

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### INTRODUCTION

This attachment is intended to provide a more detailed summary of the key actions taken to balance the 2022-2023 Adopted General Fund Budget. Revisions to the February Base Budget Forecast, as well as the key elements of the strategy to bring the General Fund into balance in the Adopted Budget, are described.

In February 2022, the Administration prepared formal projections for the 2022-2023 Proposed General Fund Budget as part of the *2022-2023 City Manager's Budget Request & 2023-2027 Five-Year Forecast and Revenue Projections* document that was released to the City Council. In that document, the 2022-2023 February Base Budget Forecast projections estimated a 2022-2023 General Fund surplus of approximately \$27.7 million. This surplus represented the difference between projected 2022-2023 General Fund resources and the expected cost of approved 2022-2023 Base Budget services in next year's dollars, as well as several City Council "committed" additions (e.g., additional operating and maintenance costs for capital projects in the 2022-2023 Capital Improvement Program or for projects approved by the City Council during 2021-2022).

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

The revisions to the February Base Budget Forecast included a series of changes that produced an increase in overall General Fund sources and uses. These changes resulted in an increase of \$2.4 million to the estimated General Fund surplus, for a revised surplus of \$30.1 million. These adjustments to the February Base Budget Forecast are described in more detail later in this section.

The Proposed Budget contained a set of actions that increased both the General Fund sources (by \$73.0 million), and uses (by \$103.1 million) from the Revised Base Budget Forecast, bringing the overall General Fund into balance for 2022-2023. The increase in sources of \$73.0 million included several major components, including: excess revenue and expenditure savings from 2021-2022 that will be available for use in 2022-2023 (\$25.0 million); and liquidation of various earmarked reserves for specific purposes (\$33.1 million). The increase in uses of \$103.1 million in 2022-2023 included additional funding for the following: continuation of 2021-2022 one-time funded services (\$41.1 million); service level enhancements (\$40.9 million); other fee programs, grants, and reimbursements (\$10.0 million); critical unmet/deferred infrastructure and maintenance needs (\$6.8 million); earmarked reserves (\$5.3 million); and new facilities operations and maintenance (\$3.2 million).

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### INTRODUCTION

These increases were partially offset by savings realized from cost reductions, service delivery efficiencies, and funding shifts (\$129,000) and the use of reserves that had been established for specific purposes (\$4.1 million) that were included in the February Forecast. The result of these actions was a balanced 2022-2023 Proposed General Fund Budget of \$1.5 billion.

From the release of the Proposed Budget to the final adoption of the budget, additional revisions totaling \$408.5 million occurred. The largest component of the increase was the rebudget of 2021-2022 funds (\$376.8 million) that were carried forward to 2022-2023 to complete various projects.

Table I below displays the overall projections for the 2022-2023 General Fund as they changed between the February Base Budget Forecast and the Adopted Budget. Table II summarizes the changes from the February Base Budget Forecast to the Revised Base Budget Forecast, excluding carryover for prior year encumbrances. The specific elements of the City Manager's Proposed Budget balancing strategy are summarized in Table III, and final changes from the Proposed Budget to the Adopted Budget are summarized in Table IV.

**Table I**  
**2022-2023 ADOPTED OPERATING BUDGET**  
**Forecast to Adopted Budget Reconciliation (in \$000s)**

	Total Sources	Total Uses	(Shortfall)/ Surplus
<b>February Base Budget Forecast</b>	<b>\$ 1,432,165</b>	<b>\$ 1,404,453</b>	<b>\$27,712</b>
Forecast Revisions	3,081	703	2,378
<b>Revised Base Budget Forecast (no fee impact)</b>	<b>1,435,246</b>	<b>1,405,156</b>	<b>30,090</b>
<b>Proposed Revisions</b>	<b>72,966</b>	<b>103,056</b>	<b>(30,090)</b>
<b>2022-2023 Proposed Budget</b>	<b>1,508,212</b>	<b>1,508,212</b>	<b>0</b>
Adopted Revisions	408,478	408,478	0
<b>2022-2023 Adopted Budget</b>	<b>1,916,690</b>	<b>1,916,690</b>	<b>0</b>

