund Reserve	(\$2,800)
<hr/>	
<b>Total Fund Balance Distributed Per Council Policy I-18</b>	<b>(\$10,400)</b>

When bringing forward recommendations for the use of the additional 2021-2022 General Fund Ending Fund Balance, the Administration follows City Council Policy 1-18 and first considers clean-up/rebudget actions associated with the close-out of the 2021-2022 fiscal year to be essentially non-discretionary and the highest priority. These clean-up/rebudget actions result in a net decrease to the available fund balance of \$17.6 million and consist of: 1) the rebudgeting of prior year funding to 2022-2023 to complete various projects (net decrease of \$13.2 million); and 2) technical adjustments to other revenues and expenditures (net decrease of \$4.4 million).

The revised fund balance of \$33.7 million is recommended to fund various required technical and rebalancing actions (\$18.8 million), actions associated with grants, reimbursements, and fee activities (net-zero downward revenue and expenditure adjustments of \$125,000), and two urgent fiscal and programmatic needs (\$4.5 million). Notable adjustments in these categories include: increasing the Contingency Reserve by \$5.0 million (from \$41.0 million to \$46.0 million) to align funding with the 3% requirement in City Council Policy 1-18; establishing the \$3.8 million Fire Station and FF&E Reserve to begin to set aside funding for fire station cost overruns and necessary furniture, fixtures, and equipment to effectively operate newly built fire stations; transferring \$3.8 million to the City Hall Debt Service Fund to accurately align respective payment contributions across City funds; \$3.0 million to provide a range of urgent services to support unhoused residents and address associated community impacts; allocating \$1.5 million to provide seed funding for a lateral firefighter/paramedic academy to be held in early 2023 to address the need to fill paramedic roles within the Fire Department; setting aside \$1.4 million in the Community and Economic Recovery Reserve to provide sufficient funding for the City’s participation in the County of Santa

## **EXECUTIVE SUMMARY**

Clara Isolation and Quarantine Program for COVID-19 emergency response; allocating \$1.3 million for City Hall Rehabilitation projects to repurpose savings from the City Hall Campus Expansion project completed in 2021-2022 for maintenance projects at City Hall; allocating \$750,000 to demolish the former Fire Station 8 garage and remediate the site; and, establishing the Police Helicopter Engine Overhaul Reserve of \$700,000 to set aside funding to overhaul the helicopter's current engine and provide for a rental engine to avoid aircraft downtime. These categories also include a series of actions to redistribute Measure E funding carried over from 2021-2022 in accordance with the Proposed Changes to the Spending Priorities and Percentage Allocations Measure E Real Property Transfer Taxes memorandum approved by City Council on April 19, 2022, as well as the allocation of an additional \$1.6 million to reflect the City's increased loan commitment (\$12.6 million) for the Quetzal Gardens affordable housing project.

After these adjustments, the remaining fund balance of \$10.4 million is recommended to be distributed in accordance with City Council Policy 1-18. These funds are recommended to increase the Budget Stabilization Reserve (\$7.6 million) from \$53.4 million to \$61.0 million, which increases the level of General Purpose Reserves to 8.0% of General Fund operating expenditures, bringing the level closer to the policy target of 10.0%; and \$2.8 million to the Information Technology Sinking Fund Reserve to help fund critical enterprise-level projects, such as the future replacement of the City's Financial Management System.

This report also addresses immediate needs and circumstances in various special and capital funds, including recognizing the additional Transient Occupancy Tax (TOT) revenues received in the TOT Fund in 2021-2022, enabling additional allocations to support Convention Center Operations, the Convention Center and Visitors Bureau, and Cultural Grants; reducing the transfer from the ARP Fund to the Convention and Cultural Affairs Fund due to the improved TOT performance in 2021-2022; allocating resources from the Affordable Housing Impact Fee Fund and Low and Moderate Income Housing Assets Fund to support affordable housing development; initiating and adding funding for several time-critical parks projects within the Subdivision Park Trust Fund and Construction and Conveyance (C&C) Tax Funds; allocating additional resources within the Construction Excise Tax Fund to support increased construction costs for a traffic signal project; and allocating additional resources in the Storm Sewer Capital Fund, primarily from prior year savings, to expand the scope of the Large Trash Capture project.

Recommended budget actions are summarized later in this message and described in *Section IV: Recommended Budget Adjustments and Clean-Up/Rebudget Actions*.

As the fiscal year progresses, the Administration will continue to monitor and report on the City's budgetary performance through Bi-Monthly Financial Reports that are agendaized four times a year for review by the Public Safety, Finance, and Strategic Support (PSFSS) Committee, and the Mid-Year Budget Review that is heard by the full City Council in February. The financial results of 2021-2022 will also be factored into the development of the 2023-2024 City Manager's Budget Request & 2024-2028 Five-Year Forecast and Revenue Projections document that will be released at the end of February 2023.

## **BACKGROUND**

Each year the City issues the Annual Report at the end of September, three months after the close of the fiscal year, as required by the City Charter. Following is a description of the various sections of the Annual Report document.

- **Transmittal Memorandum** – This section provides an overall summary of the 2021-2022 Annual Report.
- **Section I: Budget Performance Summary (All Funds)** – This section provides a comparison of the 2021-2022 budget to actual revenues received and expenditures incurred by fund as well as an explanation of revenue and/or expenditure variances of 10% or greater to the budget. This section also provides a comparison of the year-end actual 2021-2022 Ending Fund Balance by fund to the 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance estimate used in the development of the 2022-2023 Adopted Budget. In addition, a listing of the Earmarked and Contingency Reserves that were available at the end of 2021-2022 by fund is included.
- **Section II: General Fund Budget Performance** – This section provides a summary of the General Fund budget performance in 2021-2022, including the following: Results of Operations in the General Fund, Revenue Performance, and Expenditure Performance.
- **Section III: Selected Special/Capital Funds Budget Performance** – This section provides financial information on the 2021-2022 year-end performance for selected special and capital funds that represent major City operations. It includes a discussion of variances between actual and budgeted revenues and expenditures as well as a comparison between the actual ending fund balance and the fund balance estimated for 2021-2022 in the development of the 2022-2023 Adopted Budget.

## **BACKGROUND**

- **Section IV: Recommended Budget Adjustments and Clean-Up/Rebudget Actions** – This section provides a description of the recommended budget adjustments and clean-up/rebudget actions for City Council consideration. The proposed actions fall into three categories: (1) adjustments to the *2022-2023 Beginning Fund Balance amounts in various funds, including the General Fund, based on the final reconciliation of 2021-2022*; (2) *upward and downward adjustments to previously rebudgeted sums to ensure the appropriate amount of unexpended funds are carried over to 2022-2023 to complete projects*; and (3) *actions based on more recent information that are necessary to revise the 2022-2023 budget to align budgeted revenue and expenditures with the most current information, correct technical problems, recognize new or adjust grant, reimbursement or fee activity revenues and expenditures, fund one-time urgent fiscal/program needs in the General Fund, and reflect changes in project and program allocations based on revised cost estimates as well as establish a limited number of new projects and programs in special and capital funds.*
- **Section V: Financial Statements** – This section provides the financial results (unaudited), prepared by the Finance Department, for all budgeted fund groups for 2021-2022. It should be noted that audited financial results will be released later in the fall as part of the 2022 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022. Final fund balance reconciliations to the Annual Comprehensive Financial Report will be conducted for all funds and, while few adjustments are typically necessary, any final adjustments will be brought forward for City Council consideration as part of the 2022-2023 Mid-Year Budget Review.

## **ANALYSIS**

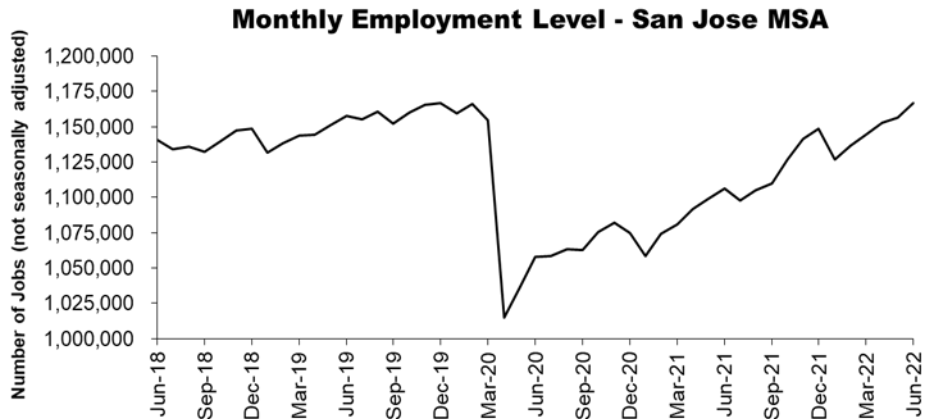
This Analysis section includes the following:

- an overview of the economic environment;
- a discussion of the 2021-2022 budget performance of all City funds;
- a discussion of the 2021-2022 budget performance for the General Fund;
- a discussion of the components of the 2021-2022 General Fund ending fund balance;
- an analysis of the impact of the General Fund performance on the 2022-2023 Adopted Budget; and
- a discussion of the 2021-2022 budget performance of selected special and capital funds.

**ANALYSIS**

**Economic Environment**

The City of San José has steadily rebounded since the initial onset of the pandemic; growth that accelerated with the arrival and widespread use of effective vaccines. However, despite this growth, the broader economic environment is still recovering and, in some areas, are not yet back to pre-pandemic levels.



California’s employment was significantly impacted when health orders in response to the pandemic severely curtailed economic activity. As can be seen from the chart above, after the immediate employment drop in April 2020, employment levels have progressively grown, with a small decline at the end of 2020 when the pandemic re-surfaced. While employment figures at the end of 2021-2022 were strong and exceeded pre-pandemic levels by 3,500 jobs, high inflation coupled with uncertainty regarding the economy may negatively impact employment in 2022-2023. Employment levels will continue to be closely monitored throughout the upcoming fiscal year.

