

GENERAL FUND REVENUE ESTIMATES

OVERVIEW

For 2015-2016, General Fund revenue estimates (excluding fund balance) total \$921.8 million, representing a 7.2% increase from the 2014-2015 Adopted Budget level. When Fund Balance-Carryover is included, General Fund resources total \$1.2 billion, which is 5.5% above the prior year.

Estimates for the 2015-2016 Beginning Fund Balance and for over 450 separate General Fund revenue accounts were formulated as part of the 2016-2020 Five-Year Forecast prepared in February 2015. These estimates have been reviewed continually since the Forecast document was released and have been revised, as appropriate, in this Adopted Budget based on more recent information. Estimates for each account are based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. Most estimates involve two projections: an estimate for the amount to be collected in 2014-2015, an estimate for the increase or decrease in activity, and receipts anticipated for 2015-2016. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The 2015-2016 General Fund revenue estimates are summarized below and discussed in detail in the material that follows.

Revenue Category	1 2013-2014 Actuals	2 2014-2015 Adopted	3 2015-2016 Forecast	4 2015-2016 Adopted	2 to 4 % Change	% of Total
Property Tax	223,644,896	233,973,240	253,210,000	255,210,000	9.1%	21.7%
Sales Tax	173,411,643	180,024,000	188,060,000	190,260,000	5.7%	16.2%
Transient Occupancy Tax	11,873,017	11,750,000	14,700,000	14,700,000	25.1%	1.3%
Franchise Fees	45,748,758	45,346,879	47,405,200	47,582,232	4.9%	4.1%
Utility Taxes	93,793,831	94,825,000	93,825,000	93,825,000	(1.1%)	8.0%
Telephone Tax	20,692,277	20,700,000	21,000,000	21,000,000	1.4%	1.8%
Business Taxes	45,478,124	43,700,000	44,425,000	44,425,000	1.7%	3.8%
Licenses and Permits	52,013,564	46,375,293	48,456,221	48,721,223	5.1%	4.1%
Fines, Forfeitures and Penalties	14,835,608	14,205,334	14,405,270	15,356,042	8.1%	1.3%
Rev. from Money and Property	3,472,854	2,847,000	3,316,999	3,414,999	20.0%	0.3%
Rev. from Local Agencies	46,687,157	22,612,276	22,857,075	23,909,616	5.7%	2.0%
Rev. from State Government	11,931,668	11,194,473	10,576,365	11,370,763	1.6%	1.0%
Rev. from State Govt-Recovery Act	1,178	-	-	-	0.0%	0.0%
Rev. from Federal Government	13,477,021	4,170,953	952,110	9,083,802	117.8%	0.8%
Rev. from Fed Govt-Recovery Act	19,929	-	-	-	0.0%	0.0%
Departmental Charges	41,682,729	39,163,435	40,099,203	40,923,558	4.5%	3.5%
Other Revenue	137,402,203	15,161,073	13,904,253	26,259,638	73.2%	2.2%
Transfers and Reimbursements	71,843,458	73,914,067	73,842,080	75,763,879	2.5%	6.5%
Subtotal	1,008,009,915	859,963,023	891,034,776	921,805,752	7.2%	78.6%
Fund Balance-Carryover (1)	-	253,067,514	62,732,717	252,826,392	(0.1%)	21.4%
Total General Fund Sources	1,008,009,915	1,113,030,537	953,767,493	1,174,632,144	5.5%	100.0%

(1) The Fund Balance figure does not include the Reserve for Encumbrances.

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Economic Performance

The 2015-2016 revenue estimates were built on the assumption that the economy would continue to experience growth, which will positively impact the City's economic performance.

The following is a discussion of both the national and local economic outlooks used to develop the 2015-2016 revenue estimates. Various economic forecasts are reviewed in the development of the revenue estimates, including the national and State economic forecasts produced by the Anderson School of Management at University of California – Los Angeles (UCLA). The City also uses an economic forecasting consultant to assist in the development of this Forecast, particularly the modeling of the growth in the out years of the Forecast. In addition, consultants that focus on particular revenue categories such as Sales Tax and Transient Occupancy Tax were asked to weigh in on the current projections and future outlooks in these areas.

National Outlook

Moderate economic growth appears likely for the next several years, driven by growth across most sectors of the economy, combined with increased business spending and an end to the decline in federal, State, and local government spending, according to the December 2014 UCLA Anderson Business School Forecast.

A modest rate of inflation is a key driver for business and consumer demand, and for future property and sales taxes. The Federal Reserve Board targets a core annual inflation rate of 2% and continues to signal that it will begin to gradually raise interest rates in 2015, returning monetary policy to a more neutral position. The Consumer Price Index (CPI) increased 2.3% from June 2014 to June 2015². This low rate is especially notable given the extraordinary efforts the Federal Reserve has undertaken to inject money into the economy. Factors holding inflation down include both strong downward pressure on prices coming from the U.S. energy sector, and wages, which have either remained flat or decreased across most income classifications.

Forces that would work to push prices up include the Federal Reserve itself, which is determined – and has the ability – not to let prices fall; increases in the minimum wage that may be undertaken nationally or across multiple states; and California's drought that will likely continue to impact agricultural prices across the nation. The UCLA Anderson Business School Forecast anticipates that inflation will modestly increase in future years, and thereby contribute to economic growth.

² U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index News Release, July 17, 2015

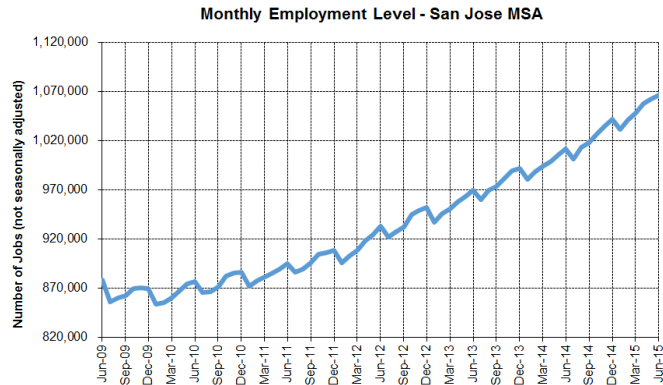
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Economic Performance

City of San José Outlook

The majority of economic indicators continue to show improvement from the same period a year ago. The June 2015 employment level in the San José, Sunnyvale, Santa Clara Metropolitan Statistical Area (MSA) of 1.02 million was 5.3% above the June 2014 level of 969,000. The number of jobs in the San José – Sunnyvale – Santa Clara MSA is at historically high levels.



Unemployment Rate (Unadjusted)

	June 2014	May 2015	June 2015
San José Metropolitan Statistical Area*	5.3%	4.0%	4.1%
State of California	7.4%	6.2%	6.2%
United States	6.3%	5.3%	5.5%

* San Benito and Santa Clara Counties
Source: California Employment Development Department

The unemployment rate in the San José metropolitan area continued to improve in 2014-2015, dropping from 5.3% in June 2014 to 4.1% in June 2015. These rates remain well below the double digit levels that had been experienced in recent years. The June 2015 unemployment rate in this region is less than the unadjusted rate for the State (6.2%) and the nation (5.5%).

Construction activity was moderate in 2014-2015, with total fiscal year end valuation of \$1.3 billion, a 22% decrease from the prior year of \$1.7 billion but still well above the 2012-2013 level of \$1.0 billion. The 3,241 permits for new residential units issued through June 2015 was below the prior year level of 4,724 by 31.4%. Residential valuation of \$580.9 million in 2014-2015 was significantly lower than the 2013-2014 level of \$835.6 million. Commercial valuation of \$380.0 million was lower than the prior year level of \$398.5 million, and industrial activity of \$359.9 million also fell below last year's level of \$457.4 million. Major projects contributing to the tax receipts in 2014-2015 were Westfield Valley Fair Parking Garage, Century Center Towers, Lexington Luxury Apartments, and a new office building at Santana Row. Overall, this construction activity drives the revenue collection in several construction tax categories and is an indicator of future activity for categories such as storm and sanitary sewer system fees.

Private Sector Construction Activity (Valuation in \$ Millions)			
	YTD Jun. 2014	YTD Jun. 2015	% Chng
Residential	\$ 835.6	\$ 580.9	-30.5%
Commercial	\$ 398.5	\$ 380.0	-4.7%
Industrial	\$ 457.4	\$ 359.9	-21.3%

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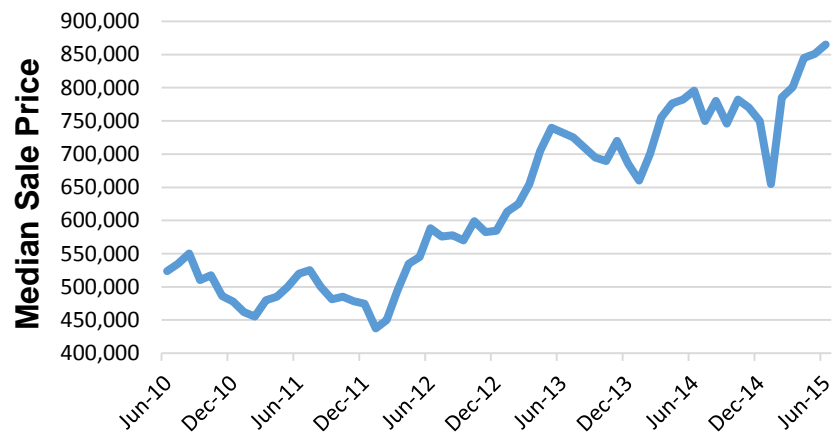
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Economic Performance

The housing market also continued to improve in 2014-2015. The median price for single family homes increased in value, with a median home price in June 2015 of \$865,000, up 8.8% from the June 2014 price of \$795,400. In addition, the amount of time it takes to sell a home (single-family and multi-family dwelling units) has decreased in the past year from 20 days in June 2014 to 17 days in June 2015, a 15.0% decrease. The June 2015 figure reflects the fewest days on market since June 2005. The number of home sales (single-family and multi-family dwelling units), has also increased over the past year (2.1%) from 7,824 sales in 2013-2014 to 7,992 sales in 2014-2015, but is still below the 2012-2013 level of 8,091 sales.

Solid economic performance is expected to continue in 2015-2016. Due to this outlook, the economically sensitive revenues, such as Sales Tax and Property Tax receipts, are expected to experience moderate growth over the forecast period.

Median Price - Single Family Homes



Non-Economically Sensitive Revenue Drivers

The economic conditions discussed above are the primary drivers for the economically sensitive revenues, with the most significant impacts in the Sales Tax and Property Tax categories. However, performance in other areas is primarily driven by other factors. For example, the Utility Tax and Franchise Fees categories are more heavily impacted by utility rate changes, energy prices, and consumption levels. Collections from local, State, and federal agencies are primarily driven by the grant and reimbursement funding available from these agencies. As a result, these General Fund revenues experience no significant net gain or loss in times of an economic expansion or slowdown, respectively. Because these revenue sources do not track directly with the performance of the economy, the growth in these areas, even in times of economic strength, can dampen the City's overall revenue growth. Conversely, in an economic slowdown, these categories can act as a buffer, easing the impact of declines in the economically sensitive revenue categories.

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Revised General Fund Forecast

Between the issuance of the February Forecast in February 2015 and the adoption of the budget in June 2015, staff continued to review and update the estimated revenue collections for 2015-2016. Based on this analysis, a number of the revenue estimates presented in the February Forecast were revised in this budget to reflect more recent information. The net result of these revisions is an upward adjustment of \$1.4 million to the Forecast from \$952.4 million to \$953.8 million.

Following is a summary table and descriptions of the changes incorporated into the Revised Forecast that was used as the starting point in preparing the 2015-2016 Adopted Budget.

2015-2016 Revised Forecast Changes

<u>Category</u>	<u>\$ Change</u>
Departmental Charges	\$ 1,017,267
Transient Occupancy Tax	725,000
Beginning Fund Balance	481,399
Business Taxes	425,000
Franchise Fees	200,000
Telephone Tax	200,000
Transfers and Reimbursements	220,863
Other Revenue	40,000
Sales Taxes	(1,135,000)
Licenses and Permits	(572,298)
Utility Tax	(161,000)
Fines, Forfeiture and Penalties	(30,330)
Total	\$ 1,410,901

A brief discussion of these changes follows.

Departmental Charges

- An increase of \$1.0 million to the Parks, Recreation and Neighborhood Services Departmental Charges aligns revenues with estimated activity levels. The increase primarily reflects a net increase of \$975,000 in the fee activity program revenues, which now includes concession (\$20,000) and surcharge revenues (\$115,000) in addition to the increase of \$840,000 in fee activity. Additional adjustments include: a \$167,000 increase in Happy Hollow Park and Zoo revenues; a \$19,000 increase in facility rental activities; a \$5,000 increase in gym and fitness memberships; a \$5,000 increase in Lake Cunningham Skate Park revenues; and a \$4,000 increase in park permits partially offset by a \$15,000 decrease in Family Camp reservations revenue, and the reduction and reallocation of concession revenues (\$20,000) and surcharge revenues (\$133,500). These actions were partially offset by increases in base costs to deliver these programs and fee activities.

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Revised General Fund Forecast

Departmental Charges (Cont'd.)

- An increase of \$20,000 in the Public Works Development Fee Program to ensure revenues and expenditures for the program align and reflect 100% cost recovery levels.
- A \$9,500 decrease reflects the realignment of revenues for the Animal Care and Services various departmental fees and charges, such as spay and neuter program, board and impound fees, and home quarantine fees with base activity levels.

