



PROFESSIONAL & TECHNICAL ENGINEERS, LOCAL 21, AFL-CIO
An Organization of Professional, Technical, and Administrative Employees

February 24, 2025

Sender's Email: kdelatorre@ifpte21.org
Sent Via Email

Office of the City Manager
Office of Employee Relations
San Jose City Hall
200 E. Santa Clara Street
San Jose, CA 95113

RE: IFPTE's Information Request Follow-Up

Dear Ms. Schembri:

IFPTE Local 21 recognizes that your office is working diligently on balancing the existing budget and responding to our requests for information. Given that our bargaining unit is impacted by the active hiring freeze and the Mayor has even made remarks of potentially using layoffs as a budget balancing strategy, it is a priority that we have the most up-to-date financial information. Local 21 continues to have questions and are renewing our request for information along with requesting additional information. We appreciate your patience and cooperation with our budgetary questions.

New Request:

1. The City provided budget instructions provided to departments as part of the budget process of FY 25-26. The 2025-2026 Operating Budget Development Planning memorandum refers to various budget proposal submittals required by departments. Please provide the following reports submitted by departments:
 - a. Department Memorandum.
 - b. Department Budget Proposal Submittal.
 - c. City Service Area (CSA) Memorandum.

Renewed Request:

Please see our follow-up questions in red.

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 writeoff 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.

- Please provide a definition for the “write-offs” referenced above and under what circumstances they would occur.
 - How much in uncollectable revenue needed to be included in FY 23-24 and why were they considered uncollectable revenues?
 - How many write-offs are there per year typically?
 - How is the budget assumption for the Business License Penalties determined?
- 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.

We consider this information responsive.

- 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)		

We consider this information responsive.

- 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-4DDFAF66-9EF2FA4C2D16>

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

Can the City confirm that there are infrastructure backlogs due to insufficient developer fees?

- 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 MidYear 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.

We consider this information responsive.

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.

We believe that the following would be responsive to this request: How many positions have been vacated since December 2024 and what is the cost associated with those positions?

- **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.

We consider this information responsive.

- **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.

We consider this information responsive.

- **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/117042/638719307828600000>

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-AAEFAE0E4FBE9BF1>

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.

We consider this information responsive.

- **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.

We consider this information responsive.

- **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.

Given that our bargaining unit is currently impacted by a hiring freeze we are trying to understand how much of vacancy savings is currently being used for overtime and how much will be recognized as additional savings. What is the dollar amount in vacancy savings currently projected for the FY?

Sincerely,

Krista De La Torre
Representative/Organizer
IFPTE Local 21

CC:

Kristen Schumacher, Lead Research Specialist, IFPTE Local 21
Stefanie Portillo, Research Specialist, IFPTE Local 21