

February 20, 2025

Krista De La Torre
4 North 2nd St. #595
San Jose, CA 95113

RE: IFPTE's New Information Request, dated January 30, 2025

Dear Ms. De La Torre:

The City is in receipt of your letter dated January 30, 2025, which you characterized as a “renew[al]” of IFPTE’s previous request for information; however, the information that IFPTE seeks in this letter had not been previously requested, and your use of the term “renewal” misrepresents the new request for information. The City has met, and will continue to meet, its obligations with respect to the numerous information requests that IFPTE has submitted, and any insinuation to the contrary is not correct. As is evident by the City’s responses to the various information requests submitted by IFPTE, the City Manager’s Budget Office and numerous other staff throughout the organization have spent a significant amount of time producing the records and information that IFPTE has sought in its original information request. It is important to note that the time required to respond to IFPTE’s requests diverts staff from, among other things, working to balance the City’s budget. However, we recognize the City’s obligations in regard to information requests and the new information requested on January 30, 2025, is contained herein. If additional information is needed, perhaps a meeting would be productive so we can better understand your needs and the outcomes you are looking for and better explain our budget development process, including revenue and expenditure projections and tracking.

Response to Information Request

- 1. The Annual Report for FY 23-24 reported a drastic decline in funds collected for Business License Penalties, only collecting \$210,000 in the fiscal year compared to the projected \$2.0 million. This is also a significant drop from the previous year’s collection of \$4.3 million. Please explain the reasoning for the significant drop in collections and if the City has plans to eventually collect those funds?**

Revenue from Business License Penalties can vary significantly from year to year, as shown in the following table:

| Fiscal Year | Budgeted Assumption | Actual Revenue |
|---|---------------------|----------------|
| FY 2017-2018 (Page 85 of the PDF) | \$ 1,200,000 | \$ 749,321 |
| FY 2018-2019 (Page 81 of the PDF) | \$ 1,200,000 | \$ 2,322,504 |
| FY 2019-2020 (Page 87 of the PDF) | \$ 1,200,000 | \$ 1,828,895 |
| FY 2020-2021 (Page 80 of the PDF) | \$ 1,000,000 | \$ 1,428,673 |
| FY 2021-2022 (Page 83 of the PDF) | \$ 3,000,000 | \$ 2,051,201 |
| FY 2022-2023 (Page 84 of the PDF) | \$ 1,500,000 | \$ 4,271,934 |
| FY 2023-2024 (Page 84 of the PDF) | \$ 2,000,000 | \$ 210,415 |

Each year the City receives penalty payments; however, there are also write-offs for prior years that can offset new revenue from these penalties. FY 2023-2024 saw comparatively low revenue in relation to the previous year because write-offs did not occur in FY 2022-2023. As a result, the write-off in FY 2023-2024 needed to include two years' worth of uncollectable revenue: FY 2022-2023 and FY 2023-2024, which is why the total amount of revenue received in FY 2023-2024 was so low. When the revenues for FY 2022-2023 and FY 2023-2024 are averaged, the annual revenue is approximately \$2.25 million per year.

We have noted that IFPTE has put out information regarding business tax license penalties insinuating that the City has not collected revenue, despite requesting this information that the City had not yet responded to. As explained above, FY 2022-2023's revenue of approximately \$4.3 million was an outlier at roughly 84% above the highest revenue received in the previous five years.

| | Average Actual Revenue |
|---|------------------------|
| Average of All Fiscal Years 2017-2018 through 2023-2024 | \$ 1,837,563 |
| Average of FY 2017-2018 through FY 2021-2022 (Excluding Outliers of FY 2022-2023 and FY 2023-2024) | \$ 1,676,119 |

In the table, above, the average annual revenue that the City receives from Business License Penalties is between \$1.68 million and \$1.84 million. While \$ 210,415 represents a lower amount than these averages, as shown above the combined average of the outlier years of FY 2022-2023 and FY 2023-2024 represents a higher-than-average revenue of \$2.25 million per year.

2. Please provide a copy of all budget instruction provided to departments as part of the budget process of FY 25-26.

Please see attached.

3. What is the FY 2023-2024 budgeted vacancy rate for each department and the total dollar amount of savings? What vacancy rate will be assumed for the Five-Year Forecast for FY 2025-2026?

The vacancy rates used in the development of the 2023-2024 Adopted Operating Budget and their corresponding vacancy savings that are incorporated into each department's personal services budget are shown in the table below, as are the vacancy rates that are tentatively anticipated for use in 2025-2026.

| | 2023-2024 BUDGETED VACANCY RATE | 2023-2024 BUDGETED GF VACANCY SAVINGS | 2023-2024 BUDGETED OTHER FUNDS SAVINGS | 2025-2026 VACANCY RATE |
|------------------------|--|--|---|---------------------------------------|
| AIRPORT | 2.00% | | (720,739) | 2.00% |
| CITY ATTORNEY'S OFFICE | 1.00% | (140,997) | (55,764) | 1.00% |
| CITY MANAGER'S OFFICE | 2.00% | (179,972) | (3,382) | 1.00% |
| ENERGY | 2.00% | | (133,783) | 2.00% |
| ESD | 2.00% | (55,534) | (1,806,784) | 2.00% |
| FINANCE | 2.00% | (374,205) | (39,106) | 2.00% |
| FIRE | 2.50% | (5,815,345) | (191,225) | 1.75% |
| HUMAN RESOURCES | 1.00% | (55,316) | | 1.00% |
| INFO TECH | 3.00% | (484,846) | (106,982) | 3.00% |
| LIBRARY | 2.00% | (637,012) | (160,410) | 2.00% |
| OEDCA | 0.50% | (25,311) | (29,564) | 0.50% |
| PBCE | 1.00% | (264,809) | (676,672) | 2.00% |
| POLICE | 0.50% | (1,912,296) | (3,117) | 0.00% |
| PRNS | 2.00% | (1,059,188) | (169,498) | 2.00% |
| PW | 1.00% | (217,845) | (700,784) | 1.00% |
| TRANSPORTATION | 3.00% | (551,865) | (71,563) | 2.50% |
| | | (11,774,541) | (4,869,371) | |

