

# 2023-2024 Mid-Year Budget Review

City Council Meeting – February 13, 2024; Item 3.3  
Jim Shannon, Budget Director

# 2023-2024 Mid-Year Budget Review Overview

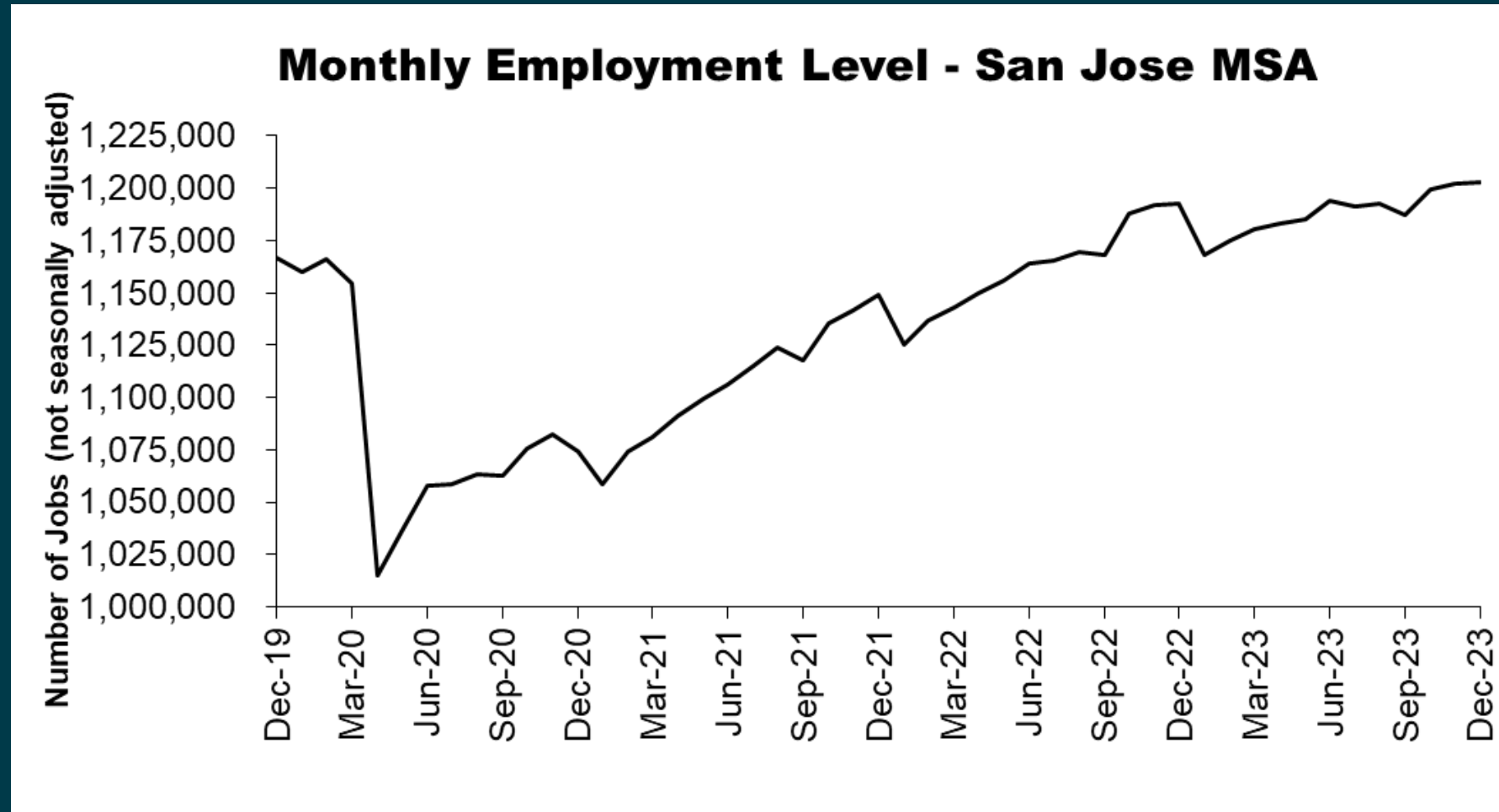
Operating and capital funds are generally performing as expected, with a few exceptions

While the economy has cooled, most indicators are relatively positive through the first half of the fiscal year; very modest growth expected in the future

