

3.3 Approval of the 2023-2024 Mid-Year Budget Review Report.

Recommendation:

- (a) Approve the 2023-2024 Mid-Year Budget Review Report.
- (b) Approve an ordinance amending Chapter 4.80 of Title 4 of the San José Municipal Code to add a new Part 84 to establish the San José Opioid Response Fund.
- (c) Extend 3.0 Fire Captain positions in the Fire Department to June 30, 2024.
- (d) Adopt related Appropriation Ordinance and Funding Sources Resolution amendments in various funds as detailed in Section III (Recommended Budget Adjustments and Clean-Up Actions) of the 2023-2024 Mid-Year Budget Review Report.

CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action; and File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.
(City Manager)



COUNCIL AGENDA: 2/13/24
FILE: 24-68327
ITEM: 3.3

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: January 31, 2024

SUBJECT: APPROVAL OF THE 2023-2024 MID-YEAR BUDGET REVIEW REPORT

[2023-2024 Mid-Year Budget Report | City of San José \(sanjoseca.gov\)](https://sanjoseca.gov/2023-2024-Mid-Year-Budget-Report)

Jennifer A. Maguire
City Manager

For questions, please contact Jim Shannon, Budget Director, at (408) 535-8144.

ORDINANCE NO.

**AN ORDINANCE OF THE CITY OF SAN JOSE AMENDING
CHAPTER 4.80 OF TITLE 4 OF THE SAN JOSE
MUNICIPAL CODE TO ADD A NEW PART 84 TO
ESTABLISH THE SAN JOSE OPIOID RESPONSE FUND**

WHEREAS, pursuant to the provisions and requirements of the California Environmental Quality Act of 1970, together with related State CEQA Guidelines and Title 21 of the San José Municipal Code (collectively, "CEQA"), the Director of Planning, Building and Code Enforcement has determined that the provisions of this Ordinance do not constitute a project, under File No. PP17-010 (City Organizational & Administrative Activities resulting in no changes to the physical environment) and File No. PP17-004 (Government funding mechanism or fiscal activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment); and

WHEREAS, the City Council of the City of San José is the decision-making body for this Ordinance; and

WHEREAS, this Council has reviewed and considered the "not a project" determination under CEQA prior to taking any approval actions on this Ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SAN JOSE:

SECTION 1. A new Part is added to Chapter 4.80 of Title 4 of the San José Municipal Code, to be numbered, entitled and to read as follows:

Part 84
San José Opioid Response Fund

4.80.4890 San José Opioid Response Fund Established

There is hereby created and established the “San José Opioid Response Fund.”

4.80.4900 Source of Monies

The source of monies budgeted and accounted for in the San José Opioid Response Fund shall be from:

- A. Distributions by the State of California in the California Abatement Accounts Fund and the California Subdivision Fund pursuant to National Opioid Settlement agreements with, and judgments and orders against, manufacturers, distributors, and other entities responsible for aiding the opioid epidemic;
- B. The Mallinckrodt Bankruptcy which is distributed by the State of California in the California Abatement Accounts Fund pursuant to the California Mallinckrodt Statewide Abatement Agreement; and
- C. Distributions pursuant to opioid settlement agreements and bankruptcy agreements not otherwise specified in this Section.

4.80.4910 Expenditures

- A. Monies received from the National Opioid Settlement and deposited in the California Abatement Accounts Fund and allocated to San José must be spent on prevention, intervention, harm reduction, treatment, and recovery services in the community. Up to 10% of the funds received from the Abatement Account

may be used for administrative costs. Allowable expenditures are set forth in Exhibit E of the National Opioid Settlement Agreements.

- B. Monies received from the National Opioid Settlement and deposited in the California Subdivision Fund and allocated to San José may be used to fund future opioid remediation projects. They may also be used for past opioid-related expenses, including legal costs, and on expenses that do not qualify as opioid remediation. Money received from the Subdivision Fund may also be used for administrative costs. Allowable expenditures are set forth in Exhibit E of the National Opioid Settlement Agreements.
- C. Monies received from the California Mallinckrodt Statewide Abatement Agreement may be used for future opioid remediation activities focused on prevention, intervention, harm reduction, treatment, and recovery services in California communities, as well as administrative expenses. Allowable expenditures are listed in Exhibit 4 of the Mallinckrodt Bankruptcy Plan (otherwise known as Exhibit E of the National Opioid Settlement Agreements).
- D. Monies received from opioid settlement agreements and bankruptcy agreements not otherwise specified in this Section must be spent in accordance with the requirements of the applicable settlement or bankruptcy agreement, including any requirements related to administrative costs and allowable expenditures.