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### REVISED BASE BUDGET FORECAST

As discussed previously, following the issuance of the February Base Budget Forecast, detailed analysis of the status of General Fund revenues and expenditures continued. Based on this review, the Adopted Budget incorporated a series of changes to the February Base Budget Forecast estimates for both sources and uses to form a Revised Base Budget Forecast. These changes resulted in an increase of \$2.4 million to the estimated General Fund surplus, for a revised surplus of \$30.1 million. Changes are detailed in Table II below.

**Table II**  
**2022-2023 REVISED BASE BUDGET FORECAST**  
**Summary of Changes (in \$000s)**

<b>Sources</b>	<b>Revision</b>
Sales Tax	\$ 5,000
Revenue from State of California	1,600
Franchise Fees	600
Other Revenue	319
Fines, Forfeitures, and Penalties	100
Licenses and Permits	84
Transfers and Reimbursements	(4,469)
Fees, Rates, and Charges	(153)
<b>Net Change in Sources</b>	<b>\$ 3,081</b>

  

<b>Uses</b>	<b>Revision</b>
Position and Fund Realignment/Corrections	\$ 1,612
Non-Personal/Equipment, City-Wide Expenses and Capital Contributions	87
Transfers to Other Funds	(996)
<b>Net Change in Uses</b>	<b>\$ 703</b>

  

<b>Total Change (Shortfall)/Surplus</b>	<b>\$ 2,378</b>
---	-----------------

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### REVISED BASE BUDGET FORECAST

##### Source of Funds

A summary table is provided below for the revenue changes incorporated into the Revised Base Budget Forecast, which were used as the starting point in preparing the 2022-2023 Budget.

Category	\$ Change	Description
Sales Tax	\$ 5,000,000	Increase of \$5.0 million as a result of further analysis of the second quarter Sales Tax receipts that were received in February 2022 and updated information being received from the City's Sales Tax consultant, which resulted in an \$5.0 increase to the 2022-2023 Sales Tax estimate (from \$230.0 million to \$235.0 million).
Revenue from the State of California	1,600,000	Increase of \$1.6 million reflects updated information from the State of California regarding Tobacco Settlement funds.
Franchise Fees	600,000	Increase of \$600,000 reflects updated information received in April 2022, which increases the 2022-2023 estimate for Electric Franchise Fees by \$600,000.
Other Revenue	319,424	Net increase of \$319,424 aligns revenues with the estimated base costs and activity levels for Transportation Department revenues.
Fines, Forfeitures, and Penalties	100,000	Increase of \$100,000 aligns revenues with estimated base costs and activity levels for Public Works Department fines.
Licenses and Permits	83,805	Net increase of \$83,805 aligns revenues with estimated base costs and activity levels for Public Works Department permits (\$52,845), Police Department permits (\$21,948), Planning, Building and Code Enforcement permits (\$6,820), and Transportation Department permits (\$2,192).
Transfers and Reimbursements	(4,469,208)	Net decrease of \$4.5 million reflects updated overhead reimbursements from capital and operating funds based on the final 2022-2023 base budget and overhead rates (-\$4.3 million) and lower transfers and reimbursements to the General Fund (-\$187,943).
Fees, Rates, and Charges	(153,462)	Net decrease of \$153,462 aligns revenues with estimated base costs and activity levels for Police Department fees (\$96,324), Miscellaneous fees (-\$43,867), and Transportation Department fees (-\$205,919).
<b>Total</b>	<b>\$ 3,080,559</b>	

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### REVISED BASE BUDGET FORECAST

#### Use of Funds

Provided below is a listing for all expenditure changes incorporated into the Revised Base Budget Forecast, which were used as the starting point in preparing the 2022-2023 Budget.

