

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND EXPENDITURE PERFORMANCE

The General Fund expenditure performance for 2024-2025 is discussed in detail in this section. This includes an overview of the General Fund expenditure performance, a discussion of significant departmental variances, and highlights of the non-departmental expenditures.

#### Overview

**TABLE B**  
**2024-2025 GENERAL FUND EXPENDITURE SUMMARY**  
**COMPARISON OF BUDGET TO ACTUAL**

Category	2024-2025		Variance	% Variance
	Modified Budget*	2024-2025 Actual**		
Personal Services	\$ 1,119,342,034	\$ 1,115,520,211	\$ (3,821,823)	(0.3%)
Non-Personal/Equipment/Other <sup>1</sup>	258,268,735	230,489,385	(27,779,350)	(10.8%)
City-Wide Expenses	232,520,068	165,942,674	(66,577,394)	(28.6%)
Capital Contributions	132,376,400	94,191,372	(38,185,028)	(28.8%)
Transfers	189,136,215	189,136,215	0	0.0%
Reserves	259,628,136	0	(259,628,136)	(100.0%)
<b>TOTAL GENERAL FUND</b>	<b>\$ 2,191,271,588</b>	<b>\$ 1,795,279,857</b>	<b>\$ (395,991,731)</b>	<b>(18.1%)</b>

\* 2024-2025 appropriations as modified by Council through June 30, 2025, and 2023-2024 carryover encumbrances.

\*\* Actual 2024-2025 expenses plus encumbrances.

As shown in Table B, General Fund expenditures and encumbrances through June 30, 2025 of \$1.8 billion were \$396.0 million (18.1%) below the modified budget total of \$2.2 billion. Approximately 66% of the savings was generated from unspent reserves (\$259.6 million), with the remaining savings generated from expenditure appropriations. Total 2024-2025 expenditures and encumbrances were \$221.9 million (14.1%) higher than the 2023-2024 level of \$1.6 billion. This variance is mostly attributable to higher Transfers (\$158.7 million), which was primarily due to transferring the unexpended Real Property Transfer Tax allocations from the General Fund to the Real Property Transfer Tax Fund (\$160.5 million). The remaining year-over-year variance is due to higher Personal Services (\$72.0 million), Capital Contributions (\$46.4 million), and Non-Personal/Equipment/Other (\$13.2 million), partially offset by lower City-Wide Expenses (\$68.4 million).

<sup>1</sup> The "Other" category expenditures are primarily comprised of budgets for the Mayor and City Council as well as the Parks, Recreation and Neighborhood Services fee activities program.

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As shown in Table C, the actual General Fund expenditures of \$1.8 billion were approximately \$32.4 million (1.8%) below the estimate used in the development of the 2025-2026 Adopted Budget. This variance includes anticipated expenditure savings of \$30.8 million. Additionally, as part of the 2025-2026 Adopted Budget, a portion of these savings (\$9.9 million) was carried over to 2025-2026 with the accompanying revenue for grant or reimbursement-related projects and programs, bringing the variance down from \$32.4 million to \$22.5 million. In addition, actions totaling \$33.1 million are recommended in this report to reflect rebudget and clean-up adjustments. As mentioned above, as part of the Fund Balance estimate, expenditure savings were anticipated to total \$30.8 million; however, accounting for the actions recommended in this report, expenditure savings ended 2024-2025 \$10.6 million below the anticipated level.

**TABLE C**  
**2024-2025 EXPENDITURE ESTIMATE TO ACTUAL VARIANCES**

	<b>2024-2025 Estimate</b>	<b>2024-2025 Actual</b>	<b>\$ Variance</b>	<b>% Variance</b>
Expenditures	\$1,827,697,357	\$1,795,279,857	\$(32,417,500)	(1.8%)

These net expenditure savings, when combined with the net variance associated with the General Fund revenues and higher than anticipated liquidation of prior year encumbrances, represent the additional Ending Fund Balance that is available for allocation in 2025-2026. Specifically, as discussed earlier in this report, in 2025-2026, a total of \$1.2 million in additional fund balance is available, which is comprised of higher than estimated liquidation of prior year encumbrances (\$15.3 million), partially offset by lower than anticipated expenditure savings (-\$10.6 million), and lower than estimated revenues (-\$3.6 million). Recommendations on the allocation of these additional funds are provided elsewhere in this report.