Transient Occupancy Tax

- An increase of \$725,000 to the estimate for Transient Occupancy Tax (\$14.0 million to \$14.7 million) based on the current strong collection trend experienced in 2014-2015, and a 5% growth assumption for 2015-2016. A corresponding increase in the Cultural Facilities Capital Maintenance Reserve is included in the General Fund Capital, Transfers, and Reserves section of this document as directed in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council.

Beginning Fund Balance

- An increase of \$481,000 to the Beginning Fund Balance assumes a partial liquidation of the Fire Development Fee Program Reserve. With the \$481,000 decrease in the Fire Development Fee Program 2015-2016 revenue estimate, the liquidation of the reserve is necessary to ensure the cost recovery fee program remains balanced.

Business Taxes

- An increase of \$425,000 to the estimate for Disposal Facility Tax (\$11.5 million to \$11.9 million) based on the collection trend experienced in 2014-2015, which has seen increased activity from neighboring agencies dumping in San José landfills, consistent with 2013-2014 actual collections.

Franchise Fees

- An increase of \$200,000 (\$9.7 million to \$9.9 million) in Cable Franchise Fees based on 2014-2015 collection trends. A corresponding adjustment to the Public, Educational, and Government (PEG) Access Funds is described in the Other Funds section and City-Wide Expenses section of this document.

Telephone Line Tax

- An increase of \$200,000 (\$20.8 million to \$21.0 million) based on 2014-2015 collection trends.

Transfers and Reimbursements

- An increase of \$314,000 to the reimbursement from the Airport Maintenance and Operation Fund for police services to adjust for additional overtime hours than assumed in the 2016-2020 Five-Year General Fund Forecast. This increase is offset by a corresponding increase in the Police Department General Fund overtime funding.

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Revised General Fund Forecast

Transfers and Reimbursements (Cont'd.)

- An increase of \$34,000 in the reimbursement for Deferred Compensation to adjust for an error in the 2016-2020 Five-Year General Fund Forecast and align reimbursement levels with base costs.
- An increase of \$23,000 to the transfer from the Convention and Cultural Affairs Fund to adjust for revisions in base personal services costs in the Office of Economic Development to more accurately align funding sources of staffing.
- A net decrease of \$149,000 to reflect updated overhead reimbursements from capital funds (\$80,000) and operating funds (\$69,000) based on final 2015-2016 base expenditures and final 2015-2016 overhead rates as provided by the Finance Department.

Other Revenue

- An increase of \$40,000 to reflect the increase in the Public, Educational, and Government (PEG) Access funds, which are based on the collection levels of Cable Franchise Fees as discussed above. Therefore, this increase reflects the higher collection levels anticipated in 2015-2016 based on current collection trends. This increase is offset by a corresponding increase in the City-Wide Expenses section, Public, Educational, and Government (PEG) Access Facilities – Capital, and Government Access - Capital Expenditures allocations.

Sales Tax

- A decrease of \$1.1 million to the General Sales Tax revenue estimate (\$183.0 million to \$181.9 million) to reflect lower than anticipated collections for the second quarter of 2014-2015 (2.4% growth compared to estimated 4.0% growth) and the ongoing implications of reducing the remaining two quarters of 2014-2015 growth from 4.0% to 3.5% to reflect this lower trend.

Licenses and Permits

- A \$91,000 increase reflects the realignment of revenues for the Animal Care and Services licensing and permits with base activity levels.
- A decrease of \$481,000 to the Fire Permits revenue estimate (development-related revenues down from \$6.9 million to \$6.4 million) to reflect the anticipated 2015-2016 collection and activity levels. This action was offset by a corresponding increase in the estimate for Beginning Fund Balance to reflect the anticipated liquidation of a portion of the Fire Development Fee Program Reserve to remain 100% cost recovery.
- A decrease of \$182,000 in revenue to reflect a revised calculation for the Medical Marijuana Annual Operating Fee.

Utility Tax

- A net decrease of \$161,000 (\$94.0 million to \$93.8 million) reflecting decreases to the estimates for Electricity Utility Taxes (\$250,000, from \$44.0 million to \$43.8 million), and Water Utility Taxes (\$100,000, from \$11.7 million to \$11.6 million), partially offset by an increase to the estimate

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Revised General Fund Forecast

Utility Tax (Cont'd.)

for Telephone Utility Taxes (\$189,000, from \$29.4 million to \$29.6 million) based on 2014-2015 collection trends.

Fines, Forfeitures and Penalties

- A \$25,000 increase in administrative remedies for Code Enforcement activities reflect revised base activity levels which have shown an increased focus on collections.
- A \$55,000 decrease reflects the realignment of revenues for the Animal Control Services field and license citations with base activity levels.

Changes from Forecast to Adopted Budget

From the Revised Forecast of \$953.8 million, a net increase of \$220.9 million to the General Fund revenue estimates was approved, bringing the 2015-2016 Adopted Budget revenue estimate to \$1.2 billion. The components of this increase include an increase to the estimate for 2014-2015 Ending Fund Balance/2015-2016 Beginning Fund Balance (\$190.1 million) and an increase to various revenue categories (\$30.8 million). These changes are summarized in the following table:

2015-2016 Adopted Budget Changes

<u>Category</u>	<u>\$ Change</u>
Beginning Fund Balance	\$ 190,093,675
Other Revenue	12,355,385
Revenue from the Federal Government	8,131,692
Sales Tax	2,200,000
Property Tax	2,000,000
Transfers and Reimbursements	1,921,799
Revenue from Local Agencies	1,052,541
Fines, Forfeitures and Penalties	950,772
Departmental Charges	824,355
Revenue from State Government	794,398
Licenses and Permits	265,002
Franchise Fees	177,032
Revenue from the Use of Money/Property	98,000
Total	\$ 220,864,651

Beginning Fund Balance

An increase of \$190.1 million from the Revised Forecast is included bringing the 2015-2016 Beginning Fund Balance from \$62.7 million to \$252.8 million. This increase primarily reflects the rebudget of funds for expenditure-related items and unexpended reserves in the amount of \$159.7 million which

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Changes from Forecast to Adopted Budget

Beginning Fund Balance

were brought to City Council at the end of the budget process. Of this amount, \$300,000 was rebudgeted from the Mayor and Council Offices for other purposes including: Council District 4 rebudget for Alviso Park Masterplan (\$100,000), Mayor's Office rebudget for Police Memorial (\$75,000), Council District 10 rebudget for Almaden Lake Park (\$60,000), Mayor's Office rebudget for Alviso Park Master Plan (\$20,000), Council District 5 rebudget for District 5 Enhanced Beautification Days (\$18,000), Mayor's Office rebudget for Positive Coaching Alliance (\$15,000), and Mayor's Office rebudget for Youth Commission (\$12,000). The remaining change of \$30.4 million includes:

- Liquidation of various reserves including \$7.0 million Police Department/Operating Staffing Reserve, \$5.0 million Police Department Overtime Reserve, \$3.0 million Police Sworn Hire Ahead Reserve, \$2.5 million Development Fee Program Reserves, \$2.4 million 2015-2016 Future Deficit Reserve, \$2.0 million 2015-2016 Homeless Rapid Rehousing Reserve, \$1.5 million 2015-2016 Homeless Response Team, \$1.5 million 2015-2016 San José BEST and Safe Summer Initiative Programs Reserve, \$1.1 million Cultural Facilities Capital Maintenance Reserve, \$1.0 million City Annual Required Contribution Reserve, \$413,000 General Plan Update Reserve, \$275,000 2015-2016 Children's Health Initiative Reserve, \$250,000 Fuel Usage Reserve, \$120,000 2015-2016 Evergreen Branch Library Saturday Hour Reserve, and \$100,000 2015-2016 Community Action Pride Grants Reserve.
- Additional anticipated fund balance of \$2.3 million primarily from increased expectations for additional revenue in 2014-2015 that will be available for use in 2015-2016. Additional funds are primarily due to \$1.5 million owed to the City from the County for the Paramedic Program, from April 2013 through 2014-2015, excluding two payments authorized by the County Board of Supervisors paid to the City by Rural Metro, for Annex B, Category A – EMS Resource Management funding. These funds will be received in 2014-2015 and therefore are recognized as additional 2015-2016 Beginning Fund Balance. In addition, both excess revenues and expenditure savings of \$530,000 associated with the Solid Waste Fee Program, and expenditure savings of \$63,000 associated with the Office of Emergency Services City-Wide Expenses appropriation are anticipated.

Other Revenue

- An increase of \$11.9 million reflects the rebudget of grants and reimbursements from 2014-2015 to 2015-2016:
 - Rebudgeted funds consist of the following: Energy and Utility Conservation Measures Program (\$7.8 million); Airport West Property Caltrain Connection (\$3.5 million); Silicon Valley Energy Watch 2015 (\$283,000); and Cultural Affairs Special Project (\$273,000).

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Changes from Forecast to Adopted Budget

- An increase of \$500,000 to the estimate for Sidewalk Repairs reflects the anticipated increase in reimbursements from property owners for contractual sidewalk repairs performed by the City on behalf of the property owners as a result of the expanded Sidewalk Repair Program. This increase in revenue is offset by a corresponding expenditure increase in the City-Wide Expenses allocation for this purpose.

Other Revenue

- An increase of \$20,000 for the estimated reimbursement for the Cultural Affairs Special Project to provide public art project management services to Mel Chin Studios as approved by the City Council on March 17, 2015.
- An increase of \$15,000 for the estimated reimbursement from Christmas in the Park Foundation. Part-time City staff hours are needed to transport props to and from the City warehouse. Incurred costs are fully reimbursed by the Christmas in the Park Foundation.
- An increase of \$15,000 for Department of Transportation new subdivision traffic control signs and pavement markings revenues to reflect fee adjustments to maintain cost recovery levels.

Revenue from the Federal Government

- An increase of \$4.6 million reflects the rebudget of grants from 2014-2015 to 2015-2016 (\$4.0 million) as well as the recognition of new grant funding for 2015-2016 (\$607,000):
 - Rebudgeted funds consist of the following: United States Patent and Trademark Office (\$3.0 million); 2013 Encourage Arrest Policies and Enforcement of Protection Orders Program Grant (\$267,000); Internet Crimes Against Children Federal Grant 2014-2015 (\$176,000); Cultural Affairs Special Project (\$150,000); Clean Creeks Health Communities (\$142,000); Urban Areas Security Initiative Grant – Fire 2014 (\$112,000); Urban Areas Security Initiative Grant – Police 2014 (\$64,000); OJJDP Community – Based Violence Prevention Demonstration Program Grant (\$44,000); National Forum Capacity – Building Grant OJJDP 2012-2015 (\$11,000); and Human Trafficking Prevent Grant 2011 (\$6,800).
 - New grants and reimbursements for the following: 2013 Encourage Arrest Policies and Enforcement of protection orders Program Grant (\$290,000); Northern California Regional Intelligence Center SUASI – Police (\$212,000); Urban Areas Security Initiative Grant – Police (\$60,000); and Summer Youth Nutrition Program (\$45,000).
- A one-time increase of \$3.4 million reflects the reimbursement from the federal government for the completion of tenant improvements for the United States Patent and Trademark Office. This is offset by an increase in the United States Patent and Trademark Office – Tenant Improvements capital budget allocation.
- A one-time increase of \$118,500 associated with the 2014 Urban Areas Security Initiative – Fire recognizes additional funding in order to partially fund 1.0 Senior Analyst position that will continue to support the Office of Emergency Services (OES).

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Changes from Forecast to Adopted Budget

Sales Tax

- A one-time increase of \$2.2 million to the General Sales Tax category recognizes the anticipated one-time Sales Tax Triple Flip true-up payment anticipated for 2015-2016. Collection levels in 2015-2016 are expected to be higher than those assumed by the State Board of Equalization in the determination of the 2015-2016 triple-flip payment. The one-time true-up payment will be received in 2015-2016.

Property Tax

- A one-time adjustment of \$2.0 million to reflect excess Education Revenue Fund (ERAF) funds. Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State's General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder is to be returned to the taxing entities that contributed to it. In 2013-2014, the City received over \$200,000 from excess ERAF funds in 2012-2013 (funding is received in the following fiscal year). In May 2015, the County of Santa Clara notified the City regarding the distribution of additional 2014-2015 ERAF funds that would be received in 2015-2016.

Transfers and Reimbursements

- A one-time transfer of \$940,000 from various special and capital funds for the HR/Payroll/Budget Systems upgrades. The partial reimbursement from the development fee programs and the various special and capital funds allows the distribution of costs across all of the funds that will benefit from these systems. Previously, the cost of the existing Human Resources/Payroll Upgrade project was spread among the City's various funds. The new Budget System project, however, had been budgeted in the General Fund only. The approved reimbursements will distribute the costs to the other funds for the existing Budget Systems project as well as the cost increase for the combined Human Resources/Payroll/Budget Systems Upgrade project budgeted in 2015-2016, as described in the City-Wide Expenses section of this document.
- A net increase of \$881,000 (\$924,000 ongoing) in anticipated overhead reimbursements to reflect the impact of various budget actions in the 2015-2016 Budget that change the staffing levels funded by special and capital funds.
- A one-time transfer of \$100,000 from the General Purpose Parking Fund to expand the City's support of the San José Downtown Association for additional Downtown activation efforts including but not limited to keeping Downtown Ice open through Super Bowl 50, and preparing local restaurants and retailers to maximize this opportunity.

Revenue from Local Agencies

- An increase of \$427,000 reflects the rebudget of the following grants from 2014-2015 to 2015-2016:
 - BART Public Art Design (\$179,000); Cultural Affairs Special Project (\$124,000); Valley Transit Authority Bus Rapid Transit Enhancement Project (\$94,000); and Senior Education and outreach Grant (\$30,000).