After topping over 12% near the beginning of the pandemic in April 2020, the local unemployment rate has significantly dropped and as of April 2022, the unemployment rate has fallen below pre-pandemic levels. In June 2022, the local unemployment rate was 2.3%, which is lower than the June 2021 rate (5.5%) and the pre-pandemic level of 2.6%. Additionally, in this region, the June 2022 unemployment rate continues to be lower than the unadjusted unemployment rate for the State (4.0%) and the nation (3.8%).

<b>Unemployment Rate (Unadjusted)</b>				
	<b>Feb. 2020</b>	<b>April 2020</b>	<b>June 2021</b>	<b>June 2022**</b>
San Jose Metropolitan Statistical Area*	2.6%	12.4%	5.5%	2.3%
State of California	4.3%	16.0%	8.2%	4.0%
United States	3.8%	14.4%	6.1%	3.8%
* San Benito and Santa Clara Counties Source: California Employment Development Department. ** June 2022 estimates are preliminary and may be updated.				

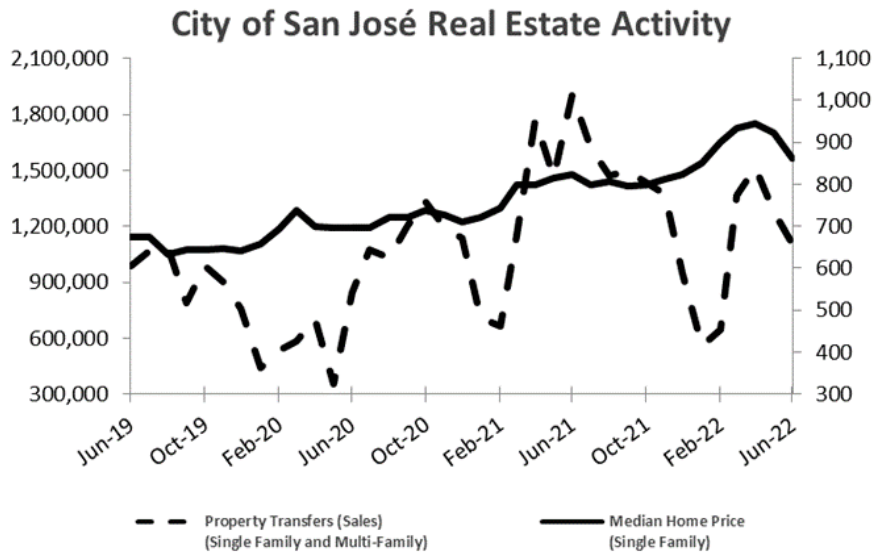
the unadjusted unemployment rate for the State (4.0%) and the nation (3.8%).

**ANALYSIS**

**Economic Environment**

Overall construction activity through June 2022 of \$1.5 billion decreased 20.5% from prior year levels due to activity for all land use categories (residential, commercial, and industrial) experiencing significant year-over-year declines from the prior year, especially for commercial activity. The 2021-2022 Adopted Budget was developed with the expectation that development activity would decrease from the high levels experienced in 2020-2021 but would remain relatively strong. Development activity has been on a downward trend since 2019-2020 (\$2.5 billion) and will continue to be closely monitored.

The local real estate market has continued to perform strongly through 2021-2022, recording record high median single home prices. However, sales activity has begun to slow down, which may be indicative of a cooling market. According to data from the Santa Clara County Association of Realtors, the number of property transfers



(sales) experienced year-over-year decreases (from the same time period in the prior year) ranging from -10% to -54% between the beginning of the shelter-in-place in March 2020 through June 2020. However, beginning in September 2020, the local real estate market once again began to experience year-over-year gains. As of June 2022, the median single-family home price totaled \$1.6 million, which was 5.6% above the June 2021 price of \$1.5 million. Additionally, it is taking less time to sell these more expensive houses. The average days-on-market through June 2022 totaled 14 days, which is significantly below the average of 23 days experienced year-to-date through June 2021. Property sales, however, have begun to slow down. In the first half of 2021-2022, property sales for single family and multi-dwelling homes grew 15% compared to the prior year. However, total sales for January-June 2022 dropped 12% compared to the same time period in 2021. As interest rates continue to rise, which has a direct impact on mortgage rates, property transactions may be negatively impacted. Therefore, property sales, as well as their possible impact on home prices will continue to be closely monitored in 2022-2023.



**ANALYSIS**

**2021-2022 Budget Performance (All Funds)**

As shown in Section I of this document, City revenues (excluding Beginning Fund Balances) totaled \$4.6 billion in 2021-2022, which was 7.5% (\$376.8 million) below the budgeted estimate of \$5.0 billion.

In 2021-2022, expenditures (excluding Reserves and Ending Fund Balances) totaled \$4.7 billion, which was \$1.1 billion (19.0%) below the modified budget of \$5.8 billion. At the end of 2021-2022, the Contingency and Earmarked Reserves for all City funds totaled \$1.1 billion, which represented 15.1% of the total 2021-2022 Modified Budget of \$7.4 billion (including interfund transfers, loans, and contributions). In the General Fund, Reserves totaled \$373.8 million.

The financial performance in 2021-2022 is used as the starting point for 2022-2023. The collective 2021-2022 Ending Fund Balances for all City funds totaled \$1.97 billion, which was \$33.9 million above the 2021-2022 Ending Fund Balance estimates of \$1.94 billion used in the development of the 2022-2023 Adopted Budget. After adjusting for a total net negative rebudget of \$127.3 million recommended in this report, the adjusted 2021-2022 Ending Fund Balance variance for all funds increases to \$161.1 million, or 2.2% of the 2021-2022 Modified Budget. The adjusted fund balance variance totaled \$38.7 million in the General Fund, \$71.8 million in the special funds, and \$50.7 million in the capital funds.

The City's General Fund ended the 2021-2022 fiscal year within budgeted levels. As shown in the chart below, the General Fund Ending Fund Balance of \$559.0 million was \$51.4 million (2.4% of the 2021-2022 Modified Budget) above the fund balance estimate assumed when the 2022-2023 Adopted Budget was developed (after accounting for an early rebudget of \$475,000 approved by the City Council on August 30, 2022). The following table summarizes the General Fund performance in 2021-2022, comparing the actual results to the modified budget and the estimates used to develop the 2022-2023 Adopted Budget.

**ANALYSIS**

**2021-2022 General Fund Budget Performance**

**Table 1  
General Fund Year-End Status  
For the Year Ended June 30, 2022  
(\$000s)**

<b>Sources</b>	<b>2021-2022 Modified Budget</b>	<b>2021-2022 Year-end Estimate</b>	<b>2021-2022 Budgetary Basis Actual</b>	<b>Actual to Budget Variance</b>	<b>Actual to Estimate Variance</b>
<i>Beginning Fund Balance</i>	369,180	369,180	369,180	-	-
<i>Carryover Encumbrances</i>	56,416	56,416	56,416	-	-
<i>Liquidation of Carry- over Encumbrances</i>	-	500	612	612	112
<i>Revenue</i>	<u>1,735,235</u>	<u>1,736,490</u>	<u>1,739,529</u>	<u>4,294</u>	<u>3,039</u>
<i>Total Sources</i>	<u><u>2,160,831</u></u>	<u><u>2,162,586</u></u>	<u><u>2,165,737</u></u>	<u><u>4,906</u></u>	<u><u>3,151</u></u>
<b>Uses</b>					
<i>Expenditures/Transfers</i>	1,787,018	1,654,977	1,606,749	(180,269)	(48,228)
<i>Reserves</i>	<u>373,813</u>	<u>-</u>	<u>-</u>	<u>(373,813)</u>	<u>-</u>
<i>Total Uses</i>	<u><u>2,160,831</u></u>	<u><u>1,654,977</u></u>	<u><u>1,606,749</u></u>	<u><u>(554,082)</u></u>	<u><u>(48,228)</u></u>
<i>Ending Fund Balance</i>	<u><u>-</u></u>	<u><u>507,609</u></u>	<u><u>558,988</u></u>	<u><u>558,988</u></u>	<u><u>51,379</u></u>

Note: In the chart above, the General Fund excludes the Emergency Reserve Fund and the Cash Reserve Fund, which are budgeted as separate funds and reflected separately in this document. In the 2021-2022 Annual Comprehensive Financial Report, the Emergency Reserve Fund and Cash Reserve Fund will be displayed as part of the General Fund to comply with GASB 54 reporting requirements.

In 2021-2022, total revenue in the General Fund was \$1.7 billion, which was within 0.2%, or \$4.3 million, of the 2021-2022 Modified Budget, and \$3.2 million (0.1%) above the estimate used to develop the 2022-2023 Adopted Budget. The liquidation of prior year carryover encumbrances totaled \$612,000.

General Fund expenditures/transfers of \$1.6 billion were \$180.3 million (10.1%) below the 2021-2022 Modified Budget level of \$1.8 billion and \$48.2 million (7.4%) below the estimate used to develop the 2022-2023 Adopted Budget. Budgeted reserves of \$373.8 million remained unexpended at year-end as expected.