Following is a review of the General Fund expenditure categories, including a discussion of variances to the modified budget as well as a comparison to the prior year.

Personal Services expenditures of \$1.1 billion ended the year \$3.8 million (0.3%) below budgeted levels, and \$72.0 million (6.9%) above the 2023-2024 expenditure level of \$1.0 billion. The expenditure variance compared to the budgeted levels is primarily due to vacancy savings; the higher Personal Services expenditures in comparison to 2023-2024 is primarily due to salary increases resulting from City Council-approved labor agreements. Departments with the highest variances in 2024-2025 include the Parks, Recreation and Neighborhood Services Department (\$541,395) and Police Department (\$502,604).

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Non-Personal/Equipment/Other expenditures and encumbrances of \$230.5 million ended the year \$27.8 million (10.8%) below budgeted levels, but \$13.2 million (6.1%) above the 2023-2024 expenditure level of \$217.3 million. The departments with the largest Non-Personal/Equipment/Other variances included: Police Department (\$8.3 million); Parks, Recreation and Neighborhood Services Department (\$4.0 million); Transportation Department (\$2.2 million); Information Technology Department (\$1.8 million); and Library Department (\$1.1 million). The Mayor and City Council appropriations also ended the year \$4.9 million below the budgeted level.

In the City-Wide Expenses category, expenditures and encumbrances of \$165.9 million ended the year \$66.6 million below the budgeted level of \$232.5 million. Of this amount, \$35.1 million was rebudgeted in the 2025-2026 Adopted Budget (including \$9.2 million that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$26.1 million are recommended in this report, leaving a balance of \$5.4 million. Savings of \$8.0 million was assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate; however, this savings was not realized due to higher than anticipated expenditures.

In the Capital Contributions category, expenditures and encumbrances of \$94.2 million ended the year \$38.2 million below the budgeted level of \$132.4 million. Of this amount, \$33.2 million was rebudgeted in the 2025-2026 Adopted Budget (including \$600,000 that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$3.5 million are recommended in this report, leaving a balance of \$1.5 million. Savings of \$2.0 million was assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate; however, this savings was not realized due to higher than anticipated expenditures. The 2024-2025 Capital Contributions expenditures were \$46.4 million above the 2023-2024 expenditure level of \$47.8 million.

The Transfers category expenditures of \$189.1 million ended the year at the budgeted amount.

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The largest single category of remaining funding available in 2024-2025, as planned, is the Reserves category (\$259.6 million), including Earmarked Reserves (\$206.6 million) and the Contingency Reserve (\$53.0 million). No reductions to the \$53.0 million Contingency Reserve occurred in 2024-2025.

#### Review of General Fund Expenditure Performance

This section provides more detailed information on the departmental and non-departmental performance, including a discussion of significant variances.

Departmental expenditures (\$1.3 billion) represented 75% of the total 2024-2025 General Fund expenditures. As can be seen in Table D on the following page, all departments remained within their total budget allocation and expended a cumulative 97.7% of their budgets, generating overall savings of \$31.6 million (2.3%). Of this amount, \$17.3 million was rebudgeted in the 2025-2026 Adopted Budget, and additional rebudgets or technical clean-up adjustments of \$2.6 million are recommended in this report, leaving a balance of \$11.7 million. Savings of \$18.9 million was assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate; however, the final savings was short of this estimate by \$7.2 million due to higher than anticipated expenditures.

Of the 19 City departments/offices, 18 had expenditure savings of less than \$1.0 million and 10.0% of their budget. Only the Mayor and City Council Offices had expenditure savings in excess of \$1.0 million and 10% of their budget in 2024-2025. The Mayor and City Council Offices expenditure variances are discussed in detail in the following section, as well as the year-end status of expenditures for both the Police and Fire Departments.

Non-Departmental expenditures totaled \$449.3 million, or approximately 25% of the total 2024-2025 General Fund expenditures. The unexpended balance at year-end totaled \$364.4 million; reserves of \$259.6 million represent the largest portion of unexpended funds and were almost entirely carried over or used in the 2025-2026 Adopted Budget as planned. Excluding reserves, the unexpended non-departmental balance at year-end totaled \$104.8 million. As discussed previously, rebudgets for City-Wide Expenses and Capital Contributions categories totaling \$68.2 million were included in the 2025-2026 Adopted Budget, savings of \$10.0 million was assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate, and \$29.6 million in rebudget and technical clean-up adjustments are recommended in this report.