4.80.4920 Interest

Interest which accrues from monies in the San José Opioid Response Fund shall be credited to this Fund.

SECTION 2. The provisions of this Ordinance shall take effect retroactive to July 1, 2023.

PASSED FOR PUBLICATION of title this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

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

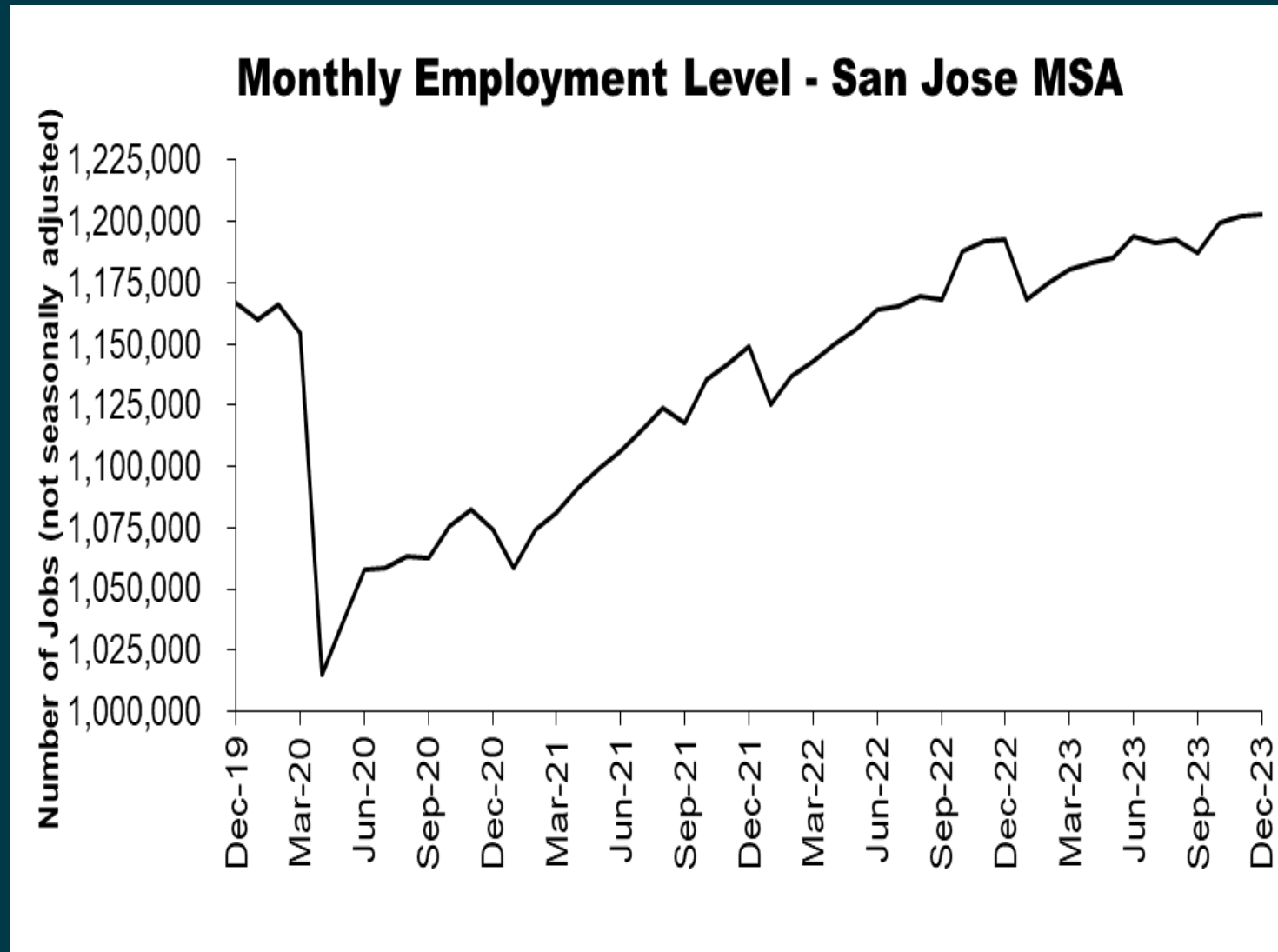
Operating and capital funds are generally performing as expected, with a few exceptions