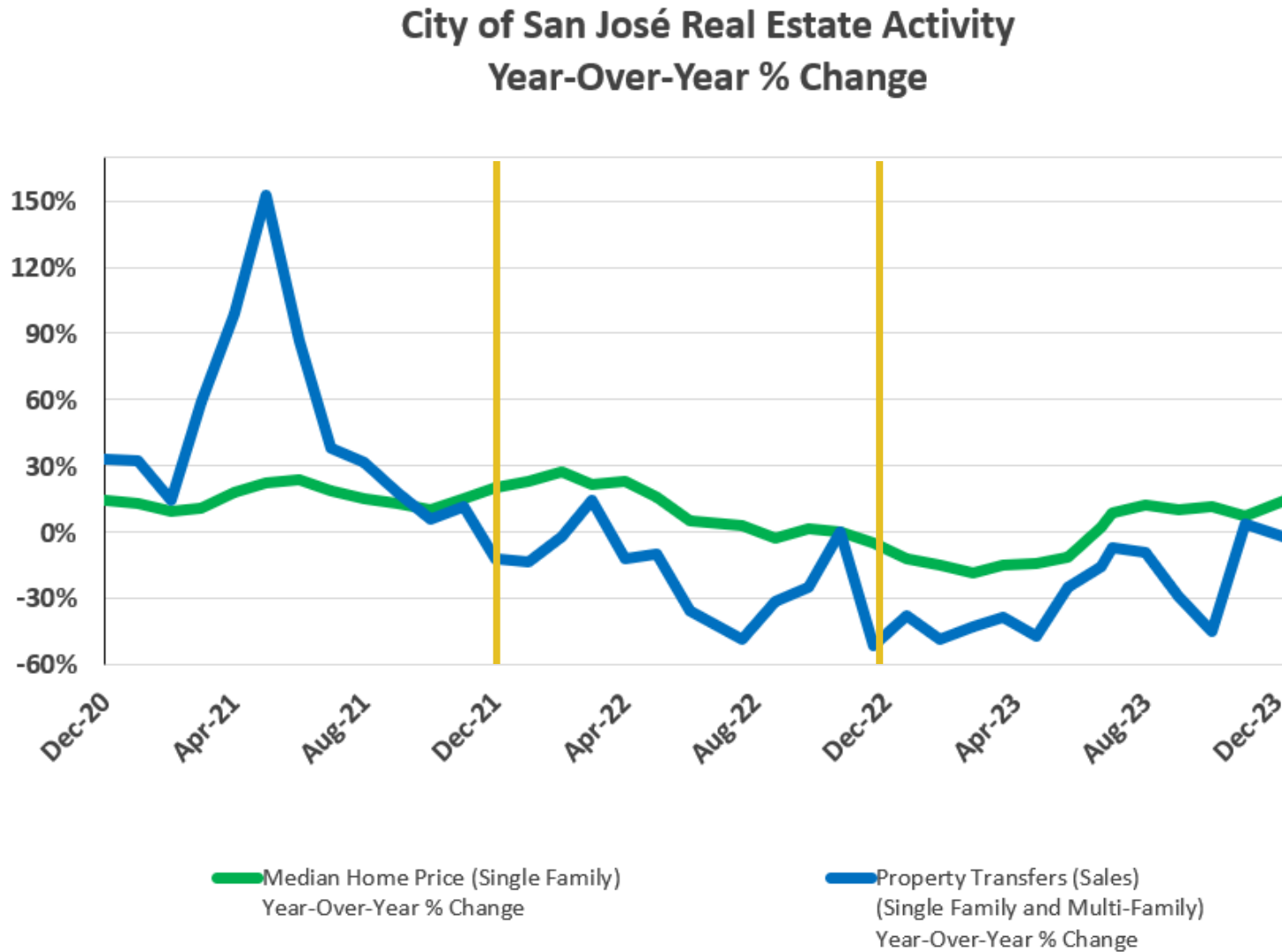
Budget adjustments are recommended in various operating and capital funds

The City is relatively well-positioned entering the 2024-2025 budget development process

# Economic Conditions: Employment



# Economic Conditions: Real Estate



# General Fund Assessment

Revenue growth in the first six months of the fiscal year is trending moderately higher; anticipated to exceed budgeted levels by approximately \$30 million by year-end

Expenditures currently tracking to end the year with savings of at least \$15 million

Limited adjustments recommended at this time

Establishing a 2023-2024 Ending Fund Balance Reserve of \$13.5 million, which will be used as a funding source for the 2025-2029 Five-Year Forecast and 2024-2025 Proposed Budget