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Changes from Forecast to Adopted Budget

Revenue from Local Agencies (Cont'd.)

- A one-time increase of \$175,000 reflects funding from the Santa Clara Valley Water District to fund 2.0 Park Rangers for the Homeless Response Team.
- A one-time increase of \$450,000 reflects the anticipated payment from the County of Santa Clara for the Fire Paramedic Program – EMS Resource Management. In the second amendment to the 9-1-1 Emergency Medical Services Provider Agreement between the City of San José and the County of Santa Clara (approved by the City Council and the County Board of Supervisors in December 2014), the County agreed to pay the City for Category A – EMS Resource Management funding through the end of the term (December 2015) of this new agreement.

Fines, Forfeitures and Penalties

- An increase of \$925,000 in parking citations revenue reflects increases to approximately 26 parking citation fines by an amount between \$5 and \$10, with the exception of the fines for parking in disabled and crosshatch spaces, which will increase by \$100 (\$310 to \$410). All parking fines were last adjusted in 2011 between \$2 and \$22.
- An increase of \$26,000 in blight penalty and interest revenue, which partially offsets a corresponding addition of 1.0 Investigator Collector I and associated non-personal/equipment funding to facilitate more timely collection of delinquent accounts receivables (additional revenue reflected in the Use of Money and Property category will also partially offset this position cost).

Departmental Charges

- An increase of \$494,000 to the Transportation Department fees and charges to reflect various fee revisions and maintain cost recovery levels. This primarily reflects an increase of \$304,000 in the Sidewalk Admin Fee charges and is offset by the addition of 2.0 Associate Construction Inspector positions to address an increasing sidewalk repair workload due to higher service requests. Additional fees are adjusted to better align revenues with current costs, the largest of which are various increases to Signal Design/Review (\$141,000).
- An increase of \$265,000 (\$582,000 ongoing) to the Parks, Recreation and Neighborhood Services Departmental Charges estimate reflects the following: increased rentals revenue at the 54 community centers (\$81,000); new parking revenues collected at Kelley Park as the result of re-opening the K4 parking lot (\$53,000); revenue associated with two animal exhibits, acquisition of new animals, and a new ride expected to come online in 2015 at Happy Hollow Park and Zoo (\$52,000); new park permit revenues resulting from the amendment to the Community Special Events Ordinance adopted on June 17, 2014, whereby permits can now be issued to for-profit events (\$41,000); revenue associated with expanding programming efforts at Alum Rock Park by offering leisure and outdoor recreation classes year round (\$30,000); and increased activity at the Lake Cunningham Skate Park (\$8,000).

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Changes from Forecast to Adopted Budget

Departmental Charges (Cont'd.)

- An increase of \$262,000 to the Library Department fines reflecting both the expansion of services to six days a week as well as the opening of the new Village Square Branch Library (\$285,000 ongoing).
- An increase of \$47,000 reflects additional revenues from Animal Care and Services to reflect increases in various fees and charges.
- An increase of \$24,000 reflects approved changes to the Abandoned Cart Program Fee, increasing the fee from \$345 per year to \$490 per year, consistent with a five-year phased approach to bringing this program to 100% cost-recovery levels.
- An increase of \$22,000 to the Police Department fees and charges to reflect various fee revisions.

Departmental Charges

- An increase in the Public Works Development Fee Program revenue estimate of \$15,000 to reflect adjustments to special use permits.
- An increase of \$8,000 in City Clerk's Lobbyist registration fees to improve cost recovery levels from 73% to 85.8%, consistent with a current three year phased approach to bring this program to 100% cost recovery levels.
- A decrease of \$313,000 adjusts the Solid Waste Enforcement Fee down to maintain 100% cost recovery levels; a 6.9% reduction from \$1.16 per ton to \$1.08 per ton.

Revenue from State Government

- An increase of \$794,000 reflects the rebudget of grants from 2014-2015 to 2015-2016 (\$673,000) as well as the recognition of new grant funding for 2015-2016 (\$121,000).
 - Rebudgeted funds consist of the following: 2015 California Gang Reduction, Intervention and Prevention (CALGRIP) Grant (\$278,000); Envision San José 2040 General Plan Implementation (\$186,000); Selective Traffic Enforcement Program 2014-2015 (\$135,000); and Mobile ID Phase IV (\$74,000).
 - New grants and reimbursements for the following: Selective Traffic Enforcement Program 2014-2015 (\$87,000) and 2013-2014 Northern California High Intensity Drug Trafficking Area (\$34,000).

Licenses and Permits

- An increase of \$312,000 to adjust various Code fees to bring them to 100% cost recovery. This is primarily due to an increase of \$369,000 in the Multiple Housing Program, which allows for the addition of 1.0 Staff Technician to address a high volume of customer inquiries as a result of the newly implemented Multiple Housing risk-based and tiered program with self-certification. The increase is partially offset by a decrease of \$69,000 in the Tobacco Retailer licenses and permits, which reflects the elimination of a net 0.75 Code Enforcement Inspector costs from the calculation of the Tobacco Retailer License Fees as a result of the decreased activity level.

GENERAL FUND REVENUE ESTIMATES

OVERVIEW

Changes from Forecast to Adopted Budget

Licenses and Permits (Cont'd.)

- An increase of \$83,000 reflects an increase to the Fire non-development fee program fees of 2% to appropriately align fees to maintain cost recovery levels.
- An increase of \$8,000 in Animal Care and Services Category I miscellaneous permits to reflect increases in various permits.
- An increase of \$5,000 to adjust the Transportation Department Taxi Stand fees to maintain cost recovery levels.
- A decrease of \$65,000 to adjust various Police Department permits to reflect various fee revisions and maintain cost recovery levels.
- A decrease of \$64,000 in revenue for the Medical Marijuana Annual Operating Fee due to a decrease in anticipated number of collectives, from 30 for the 2015-2016 General Fund Forecast to 20 for the 2015-2016 Adopted Operating Budget.
- A decrease of \$13,500 in revenue for the Medical Marijuana Renewal Registration Processing Fee due to a decrease in the anticipated number of collectives, from 30 for the 2015-2016 General Fund Forecast to 20 for the 2015-2016 Adopted Operating Budget.

Franchise Fees

- An ongoing increase of \$100,000 to reflect higher projected Commercial Solid Waste Franchise Fees.
- An increase of \$77,000 reflects an increase in the Commercial Solid Waste (CSW) fees by 0.69% based on the projected change in the consumer price index (CPI). In October 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is \$5.0 million per year for each of the two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and South District. The revised structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years.

Revenue from the Use of Money/Property

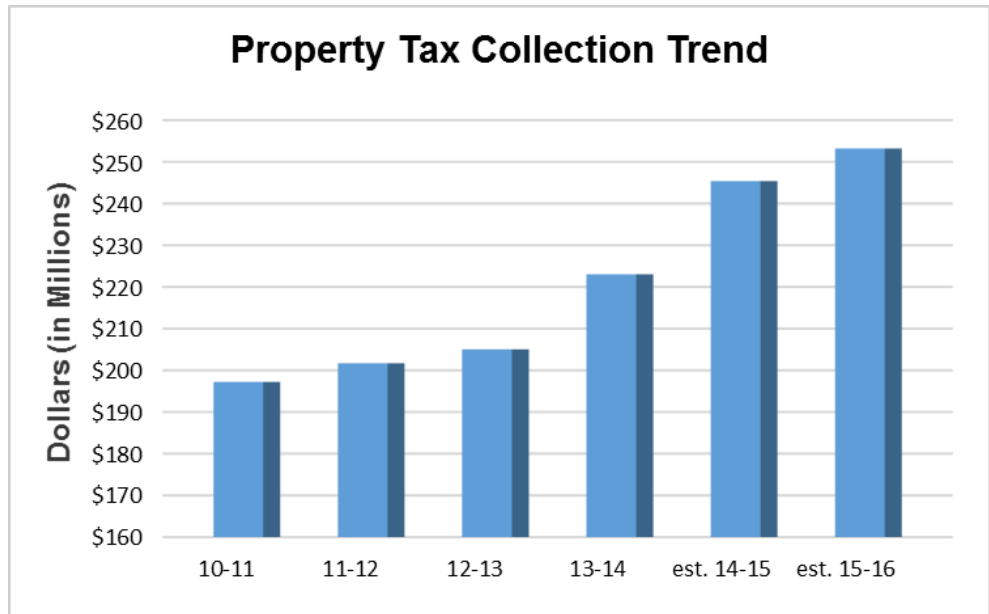
- An increase of \$50,000 in subrogation revenue, which partially offsets a corresponding addition of 1.0 Investigator Collector I and associated non-personal/equipment funding to facilitate more timely collection of delinquent accounts receivables (additional revenue reflected in the Fines, Forfeitures, and Penalties category will also partially offset this position cost).
- A one-time increase of \$48,000 reflects the lease of the City's suite at SAP Center (formerly HP Pavilion) at San José for eight San José Sharks home games in 2015-2016. This increase is offset by a corresponding increase to the City-Wide Expenses Arena Authority budget in the 2015-2016 Operating Budget.

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX	
2013-2014 Actual	\$ 223,644,896
2014-2015 Adopted	\$ 233,973,240
2015-2016 Forecast	\$ 253,210,000
2015-2016 Adopted	\$255,210,000
% of General Fund	21.7 %
% Change from 2014-2015 Adopted	9.1 %

Major Categories:

- Current Secured Property Tax
- Current and Prior Unsecured Property Tax
- Current SB 813 Property Tax (retroactive collections for reassessments of value due to property resale)
- Aircraft Property Tax
- Homeowner’s Property Tax Relief Exemption



Revenue Estimates

Property Tax receipts of \$245.4 million are projected for 2014-2015, which represents 9.7% growth from the

prior year. This projected increase is consistent with the strong growth seen in 2013-2014 (9.1%) and continue to be above levels seen in 2011-2012 and 2012-2013 respectively, where actual Property Tax receipts were up 2.3% and 1.6% year-over-year for the, first time since 2008-2009. Growth is reflected in all categories with a minor decline in Homeowner’s Property Tax Relief. However, it should be noted that there are one-time monies in this estimate of approximately \$6 million as discussed below.

The County of Santa Clara provided information about an anticipated one-time payment to the City as a result of excess Educational Revenue Augmentation Fund (ERAF). Beginning in 1992, agencies have been required to reallocate a portion of property tax receipts to the ERAF, which offsets the State’s General Fund contributions to school districts under Proposition 98. However, once there are sufficient funds in ERAF to fulfill obligations, the remainder will be returned to the taxing entities that contributed to it. In 2013-2014, the City received over \$200,000 from excess funds in 2012-2013. The County of Santa Clara is preliminarily anticipating over \$56 million in excess ERAF to be received

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Revenue Estimates

in 2014-2015 countywide for 2013-2014. It is anticipated that the City will receive approximately \$6 million, which has been accounted for in the development of estimates for 2014-2015 Ending Fund Balance/2015-2016 Beginning Fund Balance. In 2015-2016, an additional \$2.0 million of ERAF funds is included and reflects the anticipated amount to be distributed in 2015-2016.

In 2015-2016, Property Tax receipts are estimated at \$255.2 million, which reflects growth of 3.2% over the estimated 2014-2015 collections. However, excluding the ERAF payments in both years, the adjusted growth in 2015-2016 is projected at 5.7%. The 2015-2016 projection reflects continued growth, but at a slightly more moderate pace, as well as a 1.998% California Consumer Price Index (CCPI) increase that will be assessed in the Secured Property Tax category.

Secured Property Tax

Secured Property Taxes account for over 90% of the revenues in this category. In 2014-2015, Secured Property Tax receipts are expected to total \$224.8 million, reflecting an increase of 10.7% from the 2013-2014 collection level. The projected increase can be attributed to an increase of 7.4% in the assessed value for 2014-2015, which reflects both the net increase in residential and commercial valuation resulting from the full or partial restoration of property values that were temporarily reassessed downwards under Proposition 8 due to the declining market value and the change in the CCPI of 0.45%. In addition to the growth in assessed value, a one-time payment of \$6 million is anticipated in 2014-2015 as a result of excess ERAF funds.

In 2015-2016, Secured Property Tax receipts, which will be based on real estate activity through January 1, 2015, are expected to increase by 3.1% to \$231.7 million. This figure also includes the \$2.0 million ERAF payment anticipated to be received in 2015-2016. Excluding the one-time ERAF payments anticipated in 2014-2015 and 2015-2016 as discussed above, the year-over-year growth rate is approximately 6.0%. This projected increase is related to two factors: the change in the CCPI and the net change in residential and commercial valuation. Under Proposition 13, assessed values of all real property adjust with the CCPI, with a 2% limit, unless there is a change in ownership, new construction, or a property has received a Proposition 8 adjustment. The CCPI adjustment for the 2015-2016 tax roll is an increase of 1.998%, significantly above the prior year level of 0.45% and nearly at the cap of 2%.

A net increase in residential and commercial valuation is also anticipated from the combination of changes in ownership, new construction, and the continued partial or full restoration of property values that had previously been reassessed downward under Proposition 8 due to declining home values. All properties that have received a reduction under Proposition 8 do not automatically receive the CCPI adjustment as these properties are assessed annually and adjusted upward or downward depending on the changes to property values. Proposition 8 partial or full restorations have been a significant driver of the strong growth in both 2013-2014 and 2014-2015. On a countywide basis, the 2014-2015 roll growth was driven primarily by changes in ownership (42.9%) and Proposition 8 adjustments (33.4%). In San José, the number of properties receiving Proposition 8 adjustments has dropped significantly from 76,600 in 2012-2013 to 46,500 in 2013-2014 and to approximately 24,000

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Revenue Estimates

Secured Property Tax (Cont'd.)

in 2014-2015. With the continued recovery in the real estate market, it is anticipated that upward adjustments will continue to be realized in 2015-2016. In calendar year 2014, residential real estate experienced gains as the December 2014 median sales price of \$750,000 for single-family homes was 9.5% above the December 2013 level of \$685,000.

Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in this category. Growth in this category is driven primarily by increases in the value of personal property (e.g. equipment and machinery used by business and industry for manufacturing and production). During the last decade, performance in this category has been volatile with annual growth or declines reaching double-digit levels based primarily on the strength of the local business sector. Based on actual collections, Unsecured Property Tax receipts are estimated at \$12.5 million in 2014-2015, which is slightly above the prior year level of \$12.4 million, and below the most recent peak of \$12.6 million in 2012-2013. Collections are expected to increase 4.0% in 2015-2016 to \$13.0 million based on the current economic conditions. While the 2015-2016 estimate exceeds the recent peak of \$12.6 million in 2012-2013, it remains below the peak of \$14.1 million in 2002-2003.

SB 813 Property Tax (Property Resales)

SB 813 Property Taxes (supplemental taxes) represent payments for taxes owed on recent housing resales. In 2014-2015, receipts are estimated to remain at prior year levels of \$5.0 million. This estimate reflects the combined impact of a change in methodology for the SB 813 distribution offset by growth in the category due to the strength in the real estate market.

In 2004-2005, the State Motor Vehicle In-Lieu Tax (VLF) Swap involved the permanent conversion of VLF backfill funds to Property Tax that was part of the approved State budget. Since SB 813 Property Tax receipts are pooled receipts allocated to each jurisdiction based on their share of secured property taxes, an increase in the City's Secured Property Taxes increased the City's share of SB 813 receipts. Per conversations with the County of Santa Clara, beginning in 2014-2015, VLF receipts associated with the swap will not be considered Property Tax for the SB 813 calculation and, therefore reducing the City's relative share of this tax.

Although the 2014-2015 estimate of \$5.0 million is above actual collection levels in recent years of \$3.0 million in 2012-2013 and \$3.3 million in 2011-2012, receipts are expected to remain well below the peak of \$10.1 million received in 2005-2006 and below levels seen just a few years ago (e.g. \$8.0 million in 2006-2007 and \$7.9 million in 2007-2008) based on the revised methodology. In 2015-2016, collections in this category are projected to increase approximately 2.0% to \$5.1 million.

GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX

Revenue Estimates

Aircraft Property Tax

The Aircraft Property Tax payment is estimated at \$2.4 million in 2014-2015, a 12.4% increase from the 2013-2014 receipts of \$2.1 million. In 2015-2016, collections are expected to remain flat at \$2.4 million based on information from the County of Santa Clara Assessor's Office.

Homeowner's Property Tax

The Homeowner's Property Tax Relief category is projected at \$1.03 million for 2015-2016, which is consistent with the 2014-2015 revenue estimate and 2013-2014 actual collections.

GENERAL FUND REVENUE ESTIMATES

SALES TAX

2013-2014 Actual	\$ 173,411,643
2014-2015 Adopted	\$ 180,024,000
2015-2016 Forecast	\$ 188,060,000
2015-2016 Adopted	\$ 190,260,000
% of General Fund	16.2 %
% Change from 2014-2015 Adopted	5.7 %

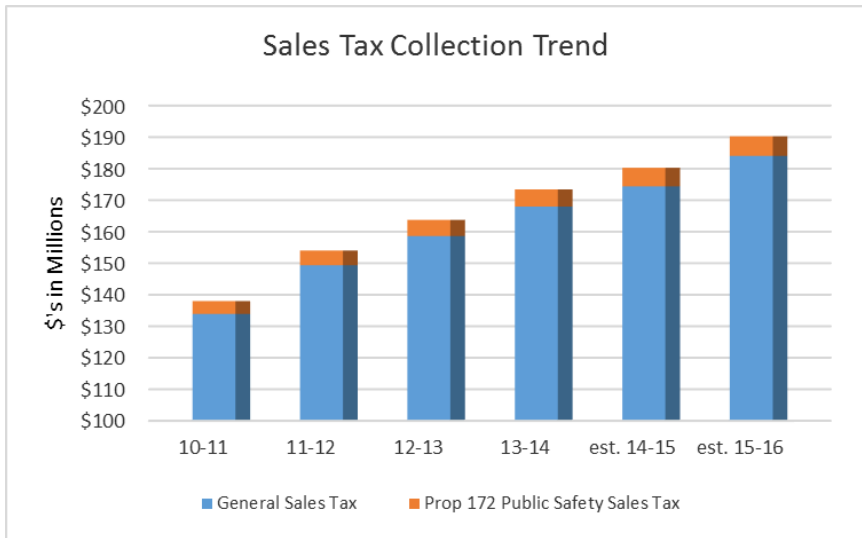
* The 2015-2016 Forecast was decreased \$1.1 million from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- General Sales Tax
- Public Safety
(Proposition 172) Sales
Tax

Distribution of Sales Tax

As shown in the following table, the City receives 1.0% of the 8.75% Sales Tax collected for items sold in San José. In addition, the City receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.



Agency	Distribution Percentage
State of California	5.750%
City of San José	1.000%
Santa Clara County	0.875%
Santa Clara Valley Transportation Authority	0.625%
Public Safety Fund (Proposition 172)	0.500%
Total Sales Tax Rate	8.750%

Starting in 2004-2005, the City was impacted by the State action known as the “Triple Flip,” which affects the timing of actual sales tax receipts. As part of the Proposition 57 State fiscal recovery funding mechanism (passed by the voters in March 2004), 0.25% of the City’s one percent Bradley Burns sales tax has been temporarily suspended and replaced dollar-for-dollar with property tax revenue. This action, which went into effect on July 1, 2004, will

remain in effect until the State’s bond obligations have been satisfied. However, the City will continue to record the replacement property tax revenues as sales tax because the growth formula for these receipts is tied to sales tax and this action is considered a temporary property tax in lieu of sales tax. In 2015-2016, the wind down of the “Triple Flip” is anticipated, but due to the uncertainty and one-time nature of these funds, no assumption is included in this budget for these activities.

GENERAL FUND REVENUE ESTIMATES

SALES TAX

Revenue Estimates

Overall, Sales Tax receipts are estimated to generate \$180.3 million in 2014-2015, which is up 4.0% from the 2013-2014 collection level. In 2015-2016, Sales Tax receipts are projected at \$190.3 million, a 5.5% increase from the 2014-2015 estimated collection level.

General Sales Tax

The forecast for the General Sales Tax revenue estimate is built on estimated collections of \$174.4 million in 2014-2015, which reflects a 3.8% increase from the 2013-2014 collection level. Collections in 2014-2015 were impacted by prior year accrual adjustments (additional \$835,000), one-time Sales Tax correction payment from the State of California (\$682,000), and the Triple Flip payment from the State which was lower (\$1.5 million) than the estimates used in the development of the 2014-2015 Adopted Budget. The first quarter 2014-2015 General Sales Tax revenues were up 6.3% from the same quarter in the prior year; however, the second quarter receipts were only up 2.4% from the same quarter in the prior year compared to a budgeted estimate of 4%. Growth of 3.5% is assumed for the remaining two quarters. As shown in the chart above, a number of economic sectors contributed to the total Sales Tax receipts though nearly 75% was generated from General Retail, Transportation, and Business to Business categories.

Sales Tax by Economic Sector

Economic Sector	% of Total Revenue
General Retail	29.2%
Business to Business	22.5%
Transportation	21.3%
Food Products	16.4%
Construction	9.9%
Miscellaneous	0.7%
Total	100.0%

Source: MuniServices, October 2014 - December 2014 quarter

In 2015-2016, the General Sales Tax revenue estimate is \$184.1 million, reflecting an increase of 5.6% from the estimated 2014-2015 collection level. The assumed growth of 4.0% includes underlying quarterly growth of 4% and the recognition of \$2.2 million in an anticipated one-time Triple Flip true-up payment for 2014-2015. This figure, however, does not reflect the final true-up payments associated with the winding down of the Triple Flip, which is now expected to occur in 2015-2016. On August 5, 2015, the Department of Finance notified the California State Board of Equalization and the public that the State's Triple Flip "unwinding" process will be initiated with the defeasance of the Economic Recovery Bonds. It is estimated that the final true-up payment associated with the Triple Flip wind down will be made in August 2016 and will be accrued to 2015-2016. Based on information from the City's Sales Tax consultant, Muni Services, actual 2014-2015 receipts and anticipated adjustments associated with the 2015-2016 Triple Flip payment (the final true-up payment anticipated in August 2016), revenues are currently projected to exceed the budgeted estimate of \$190.3 million by approximately \$13.0 million based on estimated accruals that will be brought forward at the end of 2015-2016. Adjustments based on these one-time payments, as well as any others based upon actual 2015-2016 performance, will be brought forward during 2015-2016 and will provide a one-time funding source for the 2016-2017 budget process.

GENERAL FUND REVENUE ESTIMATES

SALES TAX

Revenue Estimates

Public Safety (Proposition 172) Sales Tax

Proposition 172 Sales Tax collections (representing the one-half cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are expected to total \$5.9 million in 2014-2015, which represents an 8.4% increase from the prior year collections of \$5.4 million based on actual collection trends. In 2015-2016, collections are projected to increase 5.0%, to \$6.2 million based on historic average growth rates.

GENERAL FUND REVENUE ESTIMATES

TRANSIENT OCCUPANCY TAX

2013-2014 Actual	\$ 11,873,017
2014-2015 Adopted	\$ 11,750,000
2015-2016 Forecast	\$ 14,700,000
2015-2016 Adopted	\$ 14,700,000
% of General Fund	1.3 %
% Change from 2014-2015 Adopted	25.1 %

* The 2015-2016 Forecast was increased \$725,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

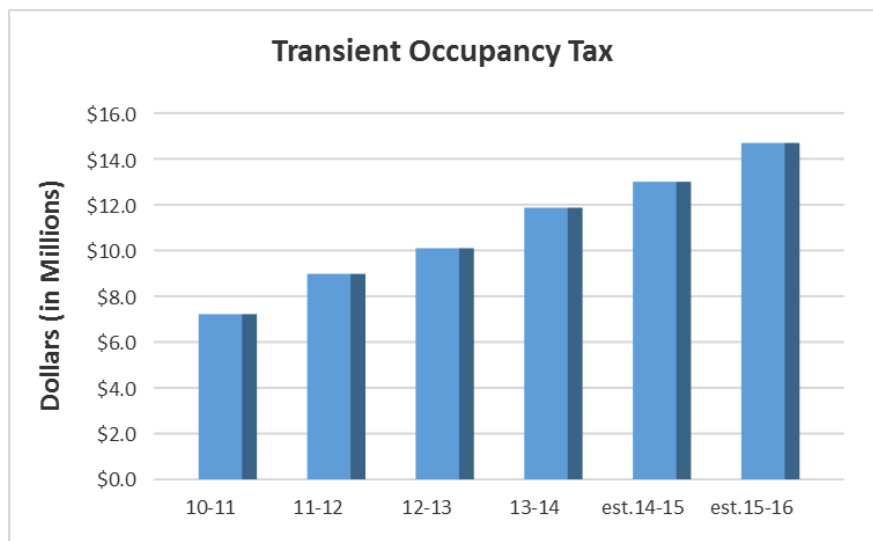
Distribution of Transient Occupancy Tax

The City of San José assesses a ten percent Transient Occupancy Tax (TOT) on the rental price for transient lodging. Of this ten percent, six percent is placed in the Transient Occupancy Tax Fund and four percent is deposited in the General Fund. This discussion addresses the portion of the Transient Occupancy Tax that is allocated to the General Fund.

The allocation of the six percent portion is described in the *Selected Special Funds Summaries* section of this document. In addition, as directed in the Mayor’s March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the growth in Transient Occupancy Tax receipts over the 2013-2014 actual collection level are to be set aside in a Cultural Facilities Capital Maintenance Reserve.

Revenue Estimates

Transient Occupancy Tax (TOT) receipts in 2014-2015 are projected to reach \$14.0 million, reflecting an increase of 17.9% from the 2013-2014 collection level. Excluding compliance revenues, which were high in 2014-2015, general TOT receipts are up 20% from the prior year. Current year receipts mark the fifth year of growth and the fourth year of double digit strong growth in this category, which is in stark contrast to declines of 11.5% and 18.5% in 2009-2010 and 2008-2009, respectively.



GENERAL FUND REVENUE ESTIMATES

TRANSIENT OCCUPANCY TAX

Revenue Estimates

Overall, the hotel industry continues to experience solid year-over-year growth in fiscal year 2014-2015 with increases in occupancy levels (approximately 7%), average daily room rates (approximately 11%), and an average revenue-per-available room (approximately 23%).

In 2015-2016, growth of 5.0% from the 2014-2015 estimate to \$14.7 million is anticipated, which reflects continued strong performance in this category and the addition of hotel rooms including the Hyatt House, the AC Hotel, and the Bay 101 Hotel assumed increase in room capacity inventory in 2015-2016. As directed in the Mayor's March Budget Message for Fiscal Year 2014-2015, as approved by the City Council, the growth in Transient Occupancy Tax receipts over the 2013-2014 actual collection level are to be set aside in a Cultural Facilities Capital Maintenance Reserve. In 2015-2016, the growth in TOT receipts generates \$2.8 million that has been set aside in reserve for 2015-2016 as outlined in the *General Fund Capital, Transfers and Reserves* section of this document. Additional funding of \$2.3 million is expected to be set aside in this reserve based on projected 2014-2015 receipts, resulting in a total estimated reserve of \$5.1 million. In 2015-2016, funding of \$1.5 million is approved to address capital needs at the following organizations: Children's Discovery Museum, Mexican Heritage Plaza, Tech Museum of Innovation, San José Museum of Art, History San José, and Plaza de Cesar Chavez.