Category	\$ Change	Department
<b>Personal Services Adjustments</b>		
Salaries and Benefits Adjustments	\$1,850,127	Citywide
Emergency Vehicle Operations Training (Overtime)	395,000	Police
Fund Shift: Code Enforcement Operations	159,318	Planning, Building, and Code Enforcement
Council District Position Costing Correction	58,359	Mayor & Council
Library Department Position Change	17,162	Library
Fund Shift: Environmental Services	149	Environmental Services
Public Records Team Limit-Dated Staffing	(603,596)	Police
Fund Shift: City Attorney's Office	(106,711)	City Attorney
City Manager's Office Position Change	(102,493)	City Manager
Public Works Department Position Change	(55,446)	Public Works
<b>Non-Personal/Equipment Adjustments</b>		
Emergency Vehicle Operations Training	\$188,250	Police
California Radio Interoperable System (CRIS) Channel Access	23,464	Police
Airport Rescue & Fire Fighting Training	13,294	Fire
Contract Services: Berryessa BART Station	(209,760)	Police
<b>Capital Contributions</b>		
Capital Program and Public Works Department Support Service Costs	\$72,000	Public Works
<b>Transfers to Other Funds</b>		
City Hall Debt Service Fund	(988,009)	Finance
Downtown Property and Business Improvement District Fund	(8,513)	Transportation
<b>Total</b>	<b>\$ 702,595</b>	

**General Fund Balancing Strategy Detail**  
**2022-2023 Adopted Operating Budget**

**PROPOSED BUDGET BALANCING STRATEGY**

**Table III**  
**2022-2023 PROPOSED OPERATING BUDGET**  
**General Fund Balancing Strategy (in \$000s)**

	<b>2022-2023</b>	<b>Ongoing</b>
<b>2022-2023 Revised General Fund Surplus</b>	<b>\$ 30,090</b>	<b>\$ 30,090</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Beginning Fund Balance:		
2022-2023 Future Deficit Reserve	\$ 28,300	\$ 0
2021-2022 Excess Revenue/Expenditure Savings	25,000	0
Sick Leave Payments Upon Retirement Reserve	2,000	0
Pest and Turf Management Reserve	1,000	0
Other Reserve Liquidations	1,805	0
Grants/Reimbursements/Fees		
CaliforniansForAll Youth Workforce Development Grant	9,166	0
UASI Grant – Office of Emergency Management	471	0
Commercial Solid Waste CPI Adjustment	583	583
Other Fee Programs/Reimbursements/Grants	(287)	(473)
Other Revenue		
Transfer from American Rescue Plan Fund	3,310	0
Transfer from General Purpose Parking Fund	100	0
Overhead Reimbursements	1,518	1,582
<b>Subtotal Source of Funds</b>	<b>\$ 72,966</b>	<b>\$ 1,692</b>
<b>Use of Funds</b>		
2021-2022 Previously One-Time Funded Services	\$ 41,079	\$ 23,891
Service Level Enhancements	40,884	8,718
Other Fee Programs/Grants/Reimbursements	10,026	153
Unmet/Deferred Technology, Infrastructure, and Maintenance	6,766	84
Earmarked Reserves (Essential Services, Budget Stabilization, Vehicle Abatement Enhancement)	5,300	300
New Facilities Operations and Maintenance	3,236	1,713
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	(129)	(96)
Use of Reserves (Committed Additions, Cultural Facilities, Deferred Maint.)	(4,107)	(2,981)
<b>Subtotal Use of Funds</b>	<b>\$ 103,056</b>	<b>\$ 31,782</b>
<b>Total Balancing Strategy</b>	<b>\$ (30,090)</b>	<b>\$ (30,090)</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### PROPOSED BUDGET BALANCING STRATEGY

Specific City Council direction regarding the preparation of the Proposed Budget was provided in the Mayor's March Budget Message for Fiscal Year 2022-2023, as approved by the City Council (see Appendices Section of this document). The details of the specific direction of that Message and the corresponding responses contained in this budget are provided in Attachment B following this section in the City Manager's Message. Attachment C contains information regarding the status of City Auditor recommendations with funding impacts.