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

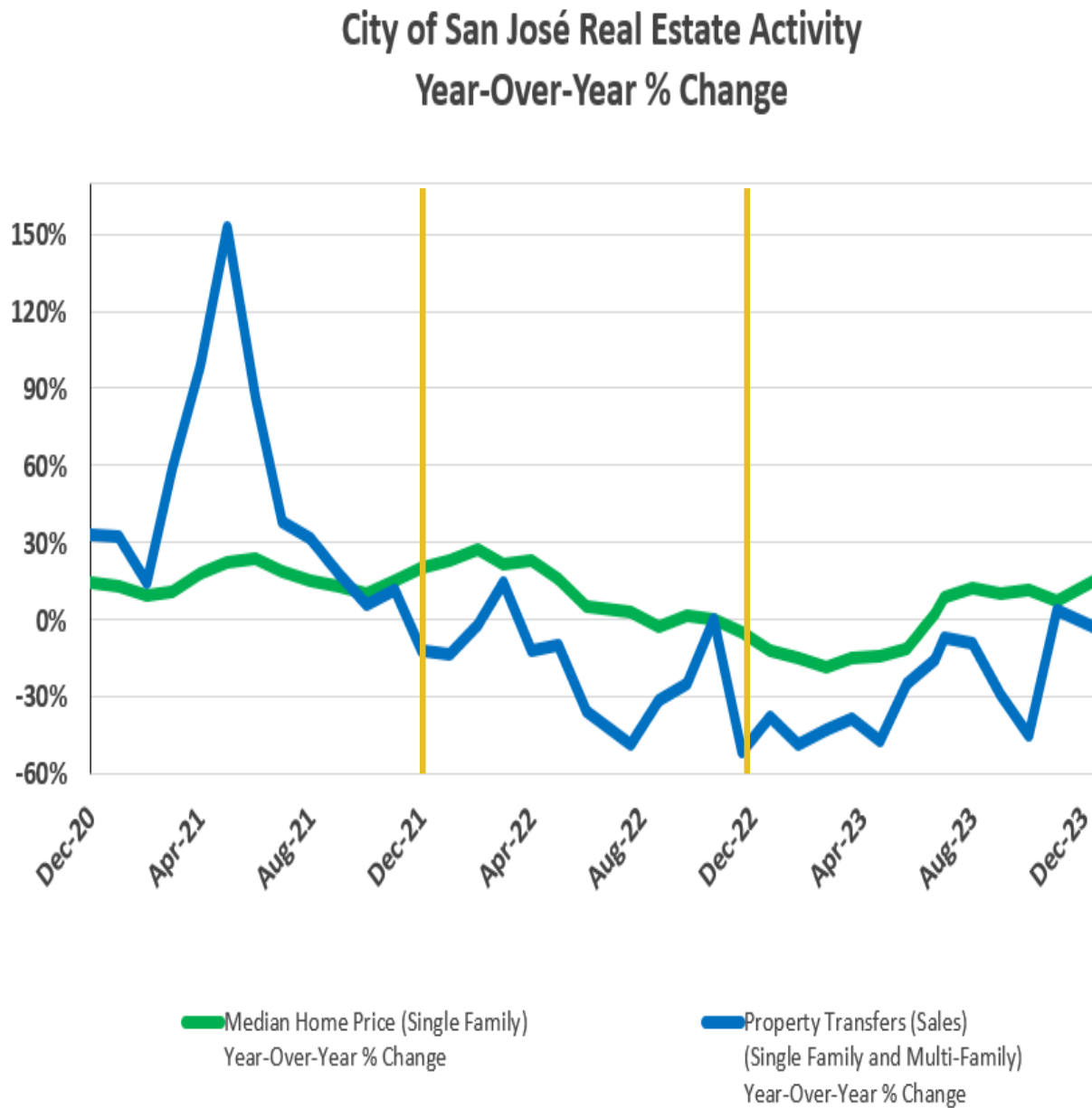
Budget adjustments are recommended in various operating and capital funds