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#### Review of General Fund Expenditure Performance

TABLE D  
TOTAL GENERAL FUND EXPENDITURES

Departmental	2024-2025	2024-2025	\$	%
	Modified Budget	Expenditures	Variance	Variance
City Attorney	\$ 20,626,818	\$ 20,374,718	\$ (252,100)	(1.2%)
City Auditor	3,010,006	2,945,462	(64,544)	(2.1%)
City Clerk	3,927,386	3,865,905	(61,481)	(1.6%)
City Manager	26,003,754	24,845,977	(1,157,777)	(4.5%)
Economic Development and Cultural Affairs	7,730,462	6,799,996	(930,466)	(12.0%)
Environmental Services	7,711,500	6,825,629	(885,871)	(11.5%)
Finance	25,286,640	24,538,279	(748,361)	(3.0%)
Fire	310,421,808	309,941,194	(480,614)	(0.2%)
Housing	687,969	443,310	(244,659)	(35.6%)
Human Resources	15,358,883	14,689,779	(669,104)	(4.4%)
Independent Police Auditor	1,645,463	1,348,588	(296,875)	(18.0%)
Information Technology	38,594,286	36,747,555	(1,846,731)	(4.8%)
Library	53,383,306	52,059,790	(1,323,516)	(2.5%)
Mayor and City Council	19,762,009	14,898,439	(4,863,570)	(24.6%)
Parks, Recreation & Neighborhood Services	146,157,505	141,439,574	(4,717,931)	(3.2%)
Planning, Building & Code Enforcement	20,181,962	18,957,608	(1,224,354)	(6.1%)
Police	566,974,859	558,205,535	(8,769,324)	(1.5%)
Public Works	56,917,680	56,169,275	(748,405)	(1.3%)
Transportation	53,228,473	50,912,983	(2,315,490)	(4.4%)
<b>Subtotal</b>	<b>1,377,610,769</b>	<b>1,346,009,596</b>	<b>(31,601,173)</b>	<b>(2.3%)</b>
<b>Non-Departmental</b>				
City-Wide Expenses	232,520,068	165,942,674	(66,577,394)	(28.6%)
Capital Contributions	132,376,400	94,191,372	(38,185,028)	(28.8%)
Transfers	189,136,215	189,136,215	-	0.0%
Earmarked Reserves	206,628,136	-	(206,628,136)	(100.0%)
Contingency Reserve	53,000,000	-	(53,000,000)	(100.0%)
<b>Subtotal</b>	<b>813,660,819</b>	<b>449,270,261</b>	<b>(364,390,558)</b>	<b>(44.8%)</b>
<b>TOTALS</b>	<b>\$ 2,191,271,588</b>	<b>\$ 1,795,279,857</b>	<b>\$ (395,991,731)</b>	<b>(18.1%)</b>

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#### Discussion of Significant Departmental Variances and Other Issues

Following is a discussion of the performance in the City's two largest General Fund departments, Police and Fire, as well as the Mayor and City Council Offices.

#### *Police Department*

On an overall basis, Police Department expenditures, including encumbrances, in 2024-2025 totaled \$558.2 million. This expenditure level constituted 98.5% of its General Fund budget of \$567.0 million, generating savings of \$8.8 million. Of these savings, \$6.8 million was rebudgeted as part of the 2025-2026 Adopted Budget, and an additional \$271,000 is recommended to be rebudgeted as part of this report.

Personal Services expenditures totaled \$514.5 million (99.9% expended) with savings of \$503,000 after accounting for rebudgets. This savings is inclusive of the year-end adjustment approved by the City Council in June 2025 to increase Personal Services funding by \$17.0 million, partially offset by a \$5.0 million shift from the Police Vehicle Replacements and Operations & Maintenance appropriation. Prior to the year-end adjustment, Personal Services expenditures were estimated to exceed budgeted levels by approximately 3%, primarily due to elevated overtime usage and compensation payouts.