4. In a recent San Jose Spotlight Article titled “[San Jose’s projected budget deficit skyrockets](#)” journalists interviewed a spokesperson from the City Manager’s office, the article points out that the Department of Public Works is struggling with infrastructure backlog due to insufficient developer fees. Could you please clarify which developer fees the Department of Public Works is struggling with, by how much is the shortfall, and provide any related documents that report on the subject.

In reviewing the article that you provided, the reference to an “infrastructure backlog due in part to insufficient developer fees” was the statement of Vincente Vera, the journalist who authored the piece, and was based on a previous article he had written. This was not the quote of the City Manager’s Office’s spokesperson. This portion of the article links to another article by Mr. Vera titled [Insufficient builder fees leave San Jose with infrastructure backlog](#), dated January 13, 2025. This article appears to refer to information contained in the 2023-2024 Annual Development In-Lieu Fee Report, which was approved by the City Council on December 17, 2024, and can be found at the following location:

<https://sanjose.legistar.com/View.ashx?M=F&ID=13605452&GUID=C66DF18E-1CCC-4DDF-AF66-9EF2FA4C2D16>

The City believes that this memo contains information responsive to IFPTE’s request.

5. An Encumbrance Audit Report released in September 2024 references an estimated 1,300 older encumbrances that may not still be necessary or are inaccurately reported. Provide the most up-to-date action around these encumbrances including any related reports/documents or the next date we can expect an update.

Below is the narrative included in the 2024-2025 Mid-Year Budget Review [transmittal memorandum](#) (Page 23).

Issued in September 2024, the Encumbrance Management Audit included a recommendation for the Administration to immediately require all departments to liquidate any encumbrances that are no longer necessary and close any fully liquidated purchase orders and contracts. The Administration agreed with this recommendation and had begun work before the audit was released. In October 2024, the Administration reported preliminary results that the first batch of cleanup yielded approximately \$29.8 million of liquidated encumbrances, of which \$7.6 million was attributable to the General Fund, and anticipated that a final report and any subsequent rounds of clean-up liquidations would be included in the 2024-2025 Mid-Year Budget Review. While the actions by departments to liquidate old encumbrances is complete, additional time is needed to reconcile the liquidations within the City's financial management system to determine the final amount of actual budgetary savings. A final report on the liquidated amounts and resulting one-time savings will be included in either the Bi-Monthly Financial Report for January/February to the Public Safety, Finance, and Strategic Support Committee in April or in the 2025-2026 Proposed Operating Budget.

6. The City of San Jose implemented a hiring freeze in December 2024, how much has each department saved as result of the hiring freeze.

There is no information responsive to this request. The City does not track which of the positions affected by the hiring freeze would otherwise have been recruited for during the relevant time period.

- **Please clarify which tax revenue source the State of California determined could be significantly lower.**

Due to State of California taxpayer confidentiality regulations, the City cannot provide this information.

- **Yes, we can confirm that we want an updated version of the excel sheet provided despite the City being unable to identify their funding source.**

Please provide a date range for this request and email your request to city.clerk@sanjoseca.gov.

- **Please clarify if any overstrength positions are funded through the use of a permanents (sic) position.**

Overstrength positions may be funded through a variety of sources, including, but not limited to, vacancy savings. The City does not maintain a centralized listing of how overstrength positions are funded.

- **Please provide more details as to where we are seeing the decline in sales, including if there are any particular industries, neighborhoods, or any other source for the reductions.**

As provided in the previous response, please see the Bi-Monthly Financial Report for September / October 2024 found here:

<https://www.sanjoseca.gov/home/showpublisheddocument/117042/63871930782860000>

Discussion is also included in the 2024-2025 Mid-Year Budget Review document (see pages 6-10 of the linked PDF below)

<https://www.sanjoseca.gov/home/showpublisheddocument/117568/638739271670200000>

Additional information was included in the Fiscal Year 2025-2026 Budget Priority Setting City Council Study Session held on February 11, 2025 (see slides 11 and 12).

<https://sanjose.legistar.com/View.ashx?M=F&ID=13754884&GUID=58199039-4280-43EE-AAEF-AE0E4FBE9BF1>

The information linked above contains data by economic sector. Geographic-level information is not available. To the extent that IFPTE wishes the City to conduct additional analysis, the parties will need to meet and confer over the time and labor required to produce this analysis.

- **Please clarify the following questions:**
 - **Are the \$3.8 million reserve funds that were received by the City provided by Google? If so, is the \$3.8 million being held in the event that the parking lot sale becomes finalized?**
 - **Will the \$3.8 million only become available to the City after a sale is made and are there restrictions on how the City may spend those funds?**
 - **What is the current timeline for negotiations between the City, SJAM, and Google?**

The \$3.8 million would be applied to the overall price if the land is sold to Google and these funds would only become available to the City upon such sale. At this point, there is no timeline regarding these negotiations.

- **How much in vacancy savings has been used so far by departments to compensate excessive overtime usage?**

The City does not have a feasible way to associate specific overtime usage with vacancy savings. Vacancies occur throughout the year within different classifications that can cause varying impacts upon workgroups and departments.

Sincerely,



Jennifer Schembri
Deputy City Manager