**ANALYSIS**

**2021-2022 General Fund Budget Performance**

**Table 2  
 General Fund  
 Comparison of Year-End Actuals with Prior Year  
 (\$000s)**

	<b>2020-2021 Actuals</b>	<b>2021-2022 Actuals</b>	<b>Change</b>	<b>% Change</b>
<b>Source of Funds</b>				
Beginning Fund Balance	400,284	369,180	(31,104)	-7.8%
Revenues	1,355,444	1,739,529	384,085	28.3%
<b>Total Source of Funds</b>	<b>1,755,728</b>	<b>2,108,709</b>	<b>352,981</b>	<b>20.1%</b>
<b>Use of Funds</b>				
Personal Services	871,751	926,148	54,397	6.2%
Non-Personal/Equipment/Other	151,742	175,738	23,996	15.8%
City-Wide Expenses	274,242	417,653	143,411	52.3%
Capital Contributions	54,893	56,817	1,924	3.5%
Transfers	80,826	30,393	(50,433)	-62.4%
Reserves	-	-	-	N/A
<b>Total Use of Funds</b>	<b>1,433,454</b>	<b>1,606,749</b>	<b>173,295</b>	<b>12.1%</b>

As shown in Table 2, 2021-2022 General Fund revenues (excluding Beginning Fund Balance, which varies depending on the level of unspent funds carried into the following year) of \$1.7 billion represent an increase of 28.3% (\$384.1 million) from the 2020-2021 collection level of \$1.4 billion. This year-over-year increase is primarily attributable to the City receiving higher Tax and Revenue Anticipation Notes (TRANS) revenue being issued in 2021-2022. TRANS revenue, which facilitates the pre-payment of a portion of the City’s retirement contributions, totaled \$130.0 million in 2020-2021, but increased to \$285.0 million in 2021-2022. Additionally, higher 2021-2022 collections were received for Real Property Transfer Tax (\$50.5 million), Sales Tax (\$39.1 million), Property Tax (\$23.2 million), Business Tax (\$15.3 million), and Fees, Rates and Charges (\$14.7 million), which is primarily attributable to Parks, Recreation and Neighborhood Services Department Fee revenue. These revenues experienced year-over-year growth due to several factors including the continued economic rebound experienced after the pandemic as well as the strong commercial and residential real estate market.

General Fund expenditures of \$1.6 billion in 2021-2022 were 12.1% (\$173.3 million) above prior year expenditure levels of \$1.4 billion. This increase is due to higher City-Wide Expenses (\$143.4 million, primarily driven by higher repayment of TRANS), Personal Services (\$54.4 million), Non-Personal/Equipment/Other (\$24.0 million), and Capital Contributions (\$1.9 million), partially offset by lower transfers (\$50.4 million).

A detailed discussion of the General Fund revenue and expenditure performance is provided in Section II of this document.

**ANALYSIS**

**2021-2022 General Fund Ending Fund Balance**

The current budgeting practice of the City is to use the projected level of fund balance expected to remain in the General Fund at the end of any fiscal year as a funding source for the following year. The Ending Fund Balance estimate always contains two components: the portion of the fund balance that is rebudgeted for completing projects or retaining reserves; and the portion which is undesignated and available as a general funding source in the coming year. In the 2022-2023 Adopted Budget, a total fund balance estimate of \$507.1 million was included as a funding source. In addition, an early rebudget of \$475,000 was approved by the City Council on August 30, 2022. As discussed earlier, the actual 2021-2022 General Fund Ending Fund Balance of \$559.0 million was \$51.4 million above the Adopted Budget estimate when factoring in the early rebudget.

The components of the 2021-2022 General Fund Ending Fund Balance include additional funding sources, expenditure/transfer savings, and unexpended reserves as described below:

**2021-2022 General Fund  
 Ending Fund Balance Components**

<b>Fund Balance Component</b>	<b>\$ Amount (\$ in 000s)</b>
Additional Funding Sources	4,906
Expenditure/Transfer Savings	180,268
Unexpended Reserves	373,813
<b>TOTAL</b>	<b>\$ 558,987</b>

The total Sources of Funds ended the year \$4.9 million above the modified budget as a result of higher revenues (\$4.3 million) and liquidation of carryover encumbrances (\$612,000). For the Uses of Funds, expenditure and transfer savings totaled \$180.3 million, while unexpended reserves totaled \$373.8 million, representing the largest component of the 2021-2022 Ending Fund Balance. Of the \$180.3 million in expenditure savings, a majority was rebudgeted in the 2022-2023 Adopted Budget (\$129.1 million) with additional funding being recommended for rebudget or technical clean-ups as part of this report (\$23.6 million).

General Fund Reserves, totaling \$373.8 million at the end of 2021-2022, include three categories: Earmarked Reserves (\$295.3 million) established to address specific needs per City Council direction; Ending Fund Balance Reserve (\$38.0 million) established to help ensure sufficient fund balance would be available at the end of 2021-2022 to meet the budgeted estimate used for the development of the 2022-2023 Adopted Budget, and the Contingency Reserve (\$40.5 million) set at a minimum of 3% of General Fund operating expenditures per City Council policy.

**ANALYSIS**

**2021-2022 General Fund Ending Fund Balance**

As discussed above, it was assumed that \$507.1 million would remain in the General Fund at the end of 2021-2022 and would be carried over to 2022-2023 as Beginning Fund Balance as part of the adoption of the 2021-2022 Budget. These funds, which were expected to be generated from unexpended reserves, unexpended funds that were rebudgeted to 2022-2023, additional revenue, expenditure savings, and the liquidation of carryover encumbrances, were programmed for use in the 2022-2023 Adopted Budget. As also previously discussed, the actual General Fund Ending Fund Balance was above the estimate used in the 2022-2023 Adopted Budget by \$51.4 million (including the early rebudget) due to revenue and expenditure savings that were above June 30, 2022 levels.

The following chart details the recommended uses of the \$51.4 million of additional fund balance, as well as other budget adjustments that are proposed as part of this report. Recommended clean-up/rebudget actions decrease the available fund balance by \$17.7 million to \$33.7 million, or 1.6% of the 2021-2022 Modified Budget. This additional fund balance is proposed to be allocated to address required technical/rebalancing needs of \$18.8 million, urgent fiscal/program needs of \$4.5 million, with the remaining \$10.4 million placed in the Budget Stabilization Reserve (\$7.6 million) and the Information Technology Sinking Fund Reserve (\$2.8 million) in accordance with City Council Policy 1-18.

**ANALYSIS**

**Impacts on the 2022-2023 General Fund Budget**

<b>RECOMMENDED 2022-2023 GENERAL FUND ADJUSTMENTS (\$000s)</b>		<b><u>(\$ in 000s)</u></b>
<b>2022-2023 Additional Fund Balance</b> .....		<b>\$51,379</b>
<b>• Clean-Up/Rebudget Actions</b> .....		<b>(\$17,637)</b>
Revenue Rebudgets/Clean-Ups	\$5,970	
City-Wide Expenses/Transfers/Reserves	(\$17,017)	
General Fund Capital	(\$3,290)	
Departmental	(\$3,300)	
<b>Fund Balance Available After Clean-up/Rebudget Actions</b> .....		<b>\$33,742</b>
<b>• Recommended Budget Adjustments</b> .....		<b>(\$23,342)</b>
<b>Required Technical/Rebalancing Actions</b>		
Contingency Reserve	(\$5,000)	
Fire Station and FF&E Reserve	(\$3,800)	
Transfer to the City Hall Debt Service Fund	(\$3,780)	
Community and Economic Recovery Reserve	(\$1,388)	
City Hall Rehabilitation Projects (Lease Revenue Bond Savings)	(\$1,250)	
Fire Station 8 Garage Demolition and Site Clean-up	(\$750)	
Police Helicopter Engine Overhaul Reserve	(\$700)	
Solid Waste Code Enforcement Program Reserve (Solid Waste Program)	(\$600)	
Code Enforcement Permit System Reserve (Multiple Housing Program)	(\$450)	
Children's Discovery Museum Elevator System	(\$350)	
Development Fee Program Technology Reserve	(\$335)	
City Attorney's Office Outside Counsel Litigation Reserve	(\$200)	
Local Sales Tax - Transfer to the Airport Revenue Fund (Jet Fuel)	(\$200)	
Revenue from Federal Government (UASI Grant - OEM 2022)	(\$136)	
Measure E – Program and Reserve Allocations (Net-Zero Adjustments)	\$0	
Business Tax (Net-Zero Adjustments)	\$0	
Responsible Landlord Engagement Initiative	\$200	
Transfers and Reimbursements	\$331	
(Transfer from Community Facilities Revenue Fund (Fund Close-Out))		
Other Remaining Adjustments	(\$434)	
<b>Subtotal Required Technical/Rebalancing Actions</b>	<b>(\$18,842)</b>	
<b>Grants/Reimbursements/Fees</b> (Sources = (\$125,000); Uses = (\$125,000))		<b>\$0</b>
<b>Urgent Fiscal/Program Needs</b>		
Homelessness Management Services	(\$3,000)	
Lateral Firefighter/Paramedic Academy	(\$1,500)	
(Fire Department Personal Services and Non-Personal Equipment)		
<b>Subtotal Urgent Fiscal/Program Needs</b>	<b>(\$4,500)</b>	
<b>Remaining Fund Balance After Clean-up/Rebudget Actions and Budget Adjustments</b> .....		<b>\$10,400</b>
<b>• Distribution of Remaining Fund Balance in Accordance with City Council Policy 1-18</b> .....		<b>(\$10,400)</b>
Budget Stabilization Reserve	(\$7,600)	
Information Technology Sinking Fund Reserve	(\$2,800)	
<b>Subtotal Distribution per Policy 1-18</b>	<b>(\$10,400)</b>	
<b>Remaining Fund Balance</b> .....		<b>\$0</b>

## **ANALYSIS**

### **Impacts on the 2022-2023 General Fund Budget**

A summary of the significant adjustments by category is included below. More detail is provided in *Section IV: Recommended Budget Adjustments and Clean-Up/Rebudget Actions*.

#### **Clean-Up/Rebudget Actions (-\$17.6 million)**

A series of adjustments are recommended to complete existing projects continuing into 2022-2023 and to reflect any necessary technical budget adjustments or reconciliation actions. The Annual Report is the point in the budget process where action is required to rebudget unexpended funds from the prior year that were not anticipated when the Adopted Budget was approved, but are required to complete a project or program in the current year. The largest rebudget actions are for the following appropriations: Business Tax Replacement (-\$4.1 million); Police Department Non-Personal/Equipment - Vehicle Replacements and Operations & Maintenance (-\$2.9 million); Revenue from State of California (Mobile Operations Satellite Expeditionary System) (-\$2.2 million); Government Access - Capital Expenditures (-\$1.7 million); Fire Apparatus Replacement (-\$1.3 million); General Liability Claims (-\$900,000); Food and Necessities (-\$824,000); Digital Inclusion Program (-\$805,000); City Facilities Security Improvements (-\$638,000); Unanticipated/Emergency Maintenance (-\$593,000); and, Emergency Power Generation for City Facilities (-\$530,000). Also recommended are actions that reduce previous rebudgets to reflect instances where expenditures for which rebudgets were approved for incorporation into the Adopted Budget exceeded estimates for 2021-2022; therefore, the funds are not available for rebudget to 2022-2023. Other technical adjustments include net-zero shifts between departments and appropriations, as well as the reconciliation of restricted funding for multiple programs (e.g., Measure E reserves, Tree Mitigation, Licenses and Permits (Cardroom Fee Reconciliation), Certified Access Specialist Program, Contractual Street Tree Planting, Government Access - Capital Expenditures, and the Google Parking Lots Option Payment Reserve).