The Department continued to experience elevated sworn overtime usage and payouts during 2024-2025, primarily attributed to sworn vacant positions, with expenditures of \$71.5 million accounting for 101.5% of the Police Department's 2024-2025 Modified Budget for overtime of \$70.5 million, or 12.9% above 2023-2024 levels. The Police Department's overtime budget has been updated and modified throughout the course of the year, from \$26.1 million to \$70.5 million. The modification actions included an internal shift of \$24.0 million of salary and benefit savings due to vacancies to overtime and the liquidation of the \$3.0 million Police Department Sworn Backfill Reserve as part of the 2024-2025 Mid-Year Budget Report, as well as actions included during the 2024-2025 Year-End Clean-Up process to increase the overtime budget by an additional \$17 million. Overtime hours in 2024-2025 increased by approximately 6.5% over the previous year, from 604,954 to 644,249. The year-over-year increase is primarily attributable to a high number of sworn vacancies in the Bureau of Field Operations requiring increasing levels of overtime to maintain minimum staffing levels to effectively respond to calls for service. Additionally, vacancies within the Bureau of Investigations have resulted in patrol officers performing preliminary investigative activities on overtime while closing out certain calls for service, as well as attending various mandated trainings on overtime (continuing professional education, first aid, and domestic violence trainings, etc). Further discussion of overtime is provided below.

Non-Personal/Equipment expenditures (including encumbrances) totaled \$43.7 million (84.1% expended), generating savings of \$8.3 million. Excluding the remaining balances

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#### Discussion of Significant Departmental Variances and Other Issues

for centrally-determined details (\$6.4 million) which include electricity, gas, and water utilities, as well as vehicle operations, maintenance and replacement, the Police Department ended the year with approximately \$1.9 million, or 3.6% of its Non-Personal/Equipment appropriation remaining. The majority of this balance was rebudgeted as part of the Adopted Budget, or is recommended to be rebudgeted as part of this report, for activities continuing into 2025-2026.

#### *Overtime and Compensatory Time*

The Police Department has implemented a number of actions to reduce overtime expenditures, including: 1) the creation of a dashboard to review and audit overtime usage; 2), the elimination of gang suppression pay cars on overtime; 3) a significant reduction to the use of BFO staff to assist Bureau of Investigations in major investigative operations; and 4) the mandatory spend down of compensatory time balances after March 31 (see discussion below). However, these controls did not fully offset the additional overtime spending required to backfill for vacant sworn positions.

Through the use of available vacancy savings, funding is made available to pay for police academy recruits and their subsequent field training, as well as to backfill vacant patrol and investigative positions on overtime. The average duration for the academy and field training is approximately 10-12 months, requiring overtime to backfill vacancies in patrol until the new recruits are ready to serve as solo beat officers, as well as overtime for seasoned personnel to serve as field training officers. Effective vacancy levels, which include vacancies of field training officers, academy recruits, and sworn personnel on disability, modified, or other leaves, reduce the amount of street-ready sworn officers available and are the most significant contributing factor to overtime usage. The effective vacancy rate was 24.3% as of June 27, 2025. Historically, the effective vacancy rate has averaged 19.2% (based on the five-year period between 2019-2020 and 2023-2024), resulting in the build-up of compensatory time balances for sworn personnel, for which there is a limit of 480 hours after which sworn personnel are paid in overtime for any additional hours worked. Overtime consists of both overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer's Association (POA) reduces the amount of compensatory time accrued.

In accordance with the latest POA MOA that was approved by the City Council on September 30, 2025, effective Fiscal Year 2025-2026 and every Fiscal Year thereafter, every employee who has a compensatory time balance of 200 or more hours on July 1 of the fiscal year must use at least forty hours of compensatory time by the last pay period of March of each fiscal year. For Fiscal Year 2025-2026, every employee who has a compensatory time balance of 200 or more hours upon approval of the agreement by Council must use at least forty hours of compensatory time by the last pay period of March 2026. If an employee has not used at least forty hours of compensatory time as paid leave

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by the last pay period of March in a given Fiscal Year, the Police Department can require the employee to immediately take time off to reduce their outstanding amount of accrued compensatory time off by forty hours in each Fiscal Year.

The year-over-year increase of overtime use in 2024-2025 is primarily attributable to BFO (increase of 31,932 hours) and Bureau of Administration (increase of 4,677 hours), partially offset by a reduction to Bureau of Investigations (decrease of 5,784 hours). Though the Department remains focused on recruitment efforts to reduce vacancy levels, additional work is needed in the near term for continued operational adjustments to reduce overtime use and a multi-year budget adjustment to align the overtime to better reflect the level of need. The Administration is currently undertaking a deeper analysis into overtime use to develop potential solutions for potential consideration later this fiscal year and as part of the 2026-2027 budget development process.