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

2013-2014 Actual	\$ 45,748,758
2014-2015 Adopted	\$ 45,346,879
2015-2016 Forecast*	\$ 47,405,200
2015-2016 Adopted	\$ 47,582,232
% of General Fund	4.1 %
% Change from 2014-2015 Adopted	4.9 %

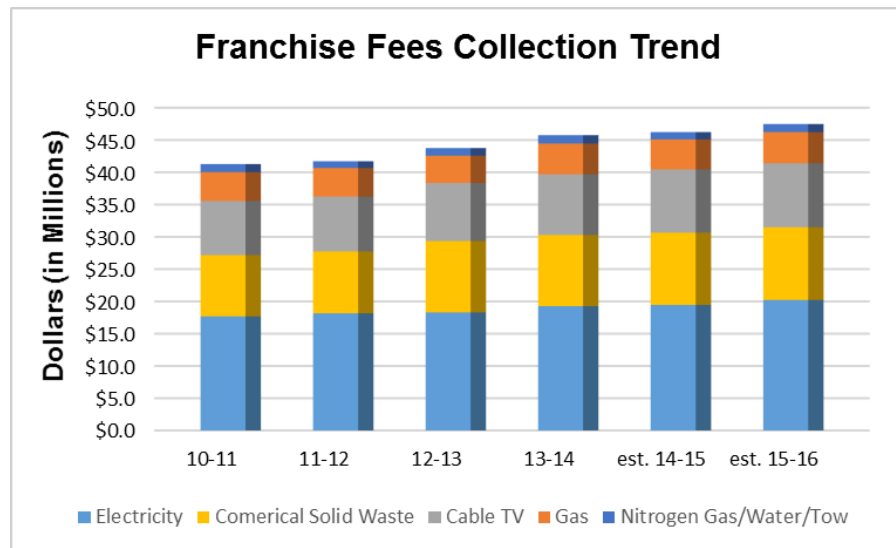
* The 2015-2016 Forecast was increased \$200,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Electricity, Gas, and Water Utility Services
- Commercial Solid Waste
- Cable Television
- City-Generated Towing
- Nitrogen and Jet Fuel Pipelines

Revenue Estimates

Franchise Fees are collected in the Electricity, Gas, Cable, Tow, Commercial Solid Waste, Water, and Nitrogen Gas and Jet Fuel Pipeline categories. Overall,



collections are projected at \$46.6 million in 2014-2015, an increase of 1.9% from prior year receipts of \$45.7 million. The increase in 2014-2015 is primarily due to higher collections in Electric and Cable Television services. In 2015-2016, Franchise Fees are expected to increase at the same rates as 2014-2015, 2.1% to \$47.6 million due to growth in the Gas (3.5%), Electric (2.1%), Cable (1.0%), and Commercial Solid Waste (0.7%) categories, including a \$177,000 increase generated from the CPI adjustment to the Commercial Solid Waste fees approved for 2015-2016.

Electricity, Gas, and Water Utility Services

Franchise Fees for electricity and gas services provided by Pacific Gas & Electric (PG&E) are based on the revenues of that company in the calendar year (revenues in 2014-2015 are based on calendar year 2014, and the 2014-2015 estimates reflect actual data from PG&E). Projections in this category are typically based upon an examination of electricity and gas rate changes, industry actions, and actual collection patterns in the utility tax categories.

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

Revenue Estimates

Electricity, Gas, and Water Utility Services (Cont'd.)

In the Electric Franchise Fee category, collections in 2014-2015 are expected to reach \$19.8 million, reflecting growth of 2.9% compared to actual receipts in 2013-2014. In 2015-2016, growth of 2.1% from 2014-2015 estimates is anticipated reflecting a rate increase of 4% to 6% effective January 2015 per PG&E forecasts. It should be noted that due to the uncertainty regarding the outcome of rate cases, no rate increases associated with any pending rate cases have been assumed.

In the Gas Franchise Fee Category, the 2014-2015 estimated collections of \$4.7 million reflect a 2.2% decline from the \$4.8 million received in the prior year. In 2015-2016, Gas Franchise Fee collections are projected to increase by 3.5%. Based on PG&E forecasts, rate increases of 3% to 7% are estimated primarily due to the approval of the 2014 rate case by the California Public Utilities Commission (CPUC) in August 2014, partially offset by changes in consumption levels. It should be noted that due to the uncertainty regarding the outcome of any rate cases, no rate increases associated with pending rate cases have been assumed in 2015-2016.

Water Franchise Fees are expected to total \$280,000 in 2014-2015, a 3.5% decline from the 2013-2014 collection level of \$290,000. This decline reflects the combined impact of significant water conservation efforts as a result of the current drought in California, partially offset by rate increases driven by increases in the wholesale price of water. In 2015-2016, estimated collections of \$290,000 reflect the continuation of the current trend with rate increases due to higher water costs, offset by declines in consumption in response to the drought.

Commercial Solid Waste

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach budgeted levels of \$11.2 million in 2014-2015, consistent with the prior year collections. Effective July 1, 2012, the CSW fee is charged to franchises based on geographic collection districts rather than volume. The fee structure is \$5.0 million per year for each of two geographic collection districts plus a supplemental fee of \$1.0 million for the right to conduct CSW services in both the North District and the South District. This revised structure is subject to an annual increase based on the percentage change in the annual CPI rate during the prior two calendar years. It should be noted that this increase is not automatic and no increase was approved for 2013-2014 and a 1.46% increase was approved in 2014-2015. Included in this document is a \$177,000 increase in the revenue estimate, bringing the budgeted estimate to \$11.4 million in 2015-2016. This increase reflects a 1.62% increase in the franchise fees based on a percentage change in the annual CPI rate during the prior two calendar years.

GENERAL FUND REVENUE ESTIMATES

FRANCHISE FEES

Revenue Estimates

Cable Television

The 2014-2015 Cable Television Franchise Fee estimate is \$9.8 million, which is 4.2% above the 2013-2014 actual collection level of \$9.4 million. In 2015-2016, estimated collections of \$9.9 million reflect projected modest growth of 1.0%.

City-Generated Towing, Nitrogen and Jet Fuel Pipelines

In the City-Generated Towing category, projected revenues of \$900,000 in 2015-2016 are slightly above anticipated 2014-2015 collections. The Nitrogen and Jet Fuel Pipeline Franchise Fees are anticipated to generate \$72,000 in both 2014-2015 and 2015-2016.

GENERAL FUND REVENUE ESTIMATES

UTILITY TAX

2013-2014 Actual	\$ 93,793,831
2014-2015 Adopted	\$ 94,825,000
2015-2016 Forecast*	\$ 93,825,000
2015-2016 Adopted	\$ 93,825,000
% of General Fund	8.0 %
% Change from 2014-2015 Adopted	(1.1 %)

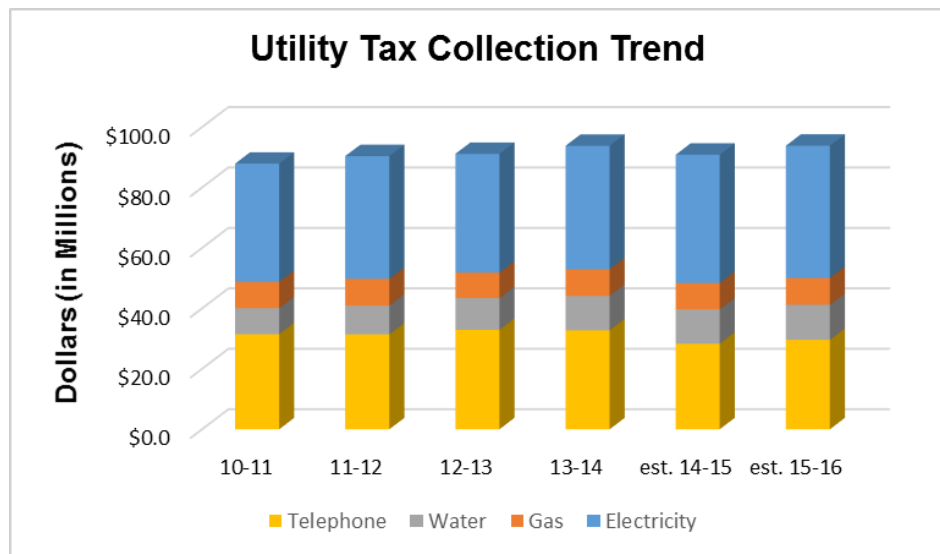
* The 2015-2016 Forecast was decreased \$161,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Electricity Utility Tax
- Gas Utility Tax
- Water Utility Tax
- Telephone Utility Tax

Revenue Estimates

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2014-2015 are anticipated to total \$90.9 million, representing a decline of 3.1% from the 2013-2014 collection level. Nearly half of this decline is projected in



Telephone receipts as a result of changes in application of the tax, changes in consumption levels, and a one-time legal settlement which refunds \$1.3 million to settle claims made by AT&T Mobility on behalf of its customers against California cities and counties that collect utility taxes.

In 2015-2016, Utility Tax collections are projected to increase 3.3% to \$93.8 million. Overall, a number of rate cases were approved by the California Public Utilities Commission (CPUC) in August 2014 and additional proposed rate cases have been filed that would impact electricity, gas, and water rates and consequently revenues. Overall, PG&E revenues are estimated to increase 6% between Gas and Electric activity. Due to the uncertainty regarding the outcome of rate cases, the Adopted Budget generally does not assume revenue increases associated with pending rate cases; however, it does adjust for anticipated changes already approved.

GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES

Revenue Estimates

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$42.5 million in 2014-2015, a 3.9% increase from prior year levels. After recent rate cases approved by the CPUC, rates were adjusted in the fall of 2014 and as outlined by PG&E, an additional 4% to 6% increase took effect in January 2015. In 2015-2016, revenues are estimated to increase 2.9% to \$43.8 million, which adjusts for the January 2015 rate increase, partially offset by slight changes in anticipated consumption levels.

Gas Utility Tax

Gas Utility Taxes are anticipated to decrease to \$8.7 million in 2014-2015, a 1.3% decline from 2013-2014 levels, based on current collection trends. This decrease reflects current collection levels as well as the expected change in rates, consistent with information from PG&E on the anticipated 3% to 7% increase in prices. In 2015-2016, revenues are projected to increase by approximately 2.9% to \$8.9 million once the 2014-2015 rate changes and activity levels are annualized. Actual collections continue to be subject to significant fluctuations from the impact of weather conditions and/or rate changes.

Water Utility Tax

Water Utility Tax receipts of \$11.4 million are anticipated to be received in 2014-2015, consistent with prior year collection levels. The CPUC settled a rate case submitted by San Jose Water approving the following approximate rate adjustments: August 2014, 10% increase; September 2014, 10%-11% increase; and January 2015, 3% increase. However, due to the significant measures taken to reduce water usage to address the California drought, consumption levels have been greatly reduced. Through February 2015, receipts are tracking more than 2% below prior year levels despite the 20% rate changes that went into effect in August and September 2014 (the January rate increase will not be seen until March/April 2015 due to billing cycles).

In 2015-2016, receipts are projected to increase 1.8% to \$11.6 million based on the continued rising wholesale price of water with an estimated increase in price in July 2015, which considers the continued dampened consumption levels. It should be noted that on January 5, 2015, San Jose Water Company filed a General Rate Case (GRC), which is under review by the CPUC. The GRC recommends a total increase in rates of 20.7% over a three year period – 12.2% in 2016, 3.1% in 2017, and 5.4% in 2018. The current estimates do not factor in these additional rate increases or changes in consumption, as these factors may largely offset each other. Rather, the estimate annualizes approved rate changes in the 2014-2015 fiscal year and the anticipated July 2015 change in the wholesale price of water as discussed above.

GENERAL FUND REVENUE ESTIMATES

UTILITY TAXES

Revenue Estimates

Telephone Utility Tax

In the Telephone Utility Tax category, revenues are collected on landlines, wireless, and VoIP. Based on current tracking, receipts in 2014-2015 are anticipated to reach \$28.3 million, an approximately 13.6% decline from 2013-2014 (\$32.8 million) due to due to lower receipts in both landlines (-12.1%) and cellular (-8.1%) as well as the anticipated reduction of \$1.3 million to refund claims made by AT&T Mobility on behalf of its customers against California cities and counties that collect utility taxes. Once adjusted for this settlement, overall receipts are anticipated to decline 9.6% from prior year levels. The lower collections reflect significant competition among telecommunication providers and lower average cost per user as well as the impact of increased usage of prepaid contracts not currently taxed (tax application to start in January 2016). In addition, the Internet Tax Freedom Act, which extends the moratorium on taxing internet access, has been extended through 2015; resulting in corresponding declines in tax revenue for the City, most notably AT&T, which had previously applied the utility tax to internet access.

In 2015-2016, revenues reflect growth of 4.5% from prior year levels to \$29.6 million; however, once adjusted to exclude the one-time refund accounted for in 2014-2015, no growth is anticipated for 2015-2016. Ongoing implications of the changes in service delivery of telecommunication activities through alternative services such as Wi-Fi and broadband are unknown. As a result of these changes, receipts may reduce further; however, they potentially will be offset by the change in tax application in January 2016 for prepaid contracts.