# General Fund Recommended Budget Adjustments

## Recommended 2023-2024 General Fund Adjustments (\$ in Millions)

	Source	Use
<b>Urgent Fiscal/Program Need</b> Rapid Response Network	\$0	\$0.10
<b>Required Technical/Rebalancing Actions</b>	\$19.31	\$19.21
<b>Grants/Reimbursements/Fee Activities</b> (Sources = (\$3.3M); Uses = (\$3.3M))	\$3.30	\$3.30
<b>Clean-Up Actions</b>	\$0	\$0
<b>Total Recommended Budget Adjustments</b>	<b>\$22.61</b>	<b>\$22.61</b>

# General Fund Recommended Budget Adjustments Highlights

## Required Technical/Rebalancing Actions (\$ in Millions)

	Source	Use
Property Tax Revenue	\$13.50	
Revenue from the Use of Money/Property (Interest Income)	\$3.50	
Fees, Rates and Charges (PRNS Fee Revenue)	\$2.00	
Transfers and Reimbursements	\$0.28	

# General Fund Recommended Budget Adjustments Highlights

## Required Technical/Rebalancing Actions (\$ in Millions)

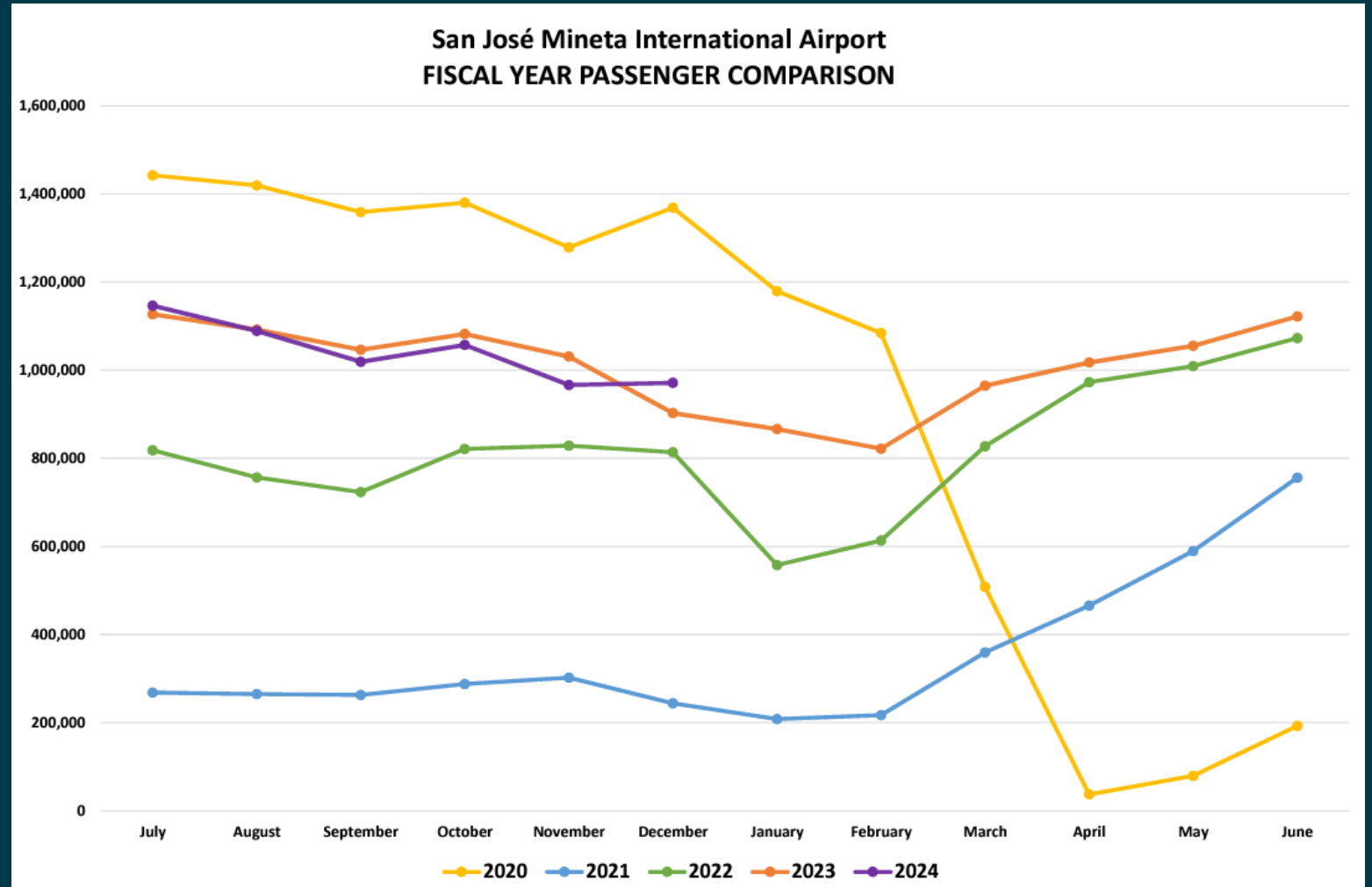
	Source	Use
Janitorial Contract Services		\$2.70
Electricity		\$0.89
Animal Care and Services (Medical Services, Food Supplies, Vet. Staffing)		\$0.61
Emergency Medical Services Field Coordinator Staffing (Med30)		\$0.60
2023-2024 Ending Fund Balance Reserve		\$13.45