	June 2024	June 2025	% Change from 2024 to 2025	% Change from 2023 to 2024
# of Sworn Personnel at 480-hour limit	416	444	6.73%	8.05%
# of Sworn Personnel between 240 and 480 hours	288	277	(3.82%)	(14.03%)
Sworn Compensatory Time Balance Liability (hours)	339,553	345,486	1.75%	(1.68%)
Sworn Compensatory Time Balance Liability (\$)	\$30.7 M	\$30.3 M	(1.34%)	6.22%
YTD Overtime Expenses for Staff at 480-hour Limit (\$)	\$25.3 M	\$30.3 M	19.83%	12.33%

#### Sworn Staffing and Recruit Academies

The table below provides a summary of sworn staffing vacancies and street-ready officers. There are currently two active academies, February 2025 (19 recruits expecting to graduate in September 2025) and June 2025 (41 recruits). The Department is anticipating that the October 2025 academy will draw 36 recruits. As of June 27, 2025, of the 1,172 authorized sworn staff, 98 or 8.4% of the positions were in training, while 82 or 7.0% of the positions were on disability/modified duty/other leaves.

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	2023-2024 (as of 6/28/2024)	2024-2025 (as of 6/27/2025)
<b>Authorized Sworn Positions</b>	<b>1,173</b>	<b>1,172</b>
(Vacancies)/Overstaff	(100)	(105)
<b>Filled Sworn Positions<sup>1</sup></b>	<b>1,073</b>	<b>1,067</b>
Field Training Officer/Recruits	(98)	(98)
<b>Street-Ready Sworn Officers Available</b>	<b>975</b>	<b>969</b>
Disability/Modified Duty/Other Leaves	(89)	(82)
<b>Street-Ready Sworn Officers Working</b>	<b>886</b>	<b>887</b>

#### *Fire Department*

Overall, the Fire Department expenditures in 2024-2025, including encumbrances, totaled \$309.9 million of its 2024-2025 Modified General Fund Budget. This expenditure level constituted 99.8% of its General Fund budget of \$310.4 million, generating savings of \$481,000. Of these savings, \$318,000 was rebudgeted as part of the 2025-2026 Adopted Operating Budget.

Personal Services expenditures in 2024-2025 totaled \$294.3 million, which accounted for 99.9% of the total budget. This amount included a \$6.2 million upward adjustment that was allocated as part of the Approval of Various Budget Actions for Fiscal Year 2024-2025 memorandum for higher overtime costs. As a result, Personal Services expenditure ended the year with savings of \$43,000. Non-Personal/Equipment expenditures and encumbrances totaled \$15.7 million, or 97.3% of the total budget (\$16.1 million), resulting in savings of \$438,000, of which \$318,000 was rebudgeted for activities continuing into 2025-2026.

Since the release of the 2001 Overtime Audit, information has been provided on the Fire Department's annual vacancy and absence rates, as well as their impact on overtime usage. Through 2011-2012, this information was reported to the Public Safety, Finance and Strategic Support (PSFSS) Committee. The Administration's recommendation to incorporate the Fire Department's annual vacancy and absence rates and their impact on overtime into the Annual Report was approved by the PSFSS Committee on March 21, 2013.

<sup>1</sup> Filled sworn positions and authorized sworn positions may vary due to vacancies or the approval of overstrength (temporary) positions. The Police Department has special authority under the City's Sworn Hire Ahead Program to overstaff sworn positions to get a head start on training recruits due to retirement and other separation.

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Overall, the average sworn vacancy rate of 5.97% through June 2025 is slightly lower than the 6.09% vacancy rate experienced this time last year and exceeds the budgeted rate of 2.5%. The Fire Department successfully hired 35 Firefighters through two academies held in 2024-2025: Firefighter Recruit Academy 24-03, completed in February 2025 with 18 graduates; Firefighter Recruit Academy 25-01 was completed by July 2025 with 17 graduates, all of whom are certified as Emergency Medical Technicians, with 23 additionally certified as Paramedics. Furthermore, the Fire Department is finalizing background checks and anticipates the start of Recruit Academy 26-01 in January 2026, which expects 25 recruits.