GENERAL FUND REVENUE ESTIMATES

TELEPHONE LINE TAX

2013-2014 Actual	\$ 20,692,277
2014-2015 Adopted	\$ 20,700,000
2015-2016 Forecast*	\$ 21,000,000
2015-2016 Adopted	\$ 21,000,000
% of General Fund	1.8 %
% Change from 2014-2015 Adopted	1.4 %

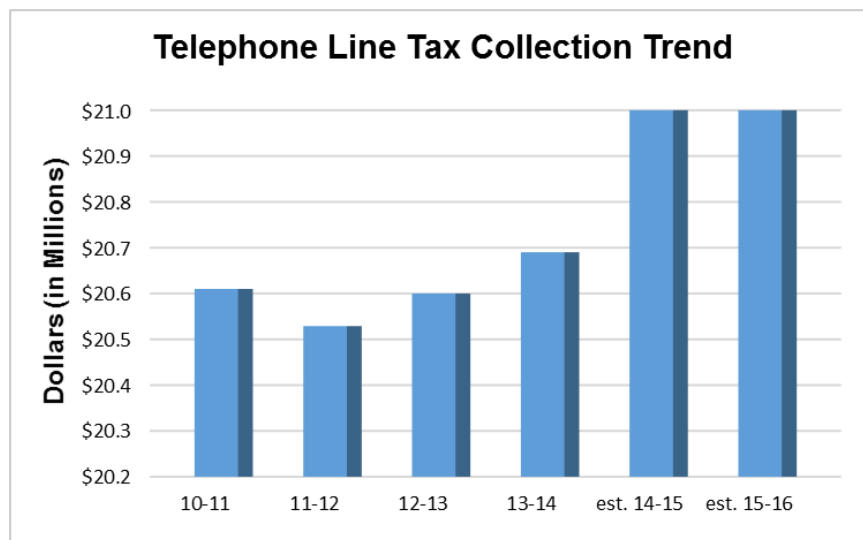
* The 2015-2016 Forecast was increased \$200,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Telephone Line Tax

Revenue Estimates

Based on the current collection trend for Telephone Line Tax, receipts in both 2014-2015 and 2015-2016 are anticipated to total \$21.0 million, which is slightly above the collection levels seen since 2009-2010 of \$20.7 million.



GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES

2013-2014 Actual	\$ 45,478,124
2014-2015 Adopted	\$ 43,700,000
2015-2016 Forecast*	\$ 44,425,000
2015-2016 Adopted	\$ 44,425,000
% of General Fund	3.8 %
% Change from 2014-2015 Adopted	1.7 %

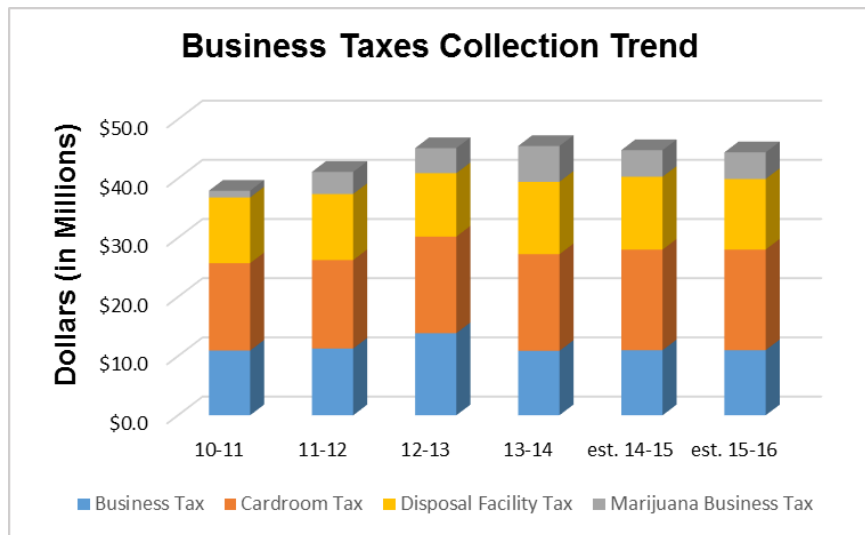
* The 2015-2016 Forecast was increased \$425,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Business Tax
- Cardroom Tax
- Disposal Facility Tax
- Marijuana Business Tax

Revenue Estimates

In 2014-2015, Business Taxes are estimated to reach \$44.8 million, a 1.5% decrease from prior year levels. Collections are anticipated to be lower in 2014-2015 as a result of an approximately 25% reduction in Marijuana



Business Tax receipts reflecting the implementation of the Regulatory Program in 2014. In 2015-2016, revenues are estimated to slightly decrease to \$44.4 million.

Business Tax

In 2014-2015, General Business Tax revenues are expected to reach \$11.0 million, a slight increase of 1.3% from the prior year level of \$10.9 million and takes into consideration the remaining billing cycles, account closeouts and clean-ups anticipated in 2014-2015, and the historical collections rates of invoices. In 2015-2016, revenues are anticipated to remain flat at \$11.0 million, which is slightly below historical levels.

Cardroom Tax

Based on current performance, collections in the Cardroom Tax category are estimated at \$17.0 million in 2014-2015, a 4.1% increase from prior year levels (\$16.3 million). Receipts are anticipated to remain at 2014-2015 levels in 2015-2016 with estimated collections of \$17.0 million.

GENERAL FUND REVENUE ESTIMATES

BUSINESS TAXES

Revenue Estimates

Disposal Facility Tax

Disposal Facility Taxes (DFI) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream varies due to factors that affect the amount of waste generated and how it is disposed including: economic activity, weather, diversion programs, and price sensitivity to disposal rates. In past years, revenues in this category declined due, in large part, to increased waste diversion and the overall slowdown in the economy. However, in 2013-2014, collections of \$12.2 million grew 14.2% from prior year collection levels of \$10.7 million. This increase primarily reflects increased activity from neighboring agencies dumping in San José landfills. In 2014-2015, revenues are projected to reach \$12.5 million, a slight increase (0.5%) from the prior year due to the continued increased activity from neighboring agencies dumping in San José landfills. In 2015-2016, revenues are projected to return to the former trend of slight declines as a result of waste diversion and fall 3% below estimated 2014-2015 levels to \$11.9 million.

Marijuana Business Tax

Marijuana Business Taxes are currently being collected at a 10% rate on gross receipts as approved by the voters in Ballot Measure U in 2010 on medical and non-medical, legal and illegal sales. In 2014-2015, collections are anticipated to fall to \$4.5 million, a reduction of approximately 25% from prior year levels of \$6.1 million. Beginning in June 2014, enforcement of the Medical Marijuana Regulatory Program significantly impacted activity levels and decreased the number of collectives operating within San José. In 2015-2016, collections are anticipated to remain flat at \$4.5 million until final implications of the implementation of the Medical Marijuana Regulatory Program are known.

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS	
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2013-2014 Actual	\$ 52,013,564
2014-2015 Adopted	\$ 46,375,293
2015-2016 Forecast	\$ 48,456,221
2015-2016 Adopted	\$ 48,721,223
% of General Fund	4.1 %
% Change from 2014-2015 Adopted	5.1 %

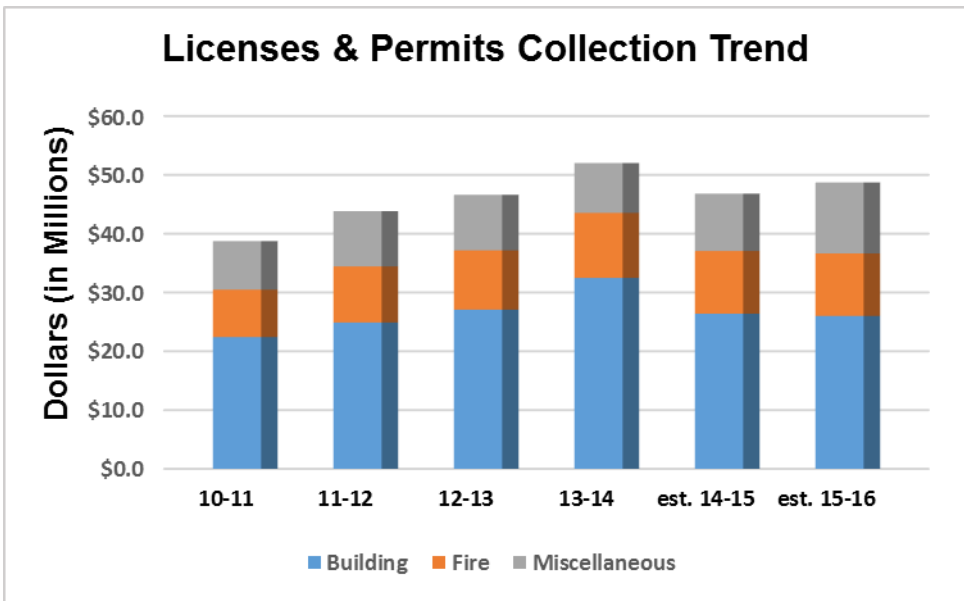
* The 2015-2016 Forecast was decreased \$572,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Building Permits
- Fire Permits
- Miscellaneous Other Licenses and Permits

Revenue Estimates

The Licenses and Permits category contains fees and charges collected by various departments. The most significant revenue sources are development-related fees. Revenue collection levels are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund.



Building Permits

In 2014-2015, Building Permits revenue is projected to total \$26.4 million. This revenue estimate assumes the continuation of strong development performance, though below the recent peak activity levels seen in 2013-2014. In 2015-2016, a sustained level of activity is anticipated with Building Permits revenue estimated at \$26.0 million. The Building Development Fee Program costs are expected to exceed this estimated revenue level in 2015-2016. The Building Development Fee Program Reserve, however, is sufficient to support the base program costs as well as the program additions in 2015-2016 without a general fee increase.

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Revenue Estimates

Building Permits (Cont'd.)

In the 2016-2020 February Forecast, it was assumed that the use of \$4.2 million of the Building Development Fee Program Reserve would be necessary to balance this fee program in 2015-2016. In addition, a number of budget actions totaling \$1.9 million were approved, resulting in the addition of 9.75 positions and non-personal/equipment expenditures in order to improve target cycle times and customer service levels. In total, \$6.1 million of the Building Development Fee Program will be used to balance this fee program and remain 100% cost recovery in 2015-2016. After accounting for these adjustments, a remaining Building Development Fee Program Reserve of \$18.0 million at the beginning of 2015-2016 is estimated, primarily for works-in-progress projects.

Additional detail on these budget actions is provided in the Planning, Building and Code Enforcement, Finance, and Information Technology Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2015-2016 Fees and Charges document that is released under separate cover.

Fire Permits

In 2015-2016, the Fire Permits revenue estimate of \$10.6 million is slightly below the estimated 2014-2015 collection level of \$10.7 million. This fee program includes both the Development and Non-Development Fee areas. To maintain cost recovery in these areas and ensure that service delivery needs are met for 2015-2016, a number of budget actions are included in this document.

In the Fire Development Fee Program area, the 2015-2016 revenue estimate of \$6.4 million, is slightly below 2014-2015 estimated collection level of \$6.5 million. The 2015-2016 revenue estimate assumes steady development performance, but allows for a small drop-off from the peak levels experienced in 2013-2014. The Fire Development Fee Program costs are expected to slightly exceed this estimated revenue level in 2015-2016. The Fire Development Fee Program Reserve, however, is sufficient to support the base program costs as well as the program additions in 2015-2016 without a general fee increase. In the 2016-2020 February Forecast, it was assumed that the use of \$481,000 of the Fire Development Fee Program Reserve would be necessary to balance this fee program in 2015-2016. In the Adopted Budget, additional funding of \$164,000 was approved, including the net addition of 0.5 positions, replacement vehicles, and shared resources, to improve current cycle time performance in plan check and inspection activities and raise performance levels to meet customer needs. In total, \$645,000 of the Fire Development Fee Program will be used to balance this fee program and remain 100% cost recovery in 2015-2016. After accounting for these adjustments, a remaining Fire Development Fee Program Reserve of \$6.4 million at the beginning of 2015-2016 is estimated, primarily for works-in-progress projects.

In the Fire Non-Development Fee area, the 2015-2016 revenue estimate of \$4.2 million is consistent with the current 2014-2015 estimate of \$4.15 million. A modest fee increase of 2% (\$83,000) is included to align revenues and costs to maintain the program at 100% cost recovery.

GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS

Revenue Estimates

Fire Permits (Cont'd.)

Additional detail on these budget actions is provided in the Fire Department under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2015-2016 Fees and Charges document that is released under separate cover.

Miscellaneous Other Licenses and Permits

The 2015-2016 Adopted Budget includes \$12.1 million for a variety of other Licenses and Permits; a net increase of \$182,000 from the 2015-2016 Revised Forecast level of \$11.9 million. This increase primarily reflects an additional \$363,000 for the Multiple Housing Occupancy Permits, which allows for the addition of 1.0 Staff Technician to address a high volume of customer inquiries as a result of the newly implemented Multiple Housing risk-based and tiered program with self-certification.