#### Source of Funds

From the Revised Forecast of \$1.38 billion, a net increase of \$73.0 million to the General Fund revenue estimates are included in the Proposed Budget, bringing the 2022-2023 revenue estimate to \$1.45 billion (including fund balance). The components of this change include an increase to the estimate for 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance (\$58.1 million) and an increase to various revenue categories (\$14.9 million). The revenue changes are summarized in the table below.

Category	\$ Change	Description
Beginning Fund Balance	\$ 58,105,000	Net increase of \$58.1 million reflects: the liquidation of various reserves (\$33.1 million), the largest of which include the 2022-2023 Future Deficit Reserve (\$28.3 million), Sick Leave Payments Upon Retirement Reserve (\$2.0 million), and Pest and Turf Management Team Reserve (\$1.0 million); and fund balance from additional revenue and expenditure savings that is anticipated to be received in 2021-2022 and be available for use in 2022-2023 (\$25.0 million).
Revenue from the State of California	9,166,334	Increase of \$9.2 million reflects new State grant funding for the CaliforniansForAll Youth Workforce Program.
Transfers and Reimbursements	4,928,892	Net increase of \$4.9 million reflects two transfers to the General Fund (\$3.4 million) and additional overhead from the budget actions that change the staffing levels funded by special and capital funds (\$1.5 million). Transfers to the General Fund include \$3.3 million from the American Rescue Plan Fund to partially reimburse the City for revenue losses resulting from the pandemic and \$100,000 from the General Purpose Parking Fund for Downtown Ice.
Franchise Fees	582,741	Increase of \$582,741 reflects an increase in the Commercial Solid Waste fees by 4.70% based on the change in the Consumer Price Index.

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### PROPOSED BUDGET BALANCING STRATEGY

##### Source of Funds

Category	\$	Change	Description
Revenue from Federal Government	\$	470,714	Increase of \$470,714 reflects new federal grant funding for Urban Areas Security Initiative (UASI) – Office of Emergency Management.
Other Revenue		159,552	Net increase of \$159,552 recognizes new grant revenue from Destination Home Silicon Valley (\$178,820) and various Transportation Department fee changes to align revenues with estimated activity levels (-\$19,268).
Revenue from Local Agencies		98,000	Increase of \$98,000 reflects new revenue anticipated to be received for various programs, the largest of which includes Animal Services payments from other agencies (\$50,000), and Placemaking/VivaCalle SJ and VivaParks (\$45,000).
Revenue from the Use of Money and Property		91,000	Increase of \$91,000 to reflect new lease revenue related to a property on Alma Avenue.
Fees, Rates, and Charges		74,514	Net increase of \$74,514 reflects various fee changes in 2022-2023 to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels for Parks, Recreation, and Neighborhood Services Department fee revenue (\$283,879), Transportation Department fee revenue (\$2,333), Police Department fee revenue (\$1,325), and miscellaneous fee revenue (-\$213,023).
Licenses and Permits		(710,536)	Net decrease of \$710,536 reflects various license and permit changes in 2022-2023 to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels for the Public Works Department (Animal Care Services) licenses and permits (\$110,000), Planning, Building, and Code Enforcement (Multi-Housing) licenses and permits (-\$408,313), Police Department licenses and permits, which includes the elimination of the fee for temporary street closure permits (-\$303,202), Fire Department licenses and permits (-\$105,000), Transportation Department licenses and permits (-\$3,072), and Finance Department licenses and permits (-\$949).
<b>Total</b>		<b>\$ 72,966,211</b>	



## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### PROPOSED BUDGET BALANCING STRATEGY

##### Use of Funds

From the Revised Base Budget Forecast of \$1.405 billion, a net increase of \$103.06 million to the General Fund expenditures was brought forward, bringing the 2022-2023 Proposed Budget Use of Funds estimate to \$1.508 billion. A listing of the Proposed Budget modifications is provided by specific categories in Table III and briefly discussed in the following table. Further detail is incorporated into the CSA and departmental sections of this document.