#### **Recommended Budget Adjustments (-\$33.7 million)**

A number of General Fund budget adjustments, with a total net cost of \$33.7 million are recommended and can be classified under three categories: 1) Required Technical/Rebalancing Actions (net cost of \$18.8 million) that align already approved revenue estimates and expenditure budgets with the most current tracking information, reallocate funding among appropriations based on updated needs, correct technical problems in the 2022-2023 Adopted Budget, or comply with actions previously authorized by the City Council; 2) Grants/Reimbursement/Fee Activities (net zero expenditure reduction of \$125,000) actions that recognize new or adjust grants, reimbursements, or fee activity revenues, and adjust the appropriations for these purposes as necessary; and 3) Urgent Fiscal/Program Needs (net cost of \$4.5 million) for emergent needs that the Administration has deemed should not wait until the annual budget process, but require authorization from City Council.

Notable actions under each category are outlined below.

## ANALYSIS

### Impacts on the 2022-2023 General Fund Budget

- **Required Technical/Rebalancing Actions (-\$18.8 million)**

- **Contingency Reserve** – increases the Contingency Reserve by \$5.0 million, from \$41.0 million to \$46.0 million, in accordance with Council Policy 1-18 which provides for the maintenance of a minimum 3% Contingency Reserve in the General Fund to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. The current Contingency Reserve level of \$41.0 million was established in the 2022-2023 Base Budget, as the reserve is calculated against Base Budget expenditures and an assumed amount of funding that will be rebudgeted at fiscal year-end. While Contingency Reserve adjustments commonly occur as part of the Annual Report, the relatively high level of \$5.0 million this year is attributable to the significant amount of funding allocated during the 2022-2023 Proposed Budget process (\$73 million one-time and \$30 million ongoing), the additional Beginning Fund Balance and Sales Tax revenues recognized and allocated at the end of the budget process in Manager’s Budget Addendum #37 (\$12 million), and a significant amount of expenditures rebudgeted as part of the Adopted Budget process and in this 2021-2022 Annual Report. 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. (-\$5.0 million)
- **Fire Station and FF&E Reserve** – establishes a Fire Station and FF&E Reserve in the amount of \$3.8 million. City Council’s approval of the Mayor’s June Budget Message for Fiscal Year 2022-2023 included direction to the City Manager to prioritize available excess General Fund ending fund balance in the Annual Report to help address future cost overruns anticipated in the Measure T capital improvement program for fire stations and to set aside resources to help pay for related furniture, fixtures, and equipment (FF&E), which cannot be paid from general obligation bond proceeds. Four new Fire Stations (8, 23, 32, 36) and the 911 Call Center Upgrade projects are tentatively scheduled to be completed within the next five years. As of late Spring 2022, these projects were tentatively anticipated to exceed their current budget allocations by a total of approximately \$2 - \$4 million and are anticipated to need approximately \$5 million for FF&E for a total overall estimated need of \$7 - \$9 million. As an initial placeholder to build resources for future FF&E needs, the 2022-2023 Adopted Capital Budget includes a New Fire Station FF&E Reserve of \$1.9 million in the Fire C&C Tax Fund, which brings down the overall need to \$5 - \$7 million. However, these shortfalls are expected to grow due to continued inflation and supply chain challenges. The Administration will report back to the City Council on the status of anticipated program shortfalls in early 2023, and will recommend spending from this reserve in the future as the design and construction of Measure T-funded fire station projects proceed. (-\$3.8 million)



## ANALYSIS

### **Impacts on the 2022-2023 General Fund Budget**

- ***Transfer to the City Hall Debt Service Fund*** – increases the transfer from the General Fund to the City Hall Debt Service Fund by \$3.8 million, from \$16.2 million to \$20.0 million. Of the \$3.8 million, \$1.1 million appropriately modifies the cost allocation methodology in 2022-2023 to include allocation of debt service costs for several cost centers within the General Fund. The remaining \$2.7 million adjustment corrects for the allocation of costs related to the August 2020 lease-revenue bond issuance that refunded debt related to the construction of City Hall and retired the remaining debt associated with the Los Lagos Golf Course and the Environmental Services Company (ESCO) Master Lease. All debt related to the 2020A lease-revenue bonds is paid in the City Hall Debt Service Fund, which receives a transfer from most of the City’s special and capital funds based on their respective proportional cost allocation. A recent analysis conducted by the Finance Department determined the allocation from the General Fund for debt service costs for the portion of the debt associated with the payoff of the Los Lagos Golf Course and ESCO should increase by \$1.0 million for 2022-2023, and by \$1.7 million from the prior two fiscal years. While these adjustments increase the portion of the City Hall debt service allocated to the General Fund, the General Fund savings attributable to retiring debt obligations and refunding still result in total annual ongoing savings to the City of \$7.0 million, which is greater than \$4.1 million of ongoing savings assumed in the 2020-2021 Adopted Operating Budget. (-\$3.8 million)
  
- ***Community and Economic Recovery Reserve*** – increases the Community and Economic Recovery Reserve by \$1.4 million, from \$8.8 million to \$10.2 million to support recovery workstreams and initiatives. This reserve was originally established with City Council’s approval of the 2021-2022 Mid-Year Budget Review to capture savings from previously authorized community and economic recovery workstreams, which can then be used to address urgent issues related to recovery efforts and for the potential continuation of existing workstreams. The increase of \$1.4 million is attributable to savings from the closeout of the Local Assistance workstream of \$753,000 and the final closeout of the Coronavirus Relief Fund, which had remaining funding of \$638,000 and was used to reallocate portions of costs incurred for Fire Department’s Emergency Medical Services in support of recovery initiatives incurred from July 1, 2021 through December 31, 2021, in accordance with U.S. Treasury Department regulations. This revised funding level is anticipated to provide sufficient funding for the City's potential financial commitment toward the Isolation and Quarantine program managed by the County of Santa Clara, which is anticipated to be brought before the City Council later in the fiscal year. (-\$1.4 million)

**ANALYSIS**

**Impacts on the 2022-2023 General Fund Budget**

- ***City Hall Rehabilitation Projects (Lease Revenue Bond Savings)*** – establishes the City Hall Rehabilitation Projects appropriation in the amount of \$1.25 million to provide funding for maintenance projects at San José City Hall. This funding is repurposed from savings from the City Hall Campus Expansion project which was completed in 2021-2022. As this project was funded by lease revenue bonds, any project savings must either be spent on infrastructure improvements at City Hall or for debt service payments. The repurposed funds will provide for improvement elements that include cleaning and inspecting sanitary and storm pipelines (\$350,000), security cameras and access readers (\$300,000), LED conversions (\$200,000), repairing sewage pumps (\$200,000), seismic bracing of fire pipelines (\$100,000), and replacing backup generator switches (\$100,000). These projects are anticipated to complete in the fall of 2023. (-\$1.25 million)
- ***Fire Station 8 Garage Demolition and Site Clean-up*** – establishes the Fire Station 8 Garage Demolition and Site Clean-Up appropriation in the amount of \$750,000 to fund the demolition of the abandoned garage behind the fire station. This structure has been subjected to vandalism and squatting, and for safety reasons must be permanently addressed. The structure is built on a steep slope adjacent to Coyote Creek and the project will require slope stabilization and erosion control after the demolition is completed. A geotechnical engineer will remain onsite to monitor the backfilling and compaction activities due to the nature of the steep slope. Fire Station 8 is currently located at 802 East Santa Clara Street. As part of the Measure T funded public safety projects, this fire station is scheduled to be relocated to 601 East Santa Clara Street to improve facility quality and meet current fire station standards. It is anticipated that the site will be vacated in the fall of 2024. At this time, no future use of this property has been identified. (-\$750,000)
- ***Police Helicopter Engine Overhaul Reserve*** – establishes the Police Helicopter Engine Overhaul Reserve in the amount of \$700,000 to set aside funding for the helicopter engine overhaul maintenance. While it was not anticipated to be needed until 2023-2024, funding is now anticipated to be needed near the end of 2022-2023 to provide a mandatory 5,000-hour engine overhaul maintenance to the Air3 helicopter. The maintenance will take 3-8 weeks which will require the removal of the helicopter’s engine. To ensure there is little to no downtime for the Air Support Program, the installation of a rental engine (paid for per flight hour) is required. This funding will cover the costs of the engine maintenance and rental engine. (\$-700,000)