Additional adjustments resulting in a net reduction of \$181,500 reflect fee adjustments to maintain cost-recovery and anticipated changes in activity levels. These adjustments include:

- An increase of \$8,000 in Animal Care and Services Category I miscellaneous permits to reflect increases in various permits;
- An increase of \$5,000 to adjust the Transportation Department Taxi Stand fees to maintain cost recovery levels;
- A decrease of \$65,000 to adjust various Police Department permits to reflect various fee revisions and maintain cost recovery levels;
- A decrease of \$64,000 in revenue for the Medical Marijuana Annual Operating fee due to a decrease in the anticipated number of collectives, from 30 assumed in the 2015-2016 General Fund Forecast to 20 assumed in the 2015-2016 Adopted Operating Budget;
- A decrease of \$52,000 to adjust various Code Enforcement Fees to bring them to 100% cost recovery levels. Adjusted categories include a decrease of \$69,000 in the Tobacco Retailer licenses and permits, which reflects the elimination of a net 0.75 Code Enforcement Inspector position costs from the calculation of the Tobacco Retailer License Fees as a result of the decreased activity level partially offset by increases in Vacant and Dangerous Buildings (\$13,000); and
- A decrease of \$13,500 in revenue for the Medical Marijuana Renewal Registration Processing Fee due to a decrease in the anticipated number of collectives, from 30 assumed in the 2015-2016 General Fund Forecast to 20 assumed in the 2015-2016 Adopted Operating Budget.

GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

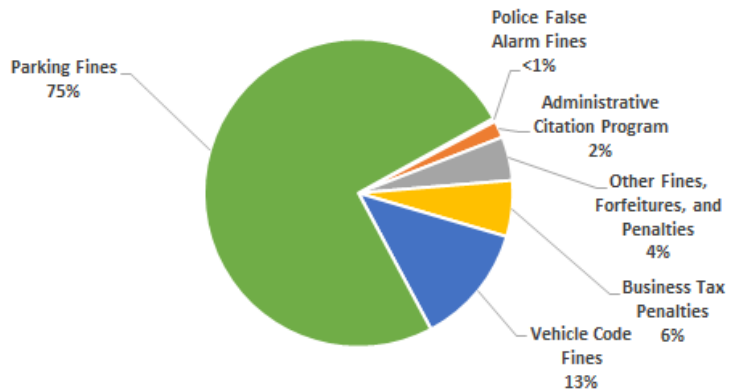
2013-2014 Actual	\$ 14,835,608
2014-2015 Adopted	\$ 14,205,334
2015-2016 Forecast	\$ 14,405,270
2015-2016 Adopted	\$ 15,356,042
% of General Fund	1.3 %
% Change from 2014-2015 Adopted	8.1 %

* The 2015-2016 Forecast was decreased \$30,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Vehicle Code Fines
- Parking Fines
- Municipal Code Fines
- Business Tax Penalties
- Administrative Citation Program
- Police False Alarm Fines
- Other Fines and Penalties

2015-2016 Major Categories



Revenue Estimates

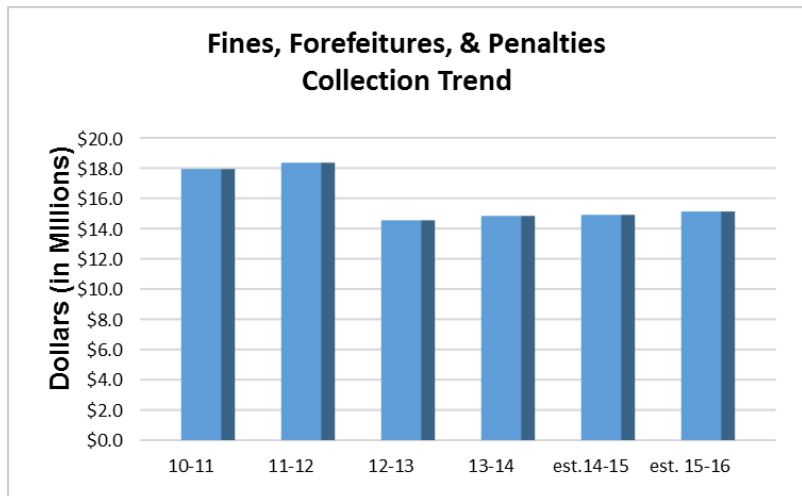
In 2015-2016, overall collections of \$15.4 million are projected in the Fines, Forfeitures, and Penalties category, which is slightly above the 2014-2015 estimate. Following is a discussion of major components of this category.

Parking Fines

Parking Fines are expected to generate approximately \$10.2 million in 2014-2015, consistent with 2013-2014 actual collections.

In 2015-2016, Parking Fines revenues are expected to increase \$925,000 to \$11.1 million. This increase reflects increases to approximately 26 parking citation fines by an amount between \$5 and \$10, with the exception of the

fines for parking in disabled and crosshatch spaces which will increase by \$100 (from \$310 to \$410). All parking fines were last adjusted in 2011 between \$2 and \$22. This increase contributes to the City's commitment to traffic safety, pedestrian and bicyclist mobility, and clean streets. Issuance of citations for non-compliance with safety-related and street sweeping parking violations, such as



GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

Revenue Estimates

Parking Fines (Cont'd.)

parking in a bike path or blocking disabled sidewalk access, or parking in a posted No Parking zone for street sweeping activities, is one tool the Transportation Department uses to heighten awareness around roadway safety, with the goal of changing driver behavior.

In addition to parking fines, collections of \$350,000 are anticipated in 2015-2016 from the City's participation in a program under which the State of California Franchise Tax Board collects past-due parking fines on behalf of the City. This estimate is consistent with projected 2014-2015 collections and slightly below actual collections of \$370,000 in 2013-2014.

Vehicle Code and Municipal Court Fines

In 2015-2016, Vehicle Code Fines are estimated at \$1.2 million and the Municipal Court Fines are expected to reach \$705,000, consistent with current tracking for these categories.

Business Tax Penalties

Business Tax penalties are projected at \$900,000 for both 2014-2015 and 2015-2016, a slight decline from the historic levels of \$1.0 million reflecting the updating of accounts as part of the Business Tax Amnesty Program.

Administrative Citation Program

The 2015-2016 Administrative Citation Program is projected to generate \$295,000 in total collections, including \$175,000 in fines and an additional \$120,000 in penalties. This collection level is consistent with the 2014-2015 year-end estimates.

Police False Alarm Fines

In 2015-2016, Police False Alarm Fines are estimated at \$55,000. This figure is consistent with the 2014-2015 year-end estimates.

Other Fines and Penalties

Other Fines and Penalties of \$586,000 are estimated to be received in 2015-2016 and reflect a variety of sources, including but not limited to: \$300,000 for Code Enforcement administrative remedies, \$120,000 associated with Fire safety penalties, \$120,000 administrative citations, \$75,000 multiple housing permit penalties, and \$56,000 in blight fines. The current estimates include a \$26,000 increase in blight penalties and interest revenue, which partially offsets a corresponding addition of 1.0 Investigator Collector I and associated non-personal/equipment funding to facilitate more timely collection of delinquent accounts receivables (additional revenue reflected in the Use of Money and Property category will also partially offset this position cost).

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY

2013-2014 Actual	\$ 3,472,854
2014-2015 Adopted	\$ 2,847,000
2015-2016 Forecast	\$ 3,316,999
2015-2016 Adopted	\$ 3,414,999
% of General Fund	0.3 %
% Change from 2014-2015 Adopted	20.0 %

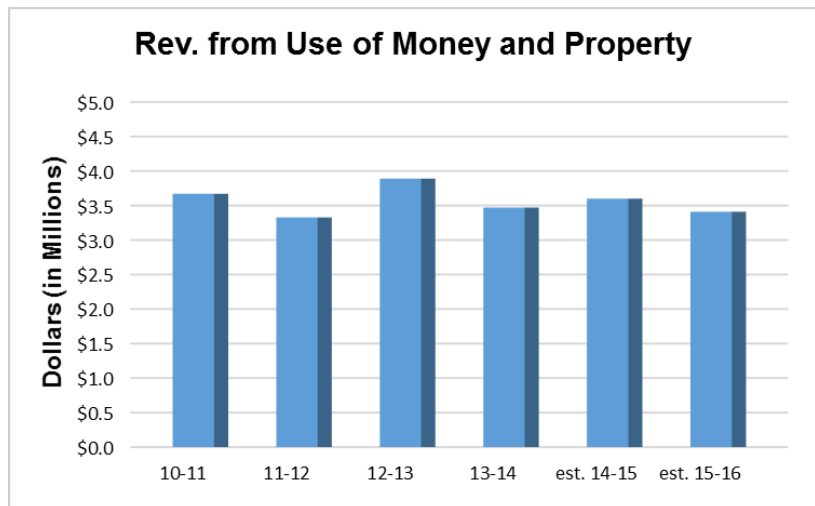
Major Categories:

- Rental of City-Owned Property
- General Fund Interest Earnings
- Miscellaneous Collections

Revenue Estimates

Rental of City-Owned Property

In 2015-2016, it is anticipated that approximately \$1.8 million will be generated from the rental of City-owned property compared to estimated collections of \$1.9 million in 2014-2015. This decline reflects the expiration of five telecommunication leases in 2015-2016, partially offset by a one-time increase of \$48,000 to reflect the lease of the City's suite at the SAP Center at San José for eight San Jose Sharks home games in 2015-2016. This additional revenue offsets a corresponding increase to the City-Wide Expenses Arena Authority budget in the 2015-2016 Operating Budget.



General Fund Interest Earnings

The 2015-2016 estimate for interest earnings in the General Fund assumes an average interest rate of only 0.74% applied to an average cash balance of approximately \$140 million for a total collection level of \$1.0 million. This anticipated collection level is above the 2014-2015 projected interest earnings of \$750,000.

Miscellaneous Collections

An additional \$598,000 in miscellaneous sources is estimated to be generated in 2015-2016 primarily from Subrogation Recovery (\$400,000), the rental of the 4th Street banquet facility (\$100,000), and Property Tax and Conveyance Tax Interest (\$80,000) revenues. This includes an increase of \$50,000 in subrogation revenue, which partially offsets a corresponding addition of 1.0 Investigator Collector I and associated non-personal/equipment funding to facilitate more timely collection of delinquent accounts receivables (additional revenue reflected in the Fines, Forfeitures, and Penalties category will also partially offset this position cost).

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

2013-2014 Actual	\$ 46,687,157
2014-2015 Adopted	\$ 22,612,276
2015-2016 Forecast	\$ 22,857,075
2015-2016 Adopted	\$ 23,909,616
% of General Fund	2.0 %
% Change from 2014-2015 Adopted	5.7 %

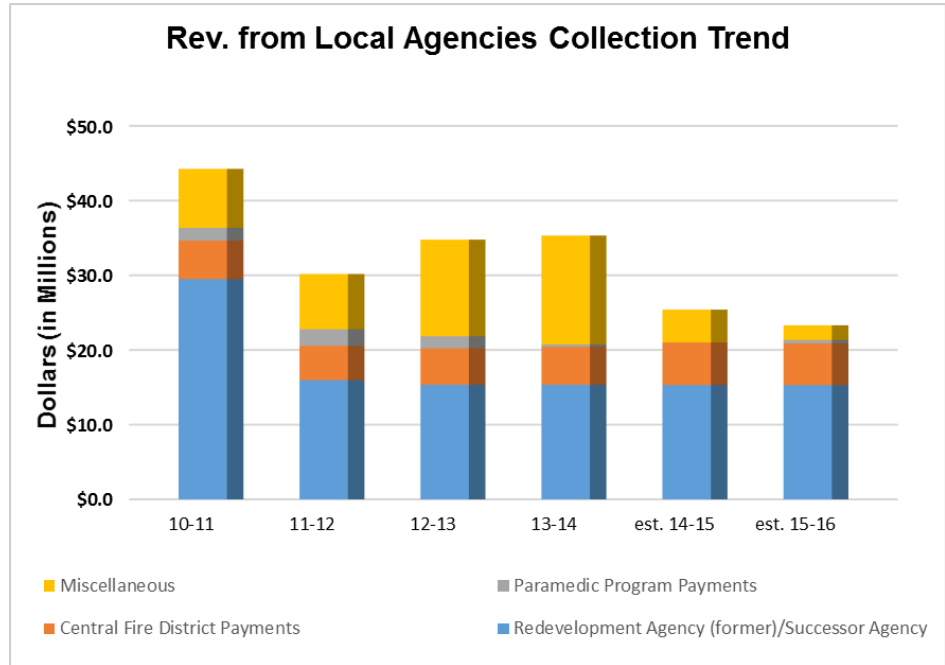
Major Categories:

- Reimbursement from the Successor Agency to the Redevelopment Agency
- Central Fire District Payments
- Paramedic Program
- CAL-ID/SB 720 Payments
- Other Miscellaneous Payments

Revenue Estimates

In 2015-2016, revenue of \$23.9 million is projected from other local agencies, such as the Successor Agency to the Redevelopment Agency and Central Fire District, to reimburse the City for services provided.

Successor Agency to the Redevelopment Agency



A reimbursement from the Successor Agency to the Redevelopment Agency of \$15.3 million is budgeted to reimburse the General Fund for the Convention Center Lease payments. A corresponding expenditure is assumed in the City-Wide Expenses category for this debt service payment. This obligation continues to be evaluated as part of the winding down of the Successor Agency and the method, timing, and ability to reimburse the payment continues to be under review; however, it is currently anticipated sufficient funds will be available for reimbursement.

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

Revenue Estimates

Central Fire District and Paramedic Program

The City receives reimbursement from the Central Fire District for the County areas covered by the San José Fire Department. These payments are based on the property tax assessments for fire services collected in those areas, which are passed on to the City. Based on an estimate provided by Central Fire District staff, the 2014-2015 payment is expected to total \$5.5 million to \$5.7 million, including an approximately \$100,000 true-up payment from the prior year. This reflects an increase of up to 12.2% from 2013-2014 levels. In 2015-2016, collections of \$5.6 million are anticipated, based on estimated Property Tax growth of 4% to 6%, the assumption that there will be no major annexations during 2015-2016 that would impact collections, and the elimination of the anticipated one-time payment in 2014-2015.