<u>Category</u>	<u>\$ Change</u>	<u>Description</u>
2021-2022 Previously One-Time Funded Services	\$41,079,308	Funding is included to continue services that were funded on a one-time basis in the 2021-2022 Adopted Budget, including programs funded by the American Rescue Plan Act in accordance with the Community and Economic Recovery spending plan. The largest investments in this category include the: Police Sworn Hire Ahead Program (\$7.5 million); Beautify San José Consolidated Model Staffing (\$4.7 million); Foot Patrols in Downtown and High Needs Neighborhoods (\$3.7 million); Placemaking/Viva Calle and Viva Parks (\$2.2 million); Climate Smart Plan Update and Carbon Neutrality Program Expansion (\$2.2 million); Small Business Recovery - Supplemental Arts + Cultural Funding (\$2.0 million); Beautify San José Landscape Maintenance Program (\$1.1 million); and, Pest and Turf Management Team (\$1.1 million). Other previously one-time funded services are described in the Department and City-Wide sections of this document.
Service Level Enhancements	40,884,464	Total funding of \$40.9 million is included in the Proposed Budget for service level enhancements. The largest investments in this category include: Emergency Interim Housing Construction and Operation (\$21.5 million); Community Forest Program (\$3.6 million); Climate and Seismic Resilience Planning and Development (\$1.75 million); School of Arts and Culture Expansion (\$1.0 million); Coyote Valley Monterey Corridor Study (\$575,000); Procurement Improvement Staffing (\$552,000); Cannabis Equity Program (\$500,000); Storefront Activation Grant Program (\$500,000); Drug Treatment and Mental Health Services Partnerships (\$500,000); and, Non-Profit Food Provider Permitting Costs (\$500,000). Other service level enhancements are described in the Department and City-Wide sections of this document.

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### PROPOSED BUDGET BALANCING STRATEGY

##### Use of Funds

Category	\$ Change	Description
Other Fee Programs, Grants, and Reimbursements	\$10,025,566	The actions in this category are partially offset by revenue from fees, grants, or reimbursements and include: CaliforniansForAll Youth Workforce Program - Climate Change Pathway (\$5.9 million); CaliforniansForAll Youth Workforce Program - Learning Resilience Corps (\$3.2 million); Urban Area Security Initiative Grant Staffing (\$470,714); Non-Development Fee Program (Public Education Staffing) (\$209,698); Destination: Home Silicon Valley Staffing (\$178,820); and, CaliforniansForAll Youth Workforce Program Administration (\$75,973).
Unmet/Deferred Technology, Infrastructure, and Maintenance	6,766,481	To address a portion of the backlog for unmet and deferred technology, infrastructure and maintenance needs, funding of \$6.8 million is included in the 2022-2023 Proposed Budget for the City's most urgent repairs needs, including, among others, the: Transfer to the Communications Construction and Conveyance Tax Fund for SVRIA radio replacements (\$2.0 million); San José Municipal Stadium LED Lighting (\$800,000); City Hall Carpet Replacement (\$650,000); City Hall Security Upgrades (\$500,000); City Hall Exterior Restoration (\$300,000); History San José ADA Compliance (\$285,000); and, Debt Management Software Replacement (\$250,000). These and additional investments are described in more detail in the respective department sections of this document.
Earmarked Reserves	5,300,000	One-time Earmarked Reserves, totaling \$5.3 million, including the following: Essential Services Reserve (\$3.0 million); Budget Stabilization Reserve (\$2.0 million); and, an ongoing set-aside in the Vehicle Abatement Program Enhancement Reserve (\$300,000).
New Facilities Operations and Maintenance	3,326,260	The Proposed Budget includes \$2.3 million for furniture, fixtures, and equipment, as well as \$172,410 for staffing and associated operating costs, for the Emergency Operations Center (EOC) & Communications Room, \$292,184 to operate and maintain new parks and recreation facilities, \$224,666 to operate and maintain new Measure T facilities, \$204,000 to operate and maintain new public safety facilities, and \$43,000 to maintain new transportation infrastructure.