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

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

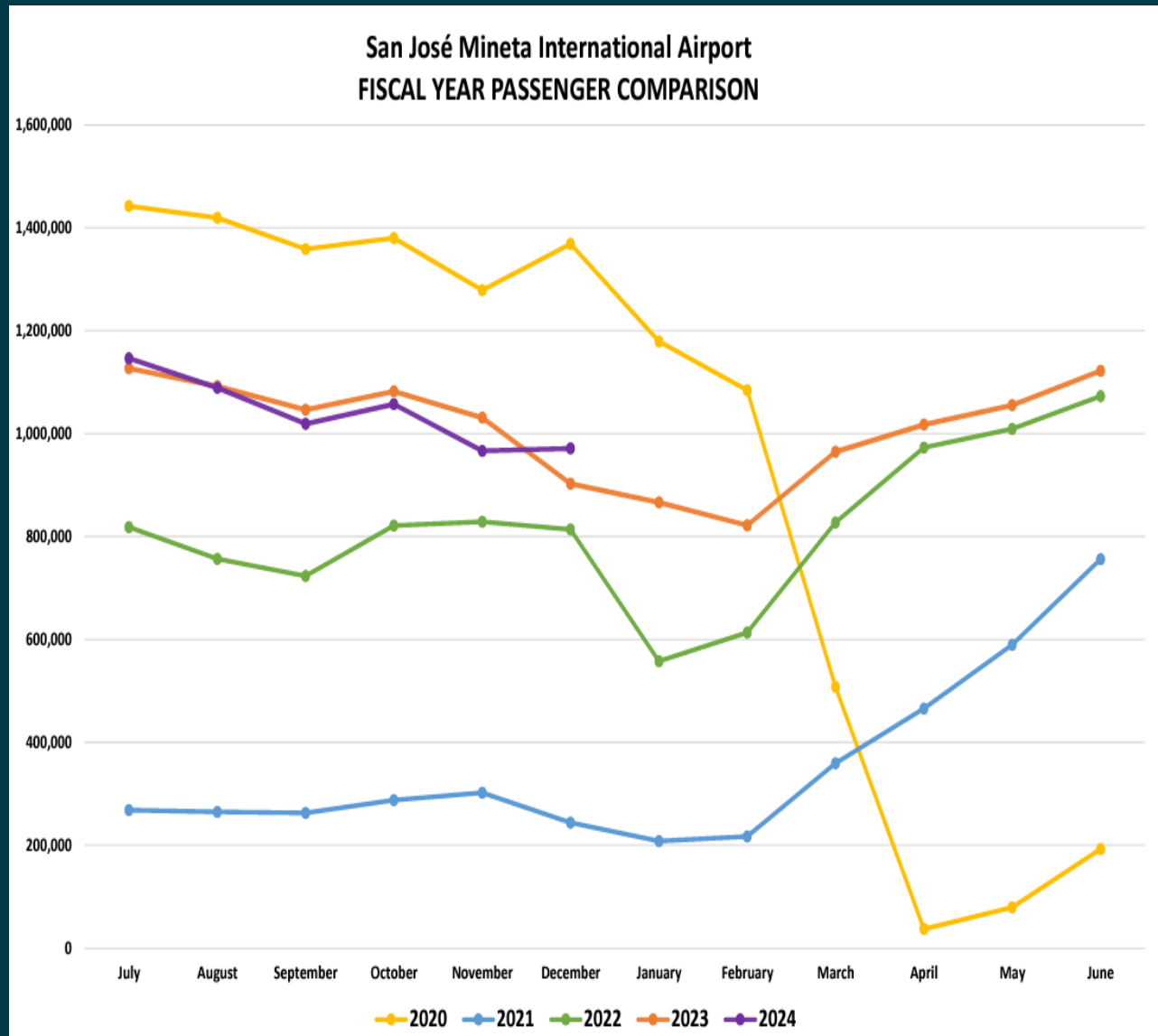
Required Technical/Rebalancing Actions (\$ in Millions)