# Status of Selected Special Funds

## Airport Operating Funds

- 6.2 million passengers enplaned/deplaned through December (vs. 6.3 million)
- Takeoffs and landings are down 5% from last year



# Status of Selected Special Funds

## **San José Opioid Response Fund**

City expected to receive upwards of \$7 million over an 18-year period from the National Opioid Settlement

Funds must be spent on opioid prevention, intervention, harm reduction, treatment, and recovery services in the community

Highlights of the \$769,000 recommended in 2023-2024:

- Opioid Prevention Grant Program (\$475,000)
- Community Awareness and Education on Opioid Addiction Prevention (\$209,000)
- Opioid Settlement Oversight (\$60,000)

# Status of Selected Capital Funds

## Construction and Conveyance Tax Funds: ↓

- Slow real estate activity is leading to lower revenue
- Revenue estimate is reduced by \$5 million, from \$40 million to \$35 million

## Building and Structure / Construction Excise Tax Funds:

### Construction Valuation

- Commercial ↓
- Industrial ↓
- Residential ↑

- Building & Structure ↓

- Construction Excise ↔

Actual Annual Collections and 2023-2024 Estimate



# Animal Care and Services – Dog and Cat License Fee

## Potential Approach to Waive Fee for Income-Eligible Residents

Approximately 60,000 valid licenses

- Cat license fee: \$40 for 3 years, \$25-\$35 for 1 year
- Dog license fee: \$55 for 3 years, \$25-\$65 for 1 year
- Overall cost recovery level of 79%

Roughly ~10,000 applicants may be eligible for an income waiver

- Actual figure is likely lower

Given the potential volume of applicants and relatively modest fee amount, the methodology should be easy to administer for both customers and the City

# Animal Care and Services – Dog and Cat License Fee

## Potential Approach to Waive Fee for Income-Eligible Residents

Must be enrolled and show proper documentation for one of the following programs:

- Temporary Assistance for Needy Families (TANF)
- Subsidized Housing HUD Section 8 rent subsidy
- Food Stamps (California Advantage of Cal-Fresh)
- Medi-Cal
- California's Life Line Program
- Women, Infants, and Children (WIC)
- Supplemental Security Income (SSI)
- Foster Youth
- Veterans and/or dependents of Veterans
- Active Member in the U.S. Military

Must be resident of San José, Proof of Residency may include:

- Utility Bill
- Automobile Registration
- One of the above eligibility documents with name and address

# Animal Care and Services – Dog and Cat License Fee

## Estimated Impacts and Next Steps

Potential net General Fund impact of approximately \$300,000

- Estimated annual revenue loss: ~ \$150,000
- Temporary staffing costs: ~ \$150,000
  - Assist with additional processing while assessing workload and future automation improvements

Requires ramp up time to adjust systems/processes and appropriately communicate the change

Staff recommends City Council consider an income waiver as part of their approval of the Mayor's March Budget Message for Fiscal Year 2024-2025

- Allows for the ongoing impact to be addressed in the Proposed Budget in accordance with City Council policy
- Allows for successful implementation by July 1

# Looking Forward: 2024-2025 Budget Process

## **February 2024**

2024-2025 City Manager's Request and 2025-2029 Five-Year Forecast Released

## **March 2024**

City Council Review and Approval of Mayor's March Budget Message

## **April/May 2024**

2024-2025 Proposed Capital/Operating Budgets/2025-2029 Proposed CIP/2024-2025 Fees and Charges Released

City Council Budget Study Sessions and Initial Budget Public Hearing

Community Budget Meetings

## **June 2024**

Final Budget Public Hearing

Mayor's June Budget Message & Final Review of Budgets

2024-2025 Capital/Operating Budgets and Fees & Charges Approval



# 2023-2024 Mid-Year Budget Review

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