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### PROPOSED BUDGET BALANCING STRATEGY

##### Use of Funds

Category	\$ Change	Description
Cost Reductions/Service Delivery Efficiencies/Fund Shifts from Other Funds	\$(129,130)	Net decrease of \$129,130 primarily resulting from efficiencies and other cost saving measures, including the elimination of a vacant position for Building Performance Ordinance administration, the shift of funding for Housing Information Technology Roadmap Support, and the net impact of the transfer of Office of Civic Innovation core functions to the Information Technology Department and corresponding reclassification of positions. These and additional cost reductions are described in more detail in the respective department sections of this document.
Use of Reserves	(4,107,000)	The Proposed Budget includes the use of the Deferred Infrastructure and Maintenance Reserve (-\$2.0 million), Cultural Facilities Capital Maintenance Reserve (-\$1.0 million), reserves to cover additional costs to operate and maintain new facilities that are scheduled to become operational in 2022-2023 (-\$992,000), and the Measure E – 10% Homeless Prevention and Rental Assistance Reserve (-\$115,000) for the Measure E – Homeless Student Housing program.
<b>Total</b>	<b>\$ 103,055,949</b>	

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### ADOPTED BUDGET BALANCING STRATEGY

The final phase of the 2022-2023 budget process commenced following the issuance of the City Manager's Proposed Budget and consisted of the following major steps: City Council Budget Study Sessions on the Proposed Budget; formal public input through the Public Hearings process; issuance by the Administration of recommended revisions to the Proposed Budget (in the form of formal Manager's Budget Addenda); issuance by the City Council of recommended revisions to the Proposed Budget (in the form of Budget Documents submitted to the Mayor's Office); issuance of the Mayor's June Budget Message memorandum that included recommended revisions to the Proposed Budget and incorporated feedback from the City Council and the Administration; and approval by the City Council of the Mayor's June Budget Message and final Adopted Budget. In addition, three hybrid community budget meetings were held at locations throughout the city.

Summarized in Table IV by general category are the additional changes introduced by Manager's Budget Addenda or the Mayor's June Budget Message. (The full text of the Message is included as an Appendix to this document.) Those additional changes in funding sources and uses totaled \$408.5 million in 2022-2023.

**Table IV**  
**2022-2023 ADOPTED OPERATING BUDGET**  
**General Fund Funding Requirements and Balancing Strategy (in \$000s)**

	2022-2023	Ongoing
<b>Remaining Balance from Proposed Budget (from Table III)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Balancing Strategy</b>		
<b>Source of Funds</b>		
Fund Balance to Support 2021-2022 Projects/Balancing Strategy	\$ 382,779	\$ 0
Revenue-Related Rebudgets to Support 2021-2022 Projects	9,971	0
New Grants/Revenue-Supported Expenditures	9,423	0
Other Revenue Changes	6,305	6,000
<b>Subtotal Source of Funds</b>	<b>\$ 408,478</b>	<b>\$ 6,000</b>
<b>Use of Funds</b>		
Rebudgets to Support 2021-2022 Projects	\$ 386,739	\$ 0
Earmarked Reserves	11,474	4,300
New Grants/Reimbursements/Revenue-Supported Expenditures	9,406	0
Service Level Enhancements	8,549	350
2021-2022 Previously One-Time Funded Services	650	1,350
Unmet/Deferred Technology, Infrastructure, and Maintenance	0	0
Cost Reductions/Service Delivery Efficiencies/Fund Shifts	0	0
Use of Reserves (Essential Services, Measure E, Disability Evaluation and Next Steps, Budget Stabilization)	(8,340)	0
<b>Subtotal Use of Funds</b>	<b>\$ 408,478</b>	<b>\$ 6,000</b>
<b>Total Balancing Strategy</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Remaining Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>