In accordance with the City Council's approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of June, of the 33 current authorized staffing level, the Fire Department had 33 sworn personnel on administrative assignments.

Overtime funding and relief staffing levels are reviewed annually to ensure they are appropriately measured, funded, and managed for sworn minimum staffing requirements. Understanding absence and vacancy rates is important as absence rates are a major personal services cost driver, and the associated impact on overtime requires close departmental management.

During 2024-2025, overtime was primarily used to backfill vacancies and absences of line duty positions (vacation, modified duty, sick, disability, and other absences) and for deployments. Mutual Aid and Strike Team resources were deployed to assist with five wildland fires across California. Reimbursements totaling \$3.3 million were received from the California Governor's Office of Emergency Services under the Fire Assistance Agreement for deployment activities. Additionally, the Federal Emergency Management Agency provided \$355,830 in reimbursements for Task Force 3 Trainings and Deployments. The Fire Department maintained 190 daily minimum line positions to staff all fire companies at 34 operating fire stations in 2024-2025. Daily absences and/or vacant positions are backfilled by available relief personnel, or off-duty personnel are called in to work (on overtime). Maintaining this daily minimum staffing level optimized operational effectiveness and was in conformance with the Memorandum of Agreement between the City of San José and International Association of Firefighters (IAFF), Local 230. Total absence hours of 354,992 in 2024-2025 increased by 4.71% from 339,009 in 2023-2024.

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#### Discussion of Significant Departmental Variances and Other Issues

##### *Mayor and City Council*

With total expenditures and encumbrances of \$14.9 million, the Mayor's Office, the City Council Offices, and Council General expended 75.4% of their total General Fund budgets of \$19.8 million, resulting in savings of \$4.9 million at year-end. Of the total savings, \$4.5 million was realized in the City Council Offices, \$363,000 was realized in the Mayor's Office, and \$33,000 was realized in Council General as outlined in the following table:

#### 2024-2025 Actual Expenditure Performance

	2024-2025 Modified Budget	2024-2025 Actuals	Variance
Council District 1	\$ 1,417,734	\$ 685,613	\$ 732,121
Council District 2	1,172,170	941,590	\$ 230,580
Council District 3	1,329,068	1,005,141	\$ 323,927
Council District 4	1,467,922	1,131,364	\$ 336,558
Council District 5	1,476,920	1,019,996	\$ 456,924
Council District 6	1,240,218	924,816	\$ 315,402
Council District 7	1,534,621	928,909	\$ 605,712
Council District 8	1,360,106	951,040	\$ 409,066
Council District 9	1,485,183	1,128,572	\$ 356,611
Council District 10	1,594,220	894,227	\$ 699,993
Mayor's Office	5,620,050	5,256,577	\$ 363,473
Council General	63,799	30,593	\$ 33,206
	<b>\$ 19,762,011</b>	<b>\$ 14,898,438</b>	<b>\$ 4,863,573</b>

In the 2025-2026 Adopted Budget, anticipated 2024-2025 savings of \$3.4 million (\$3.3 million in the City Council Offices and \$100,000 in the Mayor's Office) were rebudgeted. Actual year-end savings, however, exceeded these estimates. Based on year-end performance, additional rebudgets totaling \$1.5 million are recommended in this report.

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#### Highlights of Non-Departmental Expenditures and Variances

The non-departmental categories consist of City-Wide Expenses, Capital Contributions, Transfers, Earmarked Reserves, and Contingency Reserve. An overview of the expenditure performance in these categories is provided below:

**TABLE E**  
**2024-2025 NON-DEPARTMENTAL GENERAL FUND EXPENDITURES**  
(In \$000s)

Category	2024-2025 Modified Budget	2024-2025 Actual	Variance	% Variance
City-Wide Expenses	\$ 232,520,068	\$ 165,942,674	\$ (66,577,394)	(28.6%)
Capital Contributions	132,376,400	94,191,372	(38,185,028)	(28.8%)
Transfers	189,136,215	189,136,215	-	0.0%
Earmarked Reserves	206,628,136	-	(206,628,136)	(100.0%)
Contingency Reserve	53,000,000	-	(53,000,000)	(100.0%)
<b>TOTAL</b>	<b>\$ 813,660,819</b>	<b>\$ 449,270,261</b>	<b>\$ (364,390,558)</b>	<b>(44.8%)</b>