## ANALYSIS

### **Impacts on the 2022-2023 General Fund Budget**

- ***Solid Waste Code Enforcement Program Reserve (Solid Waste Program)*** – establishes the Solid Waste Code Enforcement Program Reserve in the amount of \$600,000. The Solid Waste Code Enforcement Program is a full cost recovery program funded through fees, and the program ended 2021-2022 with expenditure savings and additional revenues totaling \$600,000. This funding will be set aside for future use by the Solid Waste Code Enforcement Program. (-\$600,000)
- ***Code Enforcement Permit System Reserve (Multiple Housing Program)*** – increases the Code Enforcement Permit System Reserve by \$450,000, from \$2.3 million to \$2.8 million. The Multiple Housing Code Enforcement Program is a full cost recovery program funded through fees, and the program ended 2021-2022 with expenditure savings and additional revenues totaling \$450,000 after rebudgets and necessary clean-up actions. This funding will be set aside for a future software upgrade of the City's Code Enforcement Permit System. (-\$450,000)
- ***Children's Discovery Museum Elevator System*** – increases the Children's Discovery Museum Elevator System appropriation by \$350,000, from \$800,000 to \$1.2 million. This funding will support the rehabilitation of a passenger elevator that has reached the end of its serviceable life cycle. The original project scope only included replacement of the freight elevator cab and system replacement. However, due to recent reliability issues of the building's only passenger elevator that is often utilized by those who are disabled and parents with children in strollers, the Administration recommends adding a new passenger elevator to the project scope. (-\$350,000)
- ***Development Fee Program Technology Reserve*** – increases the Development Fee Program Technology Reserve by \$335,000, from \$235,000 to \$570,000. In 2014-2015, funds were allocated from the Reserve to purchase software and consultant services for an Electronic Content Management System for Development Fee Program Services. The project was completed at the end of 2020-2021, and the remaining contract funding of \$335,000 was liquidated in 2021-2022 and fell to the General Fund's Ending Fund Balance. This action will reallocate the liquidated funds, which can only be used to support costs within the Development Fee Program, back to the Development Fee Program Technology Reserve for future use. (-\$335,000)
- ***City Attorney's Office Outside Counsel Litigation Reserve*** – increases the City Attorney's Office Outside Counsel Litigation Reserve by \$200,000, from \$800,000 to \$1.0 million, to restore funding to prior levels following the reallocation of \$200,000 to the City Attorney's Office for outside legal counsel services as part of the 2021-2022 Mid-Year Budget Review. (-\$200,000)

## ANALYSIS

### **Impacts on the 2022-2023 General Fund Budget**

- ***Local Sales Tax - Transfer to the Airport Revenue Fund (Jet Fuel)*** – increases the Transfer from the General Fund to the Airport Revenue Fund for the estimated Jet Fuel Local Sales Tax from July 2022 to June 2023 by \$200,000, from \$300,000 to \$500,000. Per Federation Aviation Administration (FAA) policy, Sales Tax revenue related to jet fuel sales that are located at Airport properties must be returned to the Airport. This FAA policy applies to sales taxes that went into effect after December 31, 1987. Given this timeframe, the City of San José’s General Sales Tax is exempt from this regulation as it was in effect before December 31, 1987; however, the Local Sales Tax effective October 2013, must follow the FAA policy. In 2021-2022 jet fuel related local sales tax collections totaled approximately \$500,000; therefore, this action increases the estimated 2022-2023 transfer to align the revenue with prior year activity levels. (-\$200,000)
- ***Revenue from Federal Government (UASI Grant - OEM 2022)*** – decreases the estimate for Revenue from Federal Government by \$135,732 for the Urban Area Security Initiative (UASI) Grant - Office of Emergency Management (OEM) 2022. Three positions in the OEM, 1.0 Senior Executive Analyst and 2.0 Executive Analysts, are supported through the UASI grant program, which spans multiple years. Based on a re-evaluation to align expected costs with grant revenues, this report contains several adjustments to realign the various UASI grant awards with the estimated program costs for 2022-2023. (-\$136,000)
- ***Measure E – Program and Reserve Allocations (Net-Zero Adjustments)*** – reallocates funding as part of a series of actions to redistribute unexpended Measure E funds from 2021-2022 in accordance with the Proposed Changes to the Spending Priorities and Percentage Allocations Measure E Real Property Transfer Taxes memorandum approved by City Council on April 19, 2022. These actions include increasing the Measure E - Quetzal Gardens (30% LI) appropriation by \$1.6 million, from \$1.0 million to \$2.6 million, to support an increased loan commitment from the City (\$12.6 million) for the Quetzal Gardens project, which is offset from funds that would be otherwise allocated to the Measure E – 30% Low-Income Households Reserve. (\$0)
- ***Business Tax (Net-Zero Adjustments)*** – increases the Cardroom Business Tax by \$2.0 million (from \$27.0 million to \$29.0 million) and decreases the Cannabis Business Tax by \$2.0 million (from \$20.0 million to \$18.0 million). The 2022-2023 Adopted Budget estimate for the Cardroom Business Tax of \$27.0 million was built on the assumption that 2021-2022 collections would total \$27.0 million and remain flat in 2022-2023. However, 2021-2022 collections ended the year at approximately \$29.0 million; therefore this report includes a recommendation to increase the budgeted estimate in 2022-2023 by \$2.0 million to align the budgeted estimate with anticipated collections. The 2022-2023 Adopted Budget estimate for the Cannabis Business Tax of \$20.0 million was built on the assumption that 2021-2022 collections would total \$19.0 million and then grow slightly to \$20.0 million in 2022-2023. However, due to lower than anticipated collections in the second half of 2021-2022, collections ended the year at approximately \$18 million. Therefore, this report also includes a recommendation to decrease the 2022-2023 budgeted estimate by \$2.0 million to align the budgeted estimate with the anticipated collection level. (\$0)

## **ANALYSIS**

### **Impacts on the 2022-2023 General Fund Budget**

- ***Responsible Landlord Engagement Initiative*** – decreases the Responsible Landlord Engagement Initiative appropriation to the Housing Department by \$200,000. The Responsible Landlord Engagement Initiative allocation was included in the 2022-2023 Adopted Budget in the amount of \$200,00 per direction from the Mayor's March Budget Message for Fiscal Year 2022-2023 with the expectation that additional State funding would likely be available. Since that time, the City has been awarded a grant from the State of California's Department of Housing and Community Development in the amount of \$800,000 to support the Responsible Landlord Engagement Initiative. Because of this, this action pulls back the City's initial contribution, which will be more than offset by the grant from the State of California. Actions to recognize and appropriate the \$800,000 from the State is included as a separate net-zero action within the “Grants/Reimbursements/Fees” section. (\$200,000)
- ***Transfers and Reimbursements (Transfer from Community Facilities Revenue Fund (Fund Close-Out))*** – increases the revenue estimate for Transfers and Reimbursements by \$330,998 to recognize a transfer from the Community Facilities Revenue Fund. This amount reflects the current remaining balance in the fund that can be returned to the General Fund following the sale of the Hayes Mansion and completion of associated close-out activities. (\$331,000)
- ***Other Remaining Adjustments*** – Remaining actions include technical corrections or reallocations, and other smaller adjustments. These include the allocation of funds from the Pension Obligation Bonds Consulting Reserve to the Finance Department for additional financial and policy analysis from the City’s municipal advisor, and to the City Attorney’s Office for outside counsel services to continue work related to the judicial validation proceedings authorized by City Council on October 5, 2021. Other notable actions increase departmental Non-Personal/Equipment funding for various activities, including: additional Microsoft Office 365 licenses for the Library Department employees; a FUSE Fellow to support the Innovation Zone of the West San Jose initiative that will encourage innovation and community involvement in technology; access to the South Bay Information Sharing System (SBISS) regional law enforcement data-sharing platform; and, the procurement of a new Records Management System Software for the Fire Department prior to license expiration in December 2022. (-\$434,000)

## ANALYSIS

### Impacts on the 2022-2023 General Fund Budget

- **Grants/Reimbursements/Fees (Net-Zero)**
  - A series of adjustments – net decrease in revenues of \$125,000, offset by a net expenditure decrease of \$125,000 – are recommended to recognize new and updated revenues and expenditures for **Grants, Reimbursements, and/or Fees**, primarily for the following Departments: Office of Economic Development and Cultural Affairs (net-zero adjustments of -\$4.6 million); Police Department (net-zero adjustments of \$1.7 million); Housing Department (net-zero adjustments of \$800,000); Planning, Building, and Code Enforcement (net-zero adjustments of \$787,500); Library Department (net-zero adjustments of \$492,000); Parks, Recreation and Neighborhood Services Department (net-zero adjustments of \$388,000); Information Technology Department (net-zero adjustments of \$149,000); Public Works Department (net-zero adjustments of \$68,000); and, Offices of the Mayor and City Council (net-zero adjustments of \$26,000). These adjustments are further described in *Section IV. Recommended Budget Adjustments and Clean-Up/Rebudget Actions*.
  
- **Urgent Fiscal/Program Needs (-\$4.5 million)**
  - **Homelessness Management Services** – establishes a City-Wide Expenses appropriation of \$3.0 million to provide a range of urgent services to support unhoused residents and address associated community impacts. Despite the deployment of innovative practices and targeted services related to homelessness – such as emergency interim housing communities, San José Bridge, and the Beautify San José Consolidated Model – additional urgent issues and challenges need to be addressed. This funding provides resources for activities that may include, but are not limited to, expanded capability and more frequent outreach to link homeless residents with services and sheltering opportunities prior to abatement activities, managing the impact of RV parking in residential and business communities, creek-side abatement activities, and security services as necessary to prevent re-encampment of recently or soon-to-be-abated areas (such as Columbus Park). Consistent with past direction provided by the City Council, the Administration anticipates providing updates and recommendations to the City Council at the end of November regarding an RV parking ordinance and programs evaluation, the emergency interim housing program, and an update on the Guadalupe Gardens safe relocation. While this funding of \$3.0 million will allow for flexible spending priorities that can be acted upon immediately, further recommendations and workplans are anticipated to be provided during the November meeting. (-\$3.0 million)

## **ANALYSIS**

### **Impacts on the 2022-2023 General Fund Budget**

- ***Fire Department Personal and Non-Personal/Equipment (Lateral Firefighter/Paramedic Academy)*** – increases the Fire Department’s Personal Services and Non-Personal/Equipment appropriations by \$1.5 million to provide seed funding for a Lateral Firefighter/Paramedic Academy to be held in early 2023. Like many emergency response agencies in Santa Clara County and throughout California, the Fire Department has struggled to fill vacant firefighter positions with qualified paramedics, causing significant strains on emergency medical response capacity. Currently understaffed by approximately 60 paramedics, the Administration recommends aggressive steps to increase the number of qualified paramedic personnel. This initial budget action covers the costs of instructors and temporary recruiting staff (\$1.0 million), as well as personal protective equipment, academy supplies, and backgrounding services (\$500,000) to provide a 30-person academy to occur over a nine-week period to recruit lateral firefighters with paramedic accreditation. The Department intends to conduct targeted recruitment and outreach to attract existing firefighter paramedics from other fire agencies to join the City of San José. The Fire Department and City Manager’s Budget Office are reviewing current and future vacancy levels to determine the level of additional personal services funding that may be needed for this paramedic “hire ahead” program. Recommended actions may be brought forward as part of the 2022-2023 Mid-Year Budget Review to reallocate vacancy savings from other departments, as necessary. (-\$1.5 million)

### **Recommended Distribution of Remaining Fund Balance per City Council Policy 1-18 (-\$10.4 million)**

Per Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, after necessary appropriation adjustments to correct and update the current year budget, any remaining General Fund ending fund balance after the close of the fiscal year shall first be allocated to offset any projected deficit for the following fiscal year, with any excess allocated to: 1) the Budget Stabilization Reserve and/or Contingency Reserve; 2) Unmet/deferred infrastructure and maintenance needs; and, 3) Other one-time urgent funding needs. The Administration has identified two adjustments in accordance with this policy as outlined below.