## General Fund Balancing Strategy Detail 2022-2023 Adopted Operating Budget

### ADOPTED BUDGET BALANCING STRATEGY

#### Source of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$408.5 million in additional resources were approved to be used as part of the Adopted Budget strategy. The major elements of these revisions are described below.

#### *Fund Balance to Support 2021-2022 Rebudgeted Projects/Balancing Strategy*

The unrestricted portion of the 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance estimate was adjusted upward by \$382.8 million, which primarily reflected 2021-2022 funding which was estimated to be carried over (rebudgeted) to 2022-2023 to complete previously approved projects (\$373.5 million), as identified in Manager's Budget Addendum #42. In addition, \$3.3 million was included in the Mayor's June Budget Message for Fiscal Year 2022-2023 to reflect rebudgets for the Mayor and City Council offices. Finally, due to higher than estimated Sales Tax receipts that were received in May 2022, an additional \$6.0 million is anticipated to be available in the 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance.

#### *Revenue-Related Rebudgets to Support 2021-2022 Projects*

The Adopted Budget included grant and reimbursement-related revenue totaling \$10.0 million that was rebudgeted from 2021-2022 to complete the associated projects in 2022-2023. These revenue-related rebudgets were spread among several revenue categories, including Revenue from Local Agencies, Revenue from the Federal Government, Revenue from the State of California, and Other Revenue. The approved revenue rebudgets were offset by expenditure appropriation rebudgets, which were also included in the Adopted Budget.

#### *New Grants/Revenue-Supported Expenditures*

The Adopted Budget included \$9.4 million in new grant/reimbursement/fee revenue adjustments. The approved adjustments were reflected in several revenue categories, including Fees, Rates, and Charges, Revenue from the Federal Government, Revenue from Local Agencies, Revenue from the State of California, and Other Revenue.

#### *Other Revenue Changes*

The Adopted Budget included an increase of \$6.3 million which was primarily due to stronger than estimated Sales Tax growth in the third quarter of 2021-2022 that is anticipated to continue on an ongoing basis (\$6.0 million).

## General Fund Balancing Strategy Detail 2022-2023 Adopted Operating Budget

### ADOPTED BUDGET BALANCING STRATEGY

#### Use of Funds

As part of the City Council-approved revisions to the Proposed Budget, a total of \$408.5 million in General Fund expenditure changes were approved. In addition, 28.20 positions were added in the General Fund. Listings of all the approved budget modifications are described in detail in the CSA and departmental sections of this Adopted Budget document as well as summarized in Manager's Budget Addendum #43.

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

#### Rebudgeted 2021-2022 Projects

Additional expenditures totaling \$386.7 million were included in the Adopted Budget to fund the completion of programs and projects authorized in the prior year. The rebudgeted funds were offset by additional 2021-2022 Ending Fund Balance/2022-2023 Beginning Fund Balance.

#### Earmarked Reserves

Additional funding for Earmarked Reserves totaling \$11.5 million were included in the Adopted Budget for the following: Budget Stabilization Reserve (\$5.0 million), Essential Services Reserve (\$3.9 million), Salaries and Benefits Reserve (\$2.4 million), and 2023-2024 East San Jose Small Business Corridor Staffing Reserve (\$174,000).