#### *City-Wide Expenses*

The City-Wide Expenses category consists of funding that is related to more than one department, is not directly associated with a department's ongoing operations, and significant grant-funded programs and projects. Expenditures and encumbrances in this category totaled \$165.9 million, or 71.4% of the 2024-2025 Modified Budget, resulting in savings of \$66.6 million. Of this amount, \$35.1 million was rebudgeted in the 2025-2026 Adopted Budget (including \$9.2 million that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$26.1 million are recommended in this report, leaving a balance of \$5.4 million. Savings of \$8.0 million was assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate; however, this savings was not realized due to higher than anticipated expenditures. The 2024-2025 City-Wide Expenses expenditures were \$68.4 million below the 2023-2024 expenditure level of \$234.3 million.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND EXPENDITURE PERFORMANCE

#### Highlights of Non-Departmental Expenditures and Variances

The major ongoing expenditures in the City-Wide Expenses category are detailed below.

- Total Workers' Compensation Claims payments of \$28.4 million ended the year \$194,000, or 0.7%, below the 2024-2025 Modified Budget of \$28.5 million. This spending level slightly increased from the 2023-2024 actuals of \$27.1 million. Workers' Compensation Claims appropriations for the Fire and Public Works Departments ended the year above budgeted levels at 100.2% and 104.1% expended, respectively. However, the remaining Workers' Compensation Claims appropriations for Police, PRNS, Other Departments, and Transportation ended the year within budgeted levels with modest savings (1.0%, 3.3%, 3.6%, and 11.0%, respectively). A separate action to ratify the Police and Fire Departments' Workers' Compensation Claims appropriations will be reviewed by the City Council as part of a future action to Adopt an Ordinance Ratifying Final Expenditures in Various Appropriations for 2024-2025.
- General Liability Claims payments of \$17.3 million were \$2.6 million below the 2024-2025 Modified Budget of \$19.8 million; however, expenditures were \$11.6 million above the 2023-2024 level of \$5.6 million. As part of the 2025-2026 Adopted Budget, \$900,000 was rebudgeted from 2024-2025 to 2025-2026 and an additional \$1.7 million is recommended to be rebudgeted as part of this report. If the actions in this report are approved, the 2025-2026 Modified Budget for General Liability Claims payments will total \$8.6 million.
- San José BEST and Safe Summer Initiative Programs expenditures of \$7.2 million were \$472,116, or 6.1%, below the 2024-2025 Modified Budget of \$7.7 million. In comparison, expenditures in 2023-2024 of \$6.7 million were \$1.1 million or 13.2% below the Modified Budget. The ongoing allocation for 2025-2026 is \$7.2 million.
- Expenditures for the Digital Inclusion Program of \$1.2 million ended the year \$1.6 million below the 2024-2025 Modified Budget, which is consistent with prior year expenditure levels of \$1.3 million. The entirety of the savings is recommended to be rebudgeted as part of this report. Additionally, as a result of a reconciliation of the program, this report also includes an action to decrease the appropriation by \$36,000. If both of the actions in this report are approved, the 2025-2026 Modified Budget for the Digital Inclusion Program would total \$2.2 million.
- Sick Leave Payments Upon Retirement expenditures of \$1.2 million ended the year \$2.1 million below the 2024-2025 Modified Budget of \$3.4 million. In comparison, expenditures in 2023-2024 of \$1.9 million were \$1.5 million below the 2023-2024 Modified Budget. The ongoing allocation for 2025-2026 is \$3.0 million.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND EXPENDITURE PERFORMANCE

#### Highlights of Non-Departmental Expenditures and Variances

##### *Capital Projects*

In 2024-2025, the General Fund provided funding totaling \$132.4 million for capital projects. Of this amount, approximately \$38.2 million was unexpended at year-end. The projects with the largest unexpended balances are summarized in the chart below.