***Budget Stabilization Reserve*** –increases the Budget Stabilization Reserve by \$7.6 million, from \$53.4 million to \$61.0 million, in accordance with City Council Policy 1-18 to maintain an adequate reserve level to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budgeted resources in any given year. The Budget Stabilization Reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. This action increases the Budget Stabilization Reserve to \$61.0 million, which along with the action to increase the Contingency Reserve to \$46.0 million, and the existing budgeted funds for the Workers' Compensation/General Liability Catastrophic Reserve of \$15.0 million, brings the total General Purpose Reserve level to \$122.0 million, or approximately 8% of General Fund operating expenditures. The target set in City Council Policy 1-18 is 10%. (-\$7.6 million)

**ANALYSIS**

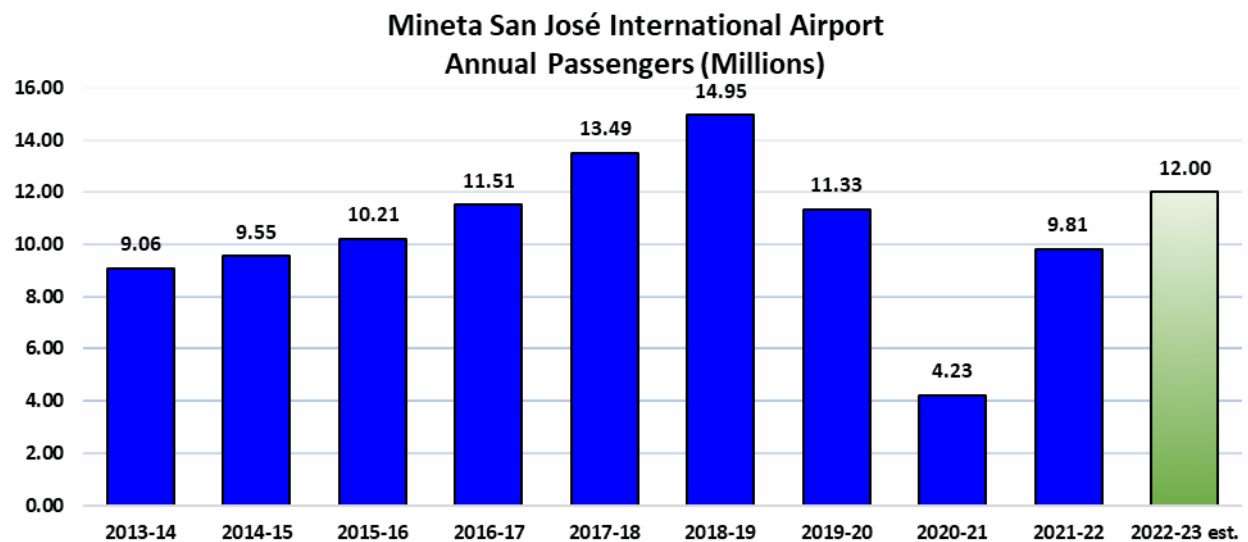
**Impacts on the 2022-2023 General Fund Budget**

*Information Technology Sinking Fund Reserve* – increases the Information Technology Sinking Fund Reserve by \$2.8 million, from \$3.7 million to \$6.5 million, to restore prior reserve levels following the reallocation of \$300,000 in 2021-2022 to fund upgrades to the City's budgeting system (Hyperion), and to reserve additional funding (\$2.5 million) to position the City to help fund critical enterprise-level projects, such as the future replacement of the Financial Management System (FMS), the tentative cost of which will exceed \$20 million. (-\$2.8 million)

**2021-2022 Selected Special/Capital Funds Budget Performance**

**Airport Operating Funds**

The Airport served 9.8 million passengers in 2021-2022, which was a significant increase of 132.2% from 2020-2021. Passenger traffic notably rebounded in 2021-2022, despite the pandemic's continued impacts to domestic and international air travel. Passenger traffic in May marked the first month passenger levels surpassed one million since the start of the pandemic. Passenger levels are anticipated to recover gradually over several years. For 2022-2023, projections reflect an approximately 22% increase from 2021-2022 levels, or 12.0 million passengers.





## **ANALYSIS**

### **2021-2022 Selected Special/Capital Funds Budget Performance**

All airport activity categories experienced increases from 2020-2021, including traffic operations, landed weights, gallons of aviation fuel sold, and ground transportation trips.

Overall, revenue performance exceeded the budgeted estimate by \$6.2 million (3.1%). Airline Rates and Charges (combined total of landing fees and terminal rents) and all other operating categories, excluding transfers and grant funding, ended the year at \$175.1 million, which was \$33.9 million above the budget of \$141.2 million. The positive variance is distributed across Parking and Roadway, Terminal Building Concessions, Terminal Rental, and Miscellaneous revenues, slightly offset by Airfield, Landing Fees, and Petroleum which finished the year slightly below the budget. Federal grant funding was lower than budget due to the strong operating revenue performance.

#### **Airport Operating Funds**

The Airport Customer Facility and Transportation Fee Fund had year-end expenditure savings of \$241,213 (2.3%) and Airport Maintenance and Operation Fund had a year-end expenditure savings of \$16.7 million (10.9%) compared to budgeted levels of \$153.2 million. The savings were primarily attributable to non-personal/equipment, resulting from reduced service levels that are now increasing as passenger levels increase.

#### **San José Clean Energy Fund**

The San José Clean Energy Fund, managed by the Community Energy Department, facilitates the delivery of the San José Clean Energy program (SJCE), which provides residents and businesses of San José with cleaner energy options than PG&E and access to energy efficiency community programs. Total Energy Sales ended the year at \$351.1 million, or just 1.0%, above the modified budgeted estimate of \$347.7 million. Additionally, Cost of Energy expenditures including encumbrances ended the year essentially at budget, or 1.1% below the modified budget of \$320.8 million, at \$317.2 million. The overall fund ended the year with \$8.6 million of additional fund balance, bringing the total modified unrestricted Ending Fund Balance in 2022-2023 to \$171.0 million.

In December 2021, City Council approved SJCE's rate package for 2022 that set rates for its GreenSource standard service at 8% above PG&E's rates – inclusive of the Power Charge Indifference Adjustment (PCIA) and Franchise Fee Surcharge – based on a PG&E rate increase of 33% that was approved by the California Public Utilities Commission in February 2022. PG&E generation rates and rising PCIA fees are the primary drivers when setting SJCE rates. The increased energy rates combined with lower PCIA fees in 2022 (down by 75% from 2021) created a favorable environment for SJCE. The PCIA fee decreased as the result of a credit applied to the 2022 PCIA to correct for an overpriced PCIA, overcollection of revenue in 2021, and anticipated continued high market power prices in 2022.

**ANALYSIS**

**2021-2022 Selected Special/Capital Funds Budget Performance**

In 2021, SJCE’s financials projected a cash flow shortage for which the City Council approved a total Commercial Paper Notes authorization of up to \$95.0 million. A total of \$15.0 million was allocated at the end of 2020-2021 and \$53.0 million was allocated for 2021-2022. SJCE drew a total of \$60.0 million of Commercial Paper proceeds from June through December 2021. Beginning with the new rate structure for 2022 and improved PCIA fees, SJCE’s financial outlook has improved. The Community Energy Department, Finance Department, and the City Manager’s Budget Office continue to closely monitor SJCE’s financial conditions and may bring forward future adjustments as needed.

**Capital Fund Major Revenues**

A number of taxes and fees levied on construction and property resale (conveyance) activity provide a large source of revenue to the City’s Capital program. The 2020-2021 actual collections in these capital revenue categories ended the year above budgeted estimates. The chart below provides a comparison of estimated revenues to actual revenues, and a discussion of the three largest revenue sources follows.

**Construction-Related Capital Program Revenues Comparison  
 (\$ in Thousands)**

	<b>2021-2022 Estimate*</b>	<b>2021-2022 Actuals</b>	<b>% Variance</b>
Construction and Conveyance (C&C) Tax	\$60,000	\$64,458	7%
Building and Structure Construction Tax	\$19,000	\$21,216	11%
Construction Excise Tax	\$15,000	\$16,220	7%
Municipal Water System Fees	\$75	\$22	(71%)
Residential Construction Tax	\$200	\$204	2%
Sanitary Sewer Connection Fee	\$500	\$433	(16%)
Storm Drainage Connection Fee	\$200	\$107	(47%)

\* Revenue estimate used in the development of the 2022-2023 Adopted Capital Budget.