#### New Grants/Reimbursements/Revenue-Supported Expenditures

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

## General Fund Balancing Strategy Detail 2022-2023 Adopted Operating Budget

### ADOPTED BUDGET BALANCING STRATEGY

#### Use of Funds

##### Service Level Enhancements

Additional expenditures totaling \$8.5 million were included in the Adopted Budget for service level enhancements. The largest of these allocations included:

- \$1.7 million to restore Sunday hours at lower-resourced libraries;
- \$733,000 for a Red Light Running Cameras Pilot Program;
- \$580,000 for Measure E – Guadalupe River Park Housing Support;
- \$560,000 for Measure E – African American Cultural Center;
- \$500,000 to support the acquisition of the César Chávez Home;
- \$350,000 to advance the City Initiatives Roadmap;
- \$350,000 to the Police Department to support sexual assault forensic exams;
- \$296,000 to support the Thank You Monument project;
- \$250,000 to support Planned Parenthood Mar Monte;
- \$250,000 to support the South Bay Community Land Trust from the Google Community Benefits payment;
- \$250,000 for the San José Rotary Club’s citywide 4th of July Celebration; and,
- \$250,000 to support Art and Mural Beautification.

Additional adjustments of \$200,000 or less in value are further detailed within the City Department and City-Wide Expenses sections of this document.

##### 2021-2022 Previously One-Time Funded Services

The Adopted Budget includes funding to continue services that were funded on a one-time basis in the 2021-2022 Adopted Budget for the Police Department to continue foot patrols in Downtown and high needs neighborhoods (\$550,000) and for the San Jose Downtown Association to continue the production of Downtown Ice or holiday programming at the Circle of Palms (\$100,000).

## General Fund Balancing Strategy Detail

### 2022-2023 Adopted Operating Budget

#### ADOPTED BUDGET BALANCING STRATEGY

##### Use of Funds

##### Cost Reductions/Service Delivery Efficiencies/Fund Shifts

The Adopted Budget included several inter-departmental and inter-appropriation shifts to align resources with program administration and intended uses. These include shifting the: Digital Inclusion Fund City-Wide Expenses appropriation (\$819,000) from the Office of the City Manager to the Information Technology Department; Data Capacity Expansion Project City-Wide Expenses appropriation (\$730,000) from the Office of the City Manager to the Information Technology Department; Cannabis Equity Assistance Program City-Wide Expenses appropriation (\$667,000) from the Office of the City Manager to the Office of Economic Development and Cultural Affairs; San José BEST and Safe Summer Initiative Programs City-Wide Expenses appropriation (\$330,000) to the San José BEST Accountability and Oversight Improvements City-Wide Expenses appropriation (\$330,000); funding for Data Equity Staffing (\$200,000) from the Office of the City Manager to the Information Technology Department; and, T-Mobile Macro Site Process Reimbursement City-Wide Expenses appropriation (\$125,000) from the Office of the City Manager to the Information Technology Department.

##### Use of Reserves

The Adopted Budget includes decreases of \$8.3 million to the following reserves: Measure E – 10% Homelessness Prevention and Rental Assistance Reserve (\$580,000) for allocation to a new City-Wide Expenses appropriation, as detailed in Manager’s Budget Addendum #24; Measure E - 30% Low-Income Households Reserve (\$560,000) for allocation to a new City-Wide Expenses appropriation, as detailed in Mayor’s June Budget Message for Fiscal Year 2022-2023, as approved by City Council; Disability Evaluation and Next Steps Reserve (\$200,000) for allocation to the City Manager’s Office, as detailed in Manager’s Budget Addendum #16; and, Budget Stabilization Reserve (\$100,000) to offset investments described in the Mayor’s June Budget Message for Fiscal Year 2022-2023, as approved by City Council. In addition, the Essential Services Reserve was liquidated in the amount of \$6.9 million to offset additional investments described in the Mayor’s June Budget Message for Fiscal Year 2022-2023, as approved by City Council.