	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: ↓

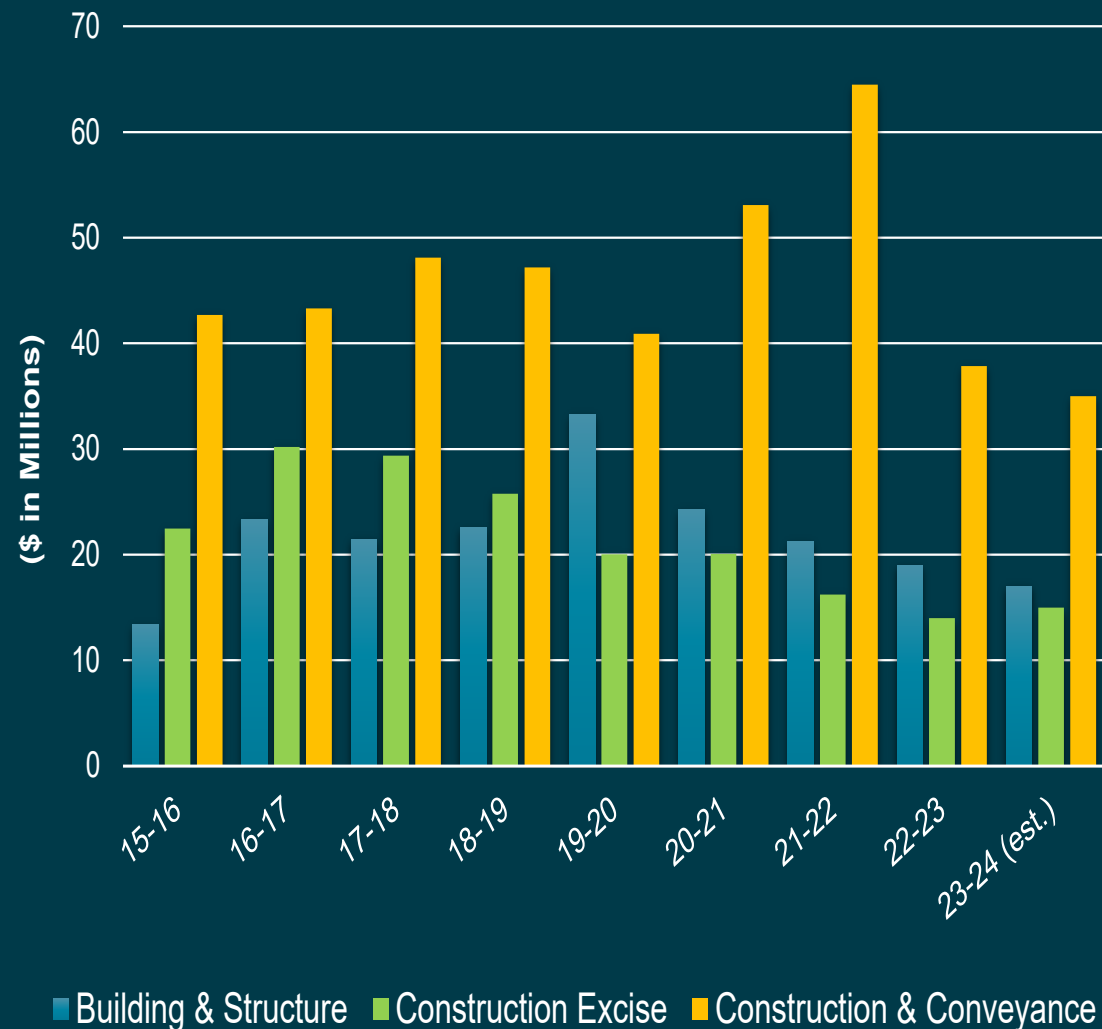
- Slow real estate activity is leading to lower revenue
- Revenue estimate is reduced by \$5 million, from \$40 million to \$35 million

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 or 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

Jim Shannon
Budget Director

Selena Ubando
Assistant to the City Manager

Bonny Duong
Assistant Budget Director

Bryce Ball
Assistant to the City Manager

Claudia Chang
Deputy Budget Director

William Yu
Assistant to the City Manager