<b>Capital Projects</b>	<b>Unexpended Funds (\$000s)</b>
Center for Performing Arts Chiller, Cooling Tower, and Boilers Replacement	\$6,846
Berryessa Supportive Parking	4,341
Fire Apparatus Replacement	4,099
911 Call Center Upgrades FF&E (PD)	3,655
Police Athletic League Stadium Turf Replacement	2,966
Interim Housing - Rue Ferrari Expansion	2,786
Fire Station 32 FF&E	2,258
Interim Housing - Via del Oro	1,660
Interim Housing - Cerone	1,305
San José Museum of Art Cooling Tower Replacement	1,040
All Other Projects	7,229
<b>Total Unexpended Capital Projects</b>	<b>38,185</b>

Capital project expenditures and encumbrances of \$94.2 million ended the year \$38.2 million below the budgeted level of \$132.4 million. Of this amount, \$33.2 million was rebudgeted in the 2025-2026 Adopted Budget (including \$600,000 that was offset by revenue sources); and additional rebudgets or technical clean-up adjustments of \$3.5 million are recommended in this report, leaving a balance of \$1.5 million. Savings of \$2.0 million were assumed in the development of the 2024-2025 Ending Fund Balance/2025-2026 Beginning Fund Balance estimate; however, these savings were not realized due to higher than anticipated expenditures. The 2024-2025 Capital Contributions expenditures were \$46.4 million above the 2023-2024 expenditure level of \$47.8 million.

##### *Transfers*

In the Transfers category, expenditures of \$189.1 million ended the year at budgeted levels.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND EXPENDITURE PERFORMANCE

#### Highlights of Non-Departmental Expenditures and Variances

##### *Reserves*

General Fund Reserve categories include Earmarked Reserves (\$206.6 million) and the Contingency Reserve (\$53.0 million), which totaled \$259.6 million as of June 30, 2025. The 2025-2026 Adopted Budget assumed that \$259.6 million would be available at year-end, with reserves either re-established in 2025-2026 or used as a funding source for the 2025-2026 Adopted Budget.

##### *Earmarked Reserves*

Earmarked Reserves totaled \$206.6 million on June 30, 2025, the largest of which were the: Revenue Loss Reserve (\$114.0 million); Budget Stabilization Reserve (\$28.0 million); Workers Compensation / General Liability Catastrophic Reserve (\$15.0 million); Community and Economic Recovery Reserve (\$11.5 million); Information Technology Sinking Fund Reserve (\$10.8 million); Salaries and Benefits Reserve (\$6.2 million); Google Community Benefits Reserve (\$4.8 million); Artificial Turf Capital Replacement Reserve (\$4.1 million); Google Parking Lots Option Payment Reserve (\$3.8 million); Code Enforcement Permit System Reserve (\$2.3 million); Berryessa Flea Market Vendor Business Transition Fund Reserve (\$1.9 million); and Customer Service Vision and Standards Staffing Reserve (\$1.1 million). Most of these Earmarked Reserves were either rebudgeted or used as a funding source for development of the 2025-2026 Adopted Budget.

##### *Contingency Reserve*

The City Council has established a budget policy of maintaining a minimum 3% Contingency Reserve in the General Fund. At the end of 2024-2025, the Contingency Reserve totaled \$53.0 million and remained unspent during the year. The full Contingency Reserve was rebudgeted during development of the 2025-2026 Adopted Budget, and as of this time, complies with Council Policy of maintaining a minimum 3% Contingency Reserve in the General Fund. It is important to note, however, that if this Contingency Reserve is ever needed, it is only sufficient to cover General Fund payroll expenditures for approximately two weeks in the event of an emergency.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND EXPENDITURE PERFORMANCE

#### Highlights of Non-Departmental Expenditures and Variances

2025-2026 reserve adjustments totaling a net increase of \$2.0 million are recommended in this report for the Multiple Housing Fee Program Reserve (\$900,000), Budget Stabilization Reserve (\$500,000), Artificial Turf Capital Replacement Reserve (\$420,536), City Attorney's Office Outside Litigation Reserve (\$250,000), and Code Enforcement Permit System Reserve (-\$80,000) to reconcile against 2024-2025 reserve balances or remaining program savings.

Recommended expenditure adjustments and clean-up actions can be found in *Section IV – Recommended Budget Adjustments and Clean-Up/Rebudget Actions* of this report. Adjustments are in the following categories: Required Technical/Rebalancing Actions, Grants/Reimbursements/Fees, and Urgent Fiscal/Program Needs as described in detail in the General Fund Recommended Budget Adjustments Summary. In addition, clean-up actions can also be found in this section with a detailed description of recommended actions found in the introduction of that section.