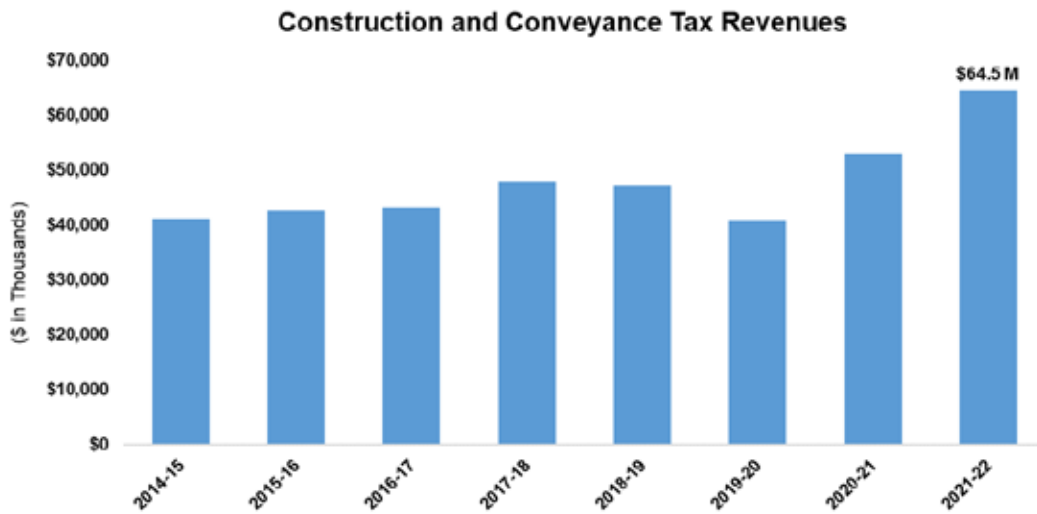
• **Construction and Conveyance Tax**

Real estate activity (primarily housing re-sales) determines the collection level of one of the major capital revenue sources, the C&C Tax. Approximately 99% of C&C Tax is derived from a tax imposed upon each transfer of real property, with the remaining 1% generated from a construction tax levied on most types of construction. C&C Tax revenues, which are a significant source of funds for the Parks and Community Facilities Development, Library, Fire, Service Yards, and Communications capital programs, totaled \$64.5 million in 2021-2022 – an all-time record high for this revenue category. This collection level is \$4.5 million above the Modified Budget and the estimated collection level of \$60.0 million, and \$11.4 million (21.3%) higher than 2020-2021 receipts of \$53.1 million. For 2022-2023, \$50.0 million is budgeted. This decline is anticipated due to higher interest rates which will impact mortgage rates coupled with uncertainty in the overall economy. The following graph displays the history of Construction and Conveyance (C&C) Tax receipts.

**ANALYSIS**

**2021-2022 Selected Special/Capital Funds Budget Performance**

**Capital Fund Major Revenues**



- **Building and Structure Construction Tax and the Construction Excise Tax**

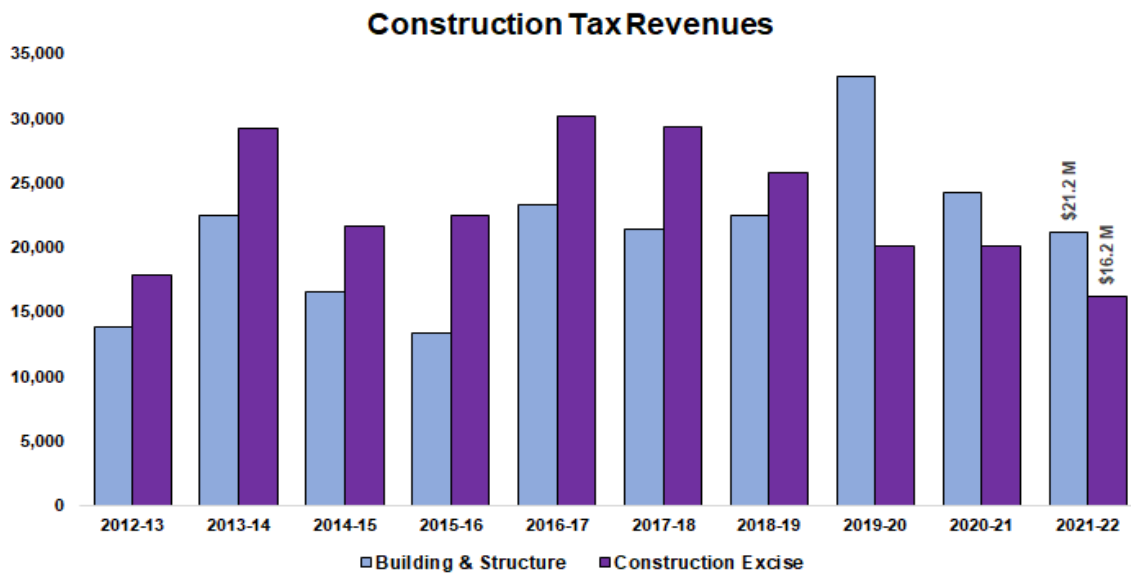
The Building and Structure Construction Tax and the Construction Excise Tax are major sources of funding for the Traffic Capital Program. Year-end collections in the Building and Structure Construction Tax category totaled \$21.2 million in 2021-2022. This collection level was 6.1% (\$1.2 million) above the modified budget estimate of \$20.0 million and \$2.2 million above the revenue estimate of \$19.0 million used to develop the 2022-2023 Adopted Capital Budget; however, the collection level was \$3.0 million less than \$24.2 million received in 2020-2021. Construction Excise Tax receipts for 2021-2022 totaled \$16.2 million: 9.9% (\$1.8 million) below the modified budget estimate of \$18.0 million; \$1.2 million above the \$15.0 million used to develop the 2022-2023 Adopted Capital Budget; and a 19.2% (\$3.9 million) decrease from 2020-2021 collections of \$20.1 million.

The graph below displays the collection history of both the Building and Structure Construction Tax and Construction Excise Tax receipts. Tax collections track closely to valuation activity, and building project valuations have dropped each year over the last two years since nearly reaching historically high levels in 2019-2020. The status of these volatile taxes will be closely monitored throughout 2022-2023 to determine if budget actions are necessary to revise the revenue estimates.

**ANALYSIS**

**2021-2022 Selected Special/Capital Funds Budget Performance**

**Capital Fund Major Revenues**



**Special and Capital Funds Budget Adjustments**

A number of budget adjustments for both special and capital funds are included in this report, including recognition of grants, net-zero transfers/reallocations, new allocations for a small number of high priority projects and programs, and required fund rebalancing activity.

In the TOT Fund, actual 2021-2022 TOT revenues of \$15.8 million exceeded the budgeted estimate by \$2.3 million, resulting in the following increases in accordance with the distribution formula outlined in the San José Municipal Code to allocate revenue received in the TOT Fund: \$1.1 million to the Transfer to the Convention and Cultural Affairs Fund; \$619,000 to Cultural Grants, inclusive of residual savings from 2021-2022 in the Cultural Grants and Cultural Grants Administration appropriations; and, \$562,000 to the San José Convention and Visitors Bureau. TOT revenue projections will be revisited later this fall during development of the 2023-2024 Preliminary Forecast. Should receipts continue to exceed budgeted expectations during the course of 2022-2023, the Administration anticipates recommending the re-establishment of the Cultural Grants Reserve to serve as a buffer against future revenue fluctuations.

## **ANALYSIS**

### **2021-2022 Selected Special/Capital Funds Budget Performance**

#### **Special and Capital Funds Budget Adjustments**

A corresponding decrease (\$1.5 million) to the planned transfer from the ARP Fund to the Convention and Cultural Affairs Fund is recommended given this stronger than anticipated TOT revenue performance for 2021-2022, bringing the revised transfer level (\$2.5 million) to the same level in 2021-2022 (\$2.5 million). This transfer reimburses the Convention and Cultural Affairs Fund for revenue lost due to the COVID-19 pandemic and increases funding available for the operation of the convention and cultural facilities owned by the City at a time when revenues from the use of those facilities has been diminished due to COVID-19's impacts on the events and hospitality industry. This decreased transfer also realigns 2022-2023 expenditure allocations in the ARP Fund with savings estimates programmed in the 2022-2023 Adopted Budget that did not materialize in 2021-2022.

In addition, this report includes the reallocation of the San José Al Fresco resources in the ARP Fund to the General Fund via an increase to the transfer for Revenue Loss Reimbursement. The use of Al Fresco funding in 2022-2023 was reallocated by City Council's approval of the Mayor's June Budget Message for Fiscal Year 2022-2023 for the continued closure of San Pedro Street, a six-month pilot closure of Post Street, and to provide a conceptual design of the permanent closure of San Pedro and Post Streets. As several of these project elements may not be eligible for direct ARP expenditures, the Administration recommends increasing the amount for Revenue Loss Reimbursement from the ARP Fund by \$400,000 (with a corresponding reduction to Small Business Recovery - San José Al Fresco in the ARP Fund) to pay for this project in the General Fund – an action allowable under U.S. Department of Treasury regulations.

Several actions are included within Housing funds to continue the City's support of affordable housing projects. To fill a funding gap as a result of a missed Affordable Housing and Sustainable Communities grant award from the State of California, recommended actions increase the allocation for Page Street Studios by \$2.1 million in the Affordable Housing Impact Fee Fund and \$1.9 million in the Low and Moderate Income Housing Asset Fund for an overall increase of the City's total commitment to the project from \$19.9 million to \$23.9 million. An amount of \$2.0 million is recommended in the Low and Moderate Income Housing Asset Fund to provide support for an Exclusive Negotiation Agreement between the City and Charities Housing for affordable housing development at the City-owned Vista Montana site.

In the Parks and Facilities Development Capital Program, several adjustments are recommended in various funds. A couple of notable adjustments include allocations to establish the Mercado Park Development (\$2.7 million) and Bruzzone Way Park Development (\$1.2 million) projects in the Subdivision Park Trust Fund for park construction costs.

## **ANALYSIS**

### **2021-2022 Selected Special/Capital Funds Budget Performance**

An increase to the Happy Hollow Park and Zoo Exhibit Improvements appropriation by \$1.6 million in the Parks City-Wide C&C Tax Fund, from \$1.9 million to \$3.5 million, allows for the replacement of support poles and netting to various exhibits. Funding of \$990,000 for the Trail: Five Wounds Development (Story Road to Whitton Avenue) project is allocated in the Parks City-Wide C&C Tax Fund via a VTA Measure B grant (\$890,000) and in the Council District 3 C&C Tax Fund (\$100,000) to advance master planning and CEQA clearance work efforts. Finally, \$815,000 is allocated to increase the Guadalupe River Park Ranger Station Demolition project (\$415,000 from the Parks City-Wide C&C Tax Fund and \$400,000 from the Park Trust Fund) for the demolition of the building and installation of hardscape. The scope of the project has evolved over time, and it was determined that the demolition of the site was more feasible than a rehabilitation of the facility. With the addition of this funding the total project funding is now \$1.1 million.

#### **Special and Capital Funds Budget Adjustments**

In the Traffic Capital Program, an action increases the Highway 680 and Jackson Avenue Traffic Signal project by \$900,000 in the Construction Excise Tax Fund, from \$1.4 million to \$2.3 million, to support escalating construction contract costs. The funding is available as a result of project savings from a change in scope for the Quimby and White Road Traffic Signal project.

In the Storm Sewer Capital Program, an action is recommended to increase the Large Trash Capture appropriation by \$1.0 million, from \$11.5 million to \$12.5 million, to account for an expanded project scope and trash capture devices. This action will be funded by available fund balance in the Storm Sewer Capital Fund partially the result of various project savings that were generated at the end of 2021-2022.

Finally, the rebudget of unexpended funds for projects and programs extending into 2021-2022 is recommended in this report. Details of these adjustments can be found in Section IV of this report.

## **NEXT STEPS**

The results of the 2021-2022 Annual Report will provide an updated starting point for monitoring 2022-2023 financial performance, with actual revenue and expenditure trends factored into the analysis of the General Fund and numerous special and capital funds. Information on the City's budget for 2022-2023 will be provided in the Bi-Monthly Financial Reports that are heard at the PSFSS Committee and the 2022-2023 Mid-Year Budget Review.

The 2021-2022 Annual Report results will also be factored into the 2023-2024 budget development process. The General Fund Five-Year Forecast is scheduled to be released in late February 2023. The 2023-2024 Proposed Capital and Operating Budgets are scheduled to be released by May 1, 2023.

## **PUBLIC OUTREACH**

This document is posted on the City's website for the October 18, 2022, City Council agenda.

## **COORDINATION**

The City Manager's Budget Office coordinated with the Finance Department on the reconciliation of the City's funds and coordinated with all City Departments and City Council Appointees, as applicable, on recommended budget adjustments that are brought forward in this document.

## **COMMISSION RECOMMENDATION/INPUT**

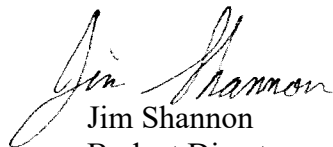
No commission recommendation or input is associated with this action.

## **CONCLUSION**

Through careful fiscal management, overall revenues for the various City funds ended the year close to estimated levels and expenditures were below budgeted allocations. The 2021-2022 Adopted Budget was approved assuming a relatively strong economic and revenue recovery with the arrival of effective COVID-19 vaccines and corresponding loosening of public health restrictions. However, the pace of recovery significantly exceeded expectations and the City saw a surge of revenue growth. The budget was modified several times throughout the year to account for the revenue growth and to deploy resources from the ARP Fund to further community and economic recovery efforts of our most vulnerable populations. As a result of these adjustments, as well as rigorous forecasting, monitoring, and management throughout all City funds, 2021-2022 revenues and expenditures ended the year very close to budgeted expectations.

In the General Fund, the additional fund balance at the end of 2021-2022 after considering clean-up/rebudget actions totaled \$33.7 million. Along with a number of net-zero adjustments related to grants, reimbursements and fees, recommendations are included in this report to allocate \$18.8 million of the fund balance toward various required technical and rebalancing actions, \$4.5 million for two urgent fiscal and programmatic needs, as well as \$7.6 million to the Budget Stabilization Reserve and \$2.8 million to the Information Technology Sinking Fund Reserve in accordance with City Council Policy 1-18.

The Administration will continue to monitor and report on the City's budget performance through the Bi-Monthly Financial Reports and the Mid-Year Budget Review. The financial results of 2021-2022, as well as the actual performance in 2022-2023, will be factored into the development of the 2023-2024 budget. The 2024-2028 General Fund Five-Year Forecast will be released at the end of February 2023 for budget planning purposes.

  
Jim Shannon  
Budget Director

**CERTIFICATION OF FUNDS**

I hereby certify that there will be available for appropriation in the designated funds and in the amounts as listed below in fiscal year 2022-2023 monies in excess of those heretofore appropriated therefrom:

General Fund	\$60,067,079
Affordable Housing Impact Fee Fund	\$6,273,556
Airport Capital Improvement Fund	\$8,744,949
Airport Customer Facility and Transportation Fee Fund	\$1,272,484
Airport Passenger Facility Charge Fund	\$4,419,165
Airport Revenue Bond Improvement Fund	\$16,200,000
Airport Revenue Fund	\$29,894,864
American Rescue Plan Fund	\$5,700,939
Benefits Funds - Life Insurance Fund	\$11,720
Benefits Funds - Self-Insured Medical Fund	\$54,389
Branch Libraries Bond Projects Fund	\$505,155
Building and Structure Construction Tax Fund	\$11,742,937
Building Development Fee Program Fund	\$3,257,497
Business Improvement District Fund	\$732,268
Citywide Planning Fee Program Fund	\$697,736
Community Development Block Grant Fund	\$4,024,345
Community Facilities District Fund #1	\$67,262
Community Facilities District Fund #2 and #3	\$176,021
Community Facilities District Fund #8	\$170,880
Community Facilities District Fund #13	\$502
Community Facilities District Fund #14	\$193,548
Community Facilities District Fund #15	\$63,172
Community Facilities District Fund #16	\$251,496
Community Facilities District Fund #17	\$43,011
Community Facilities Revenue Fund	\$330,998
Construction and Conveyance Tax – Communications	\$155,260
Construction and Conveyance Tax – Council District 1	\$1,034,084
Construction and Conveyance Tax – Council District 2	\$950,941
Construction and Conveyance Tax – Council District 3	\$383,925
Construction and Conveyance Tax – Council District 4	\$155,165
Construction and Conveyance Tax – Council District 5	\$1,219,144
Construction and Conveyance Tax – Council District 6	\$330,474
Construction and Conveyance Tax – Council District 7	\$213,642
Construction and Conveyance Tax – Council District 8	\$1,757,097
Construction and Conveyance Tax – Council District 9	\$571,878

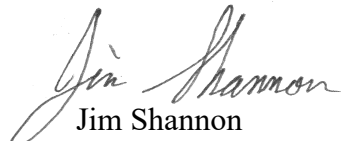


**CERTIFICATION OF FUNDS**

Construction and Conveyance Tax – Council District 10	\$766,618
Construction and Conveyance Tax – Fire	\$1,205,511
Construction and Conveyance Tax – Library	\$1,896,167
Construction and Conveyance Tax – Parks Central	\$2,027,790
Construction and Conveyance Tax – Parks City-Wide	\$1,834,123
Construction and Conveyance Tax – Parks Yards	\$194,723
Construction and Conveyance Tax – Service Yards	\$668,851
Construction Excise Tax Fund	\$46,950,112
Contingent Lien District Fund	\$1,143,669
Convention and Cultural Affairs Fund	\$966,981
Convention and Cultural Affairs Capital Fund	\$264,870
Convention Center Facilities District Revenue Fund	\$20,261
Coronavirus Relief Fund	\$29,032
Downton Property and Business Improvement District Fund	\$116,348
Emergency Reserve Fund	\$8,073,723
Emma Prusch Fund	\$4,314
Fire Development Fee Program Fund	\$138,872
General Purpose Parking Fund	\$3,057,476
General Purpose Parking Capital Fund	\$6,851,678
Gift Trust Fund	\$3,100,804
Home Investment Partnership Program Trust Fund	\$1,096
Homeless Housing, Assistance, and Prevention Fund	\$348,334
Ice Centre Expansion Bond Fund	\$3,368,734
Ice Center Revenue Fund	\$911,791
Inclusionary Fee Fund	\$29,301,737
Lake Cunningham Fund	\$613,382
Library Parcel Tax Fund	\$526,331
Low and Moderate Income Housing Asset Fund	\$12,223,636
Maintenance District Fund #1	\$49,746
Maintenance District Fund #8	\$73,779
Maintenance District Fund #11	\$23,481
Maintenance District Fund #15	\$15,773
Maintenance District Fund #18	\$21,451
Maintenance District Fund #19	\$14,657
Major Facilities Fund	\$22,085
Measure T: Public Safety and Infrastructure Bond Fund	\$241,841
Municipal Golf Course Fund	\$394,517

**CERTIFICATION OF FUNDS**

Planning Development Fee Program Fund	\$320,772
Public Works Development Fee Program Fund	\$781,665
Public Works Program Support Fund	\$410,160
Residential Construction Tax Contribution Fund	\$353,807
San José Arena Capital Reserve Fund	\$1,990,675
San José Clean Energy Operating Fund	\$14,896,632
San José-Santa Clara Treatment Plant Capital Fund	\$6,509,589
San José-Santa Clara Treatment Plant Income Fund	\$144,133
San José-Santa Clara Treatment Plant Operating Fund	\$11,303,048
Sanitary Sewer Connection Fee Fund	\$506,461
Sewer Service and Use Charge Capital Improvement Fund	\$26,020,613
South Bay Water Recycling Capital Fund	\$91,888
South Bay Water Recycling Operating Fund	\$280,263
St. James Park Management District Fund	\$57,744
State Drug Forfeiture Fund	\$613,684
Storm Drainage Fee Fund	\$40,521
Storm Sewer Capital Fund	\$1,517,301
Storm Sewer Operating Fund	\$1,005,553
Subdivision Park Trust Fund	\$3,049,595
Transient Occupancy Tax Fund	\$2,305,596
Underground Utility Fund	\$2,013,566
Vehicle Maintenance and Operations Fund	\$4,564,964
Water Utility Capital Fund	\$3,668,649
Workforce Development Fund	\$1,643,653

  
Jim Shannon  
Budget Director