Beginning in 2013-2014, the County of Santa Clara began withholding payments for the first responder advanced life support program (Paramedic Program) because the City had not met the response time performance standards set forth in the agreement with the County. In 2014, the City and County continued to negotiate regarding this issue and executed a Second Amendment to the 911 Emergency Medical Services (EMS) Provider Agreement between the City and the County of Santa Clara in December 2014 that will expire December 2015. Under this agreement, additional Annex B, Category A funds totaling approximately \$450,000 are expected to be received in 2015-2016. Because the agreement ends in December 2015, those funds are considered one-time and recognized in the 2015-2016 Adopted Budget. In addition to the \$450,000 that is expected to be received in 2015-2016, an additional \$1.5 million is anticipated in 2014-2015 to account for back payments for the period from April 2013 through 2014-2015. These additional funds have been incorporated into the 2015-2016 Beginning Fund Balance estimate.

While the Fire Department continues to work on improving their emergency medical response performance, no payments for that portion of the agreement (Annex B, Category B funds) are assumed over the forecast period. It should be noted, however, that the direct incremental cost to the City to provide the advanced life support-level of service totaling over \$5 million annually remains in the budget. The opportunity to renegotiate the overall EMS Provider Agreement will occur in 2015-2016 as the master agreement expires on July 1, 2016.

Other Miscellaneous Payments

In 2015-2016, other projected payments from local agencies total \$2.7 million, the largest of which are reimbursements for services provided by the Animal Care and Services Program (\$930,000), payments associated with the annexation of the Cambrian area to the City of Campbell (\$199,000), BART Public Art Design (\$180,000), and Cultural Affairs Special Project (\$124,000). In addition, various grants are included, such as the Valley Transportation Authority Bay Area Rapid Transit Grant (\$618,000) and the Senior Education and Outreach Grant (\$210,000). Additionally, the Santa Clara Valley Water District is providing one-time funding to continue Park Ranger patrol services (\$175,000) as part of the Homeless Response Team to address community concerns about the growth of homeless encampments.

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA

2013-2014 Actual	\$ 11,931,668
2014-2015 Adopted	\$ 11,194,473
2015-2016 Forecast	\$ 10,576,365
2015-2016 Adopted	\$ 11,370,763
% of General Fund	1.0 %
% Change from 2014-2015 Adopted	1.6 %

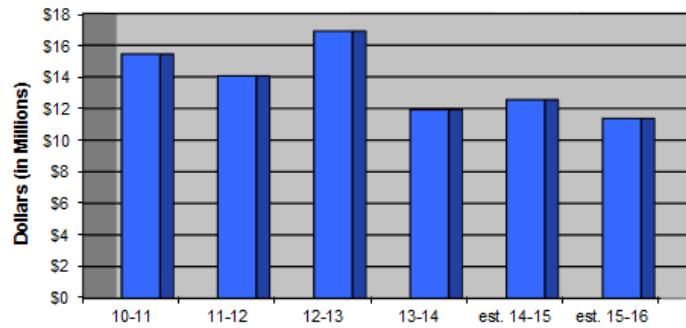
Major Categories:

- Tobacco Settlement Revenue
- State Grants/ Reimbursements

Revenue Estimates

Collections in this category are estimated to reach \$12.6 million in 2014-2015 and decrease to \$11.4 million in 2015-2016. This decrease reflects the elimination of one-time grants and reimbursements.

Rev. from the State of California Collection Trend



Tobacco Settlement Revenue

Beginning in 2010-2011, Tobacco Settlement revenue from the State is deposited in the General Fund. Based on the most recent information from the State, the 2014-2015 Tobacco Settlement payments total \$9.0 million, slightly above the \$8.75 million received in 2013-2014. The 2015-2016 collections are anticipated to decline slightly to \$8.75 million (2.8%) consistent with 2013-2014 collections.

State Grants/Reimbursements

On an annual basis, the City receives a number of grants and reimbursements. The following State grants and reimbursements are expected in 2015-2016: Abandoned Vehicles Abatement (\$675,000); Vehicle License Collections in excess (\$435,000); Conservation Sustainability Community Planning Grant (\$398,000); Auto Theft reimbursement (\$370,000); 2015 California Gang Reduction, Intervention and Prevention (CALGRIP) Grant (\$278,000); Selective Traffic Enforcement Program 2014-2015 (\$222,000); Envision San José 2040 General Plan Implementation (\$186,000); Highway Maintenance Charges reimbursement (\$105,000); Mobile ID Phase IV (\$75,000); 2013-2014 Northern California High Intensity Drug Trafficking Area (\$34,000); and a Local Enforcement Agency Grant for Planning Building and Code Enforcement Department (\$30,000).

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE STATE OF CALIFORNIA AMERICAN RECOVERY & REINVESTMENT ACT
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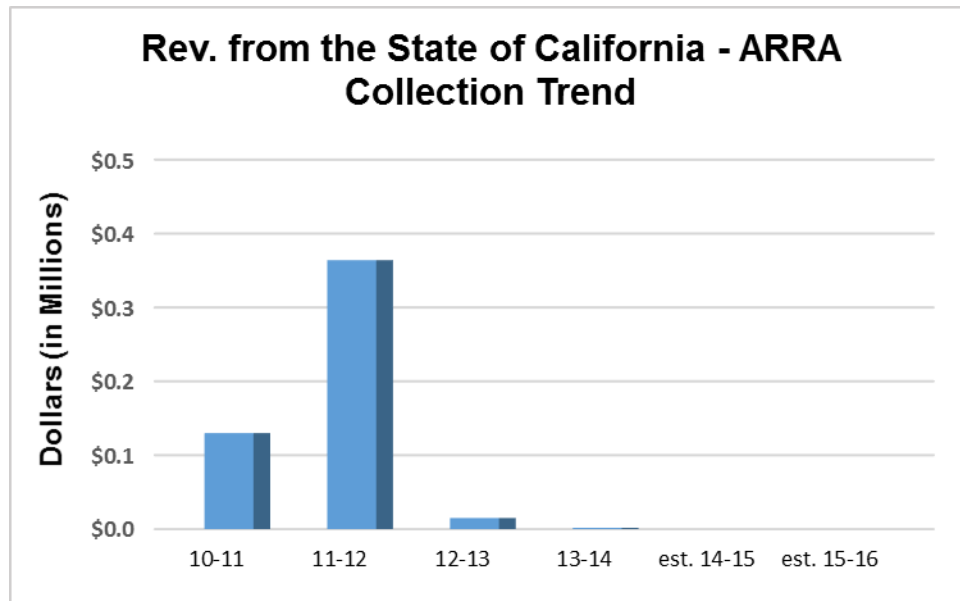
2013-2014 Actual	\$ 1,178
2014-2015 Adopted	\$ 0
2015-2016 Forecast	\$ 0
2015-2016 Adopted	\$ 0
% of General Fund	0.0 %
% Change from 2014-2015 Adopted	N/A

Major Categories:

- American Recovery and Reinvestment Act of 2009

Revenue Estimates

This category accounted for the revenue associated with the American Recovery and Reinvestment Act of 2009 allocated to the City by the State of California that is recorded in the General Fund. No new grant funds are anticipated as this program has sunset.



GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE FEDERAL GOVERNMENT

2013-2014 Actual	\$ 13,477,021
2014-2015 Adopted	\$ 4,170,953
2015-2016 Forecast	\$ 952,110
2015-2016 Adopted	\$ 9,083,802
% of General Fund	0.8 %
% Change from 2014-2015 Adopted	117.8 %

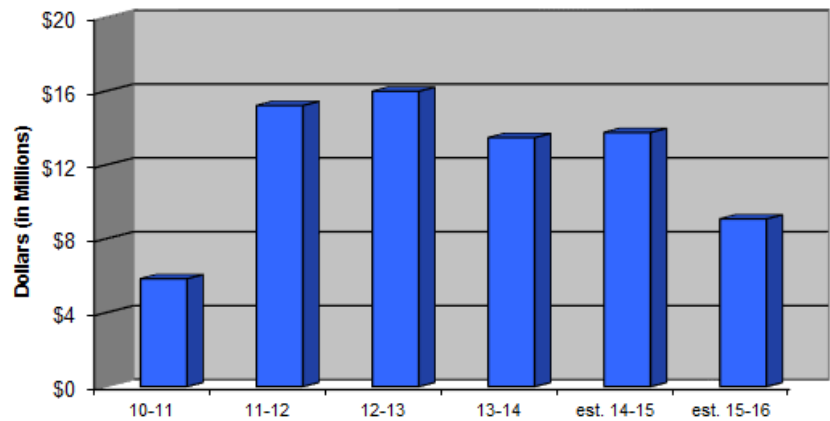
Major Categories:

- Police and Fire Related Federal Grants
- Other Federal Grants
- United States Patent and Trademark Office Rent and Reimbursements

Revenue Estimates

The revenue in this category is received from various grant programs.

**Rev. from the Federal Government
Collection Trend**



The following grants are anticipated in 2015-2016: 2013 Encourage Arrest Policies and Enforcement of Protection Orders Program Grant (\$556,000); 2014 Urban Areas Security Initiative – Fire (\$230,000), Northern California Regional Intelligence Center SUASI – Police (\$212,000); Internet Crimes Against Children Federal Grant 2014-2015 (\$176,000); Cultural Affairs Special Project (\$150,000); Clean Creeks Healthy Communities (\$142,000); National Forum Capacity –Building Grant OJJDP 2012-2015 (\$110,000); Urban Area Security Initiative – Police (UASI) (\$184,000); Summer Youth Nutrition Program (\$45,000); OJJDP Community – Based Violence Prevention Demonstration Program Grant (\$44,000); and Human Trafficking Prevention Grant 2011 (\$7,000). The corresponding expenditures are included in this budget.

Revenues for the United States Patent and Trademark Office (USPTO) of \$7.2 million are included, which is comprised of an increase of \$3.4 million to reimburse the City for the completion of the tenant improvements for the USPTO with a corresponding increase in expenditures for tenant improvements, and revenue of \$3.0 million for work anticipated to be completed in 2015-2016 instead of 2014-2015. Remaining revenues of \$793,000 reflects rental income to account for the lease agreement between the City and the USPTO for the USPTO to occupy space at City Hall. Lease payments in 2015-2016 are prorated to account for the phased move in schedule, with full occupancy occurring by September 2015. Additional information regarding this move can be found in a memorandum approved by the City on March 3, 2015: <http://sanjoseca.gov/DocumentCenter/View/40451>.

GENERAL FUND REVENUE ESTIMATES

REVENUE FROM THE FEDERAL GOVERNMENT AMERICAN RECOVERY & REINVESTMENT ACT

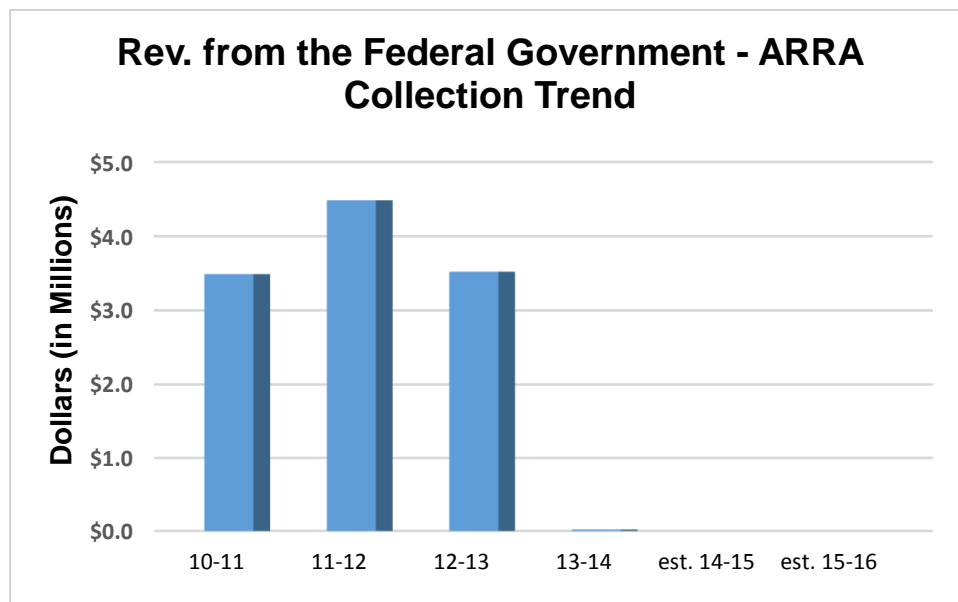
2013-2014 Actual	\$ 19,929
2014-2015 Adopted	\$ 0
2015-2016 Forecast	\$ 0
2015-2016 Adopted	\$ 0
% of General Fund	0.0 %
% Change from 2014-2015 Adopted	N/A

Major Categories:

- American Recovery and Reinvestment Act of 2009

Revenue Estimates

This category accounted for the revenue associated with the American Recovery and Reinvestment Act of 2009 allocated to the City by the federal government that is recorded in the General Fund. No new grant funds are anticipated as this program has sunset.



GENERAL FUND REVENUE ESTIMATES

DEPARTMENTAL CHARGES	
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2013-2014 Actual	\$ 41,682,729
2014-2015 Adopted	\$ 39,163,435
2015-2016 Forecast*	\$ 40,099,203
2015-2016 Adopted	\$ 40,923,558
% of General Fund	3.5 %
% Change from 2014-2015 Adopted	4.5 %

* The 2015-2016 Forecast was increased \$1.0 million from the February Forecast due to updated information; additional details can be found in the Overview of this section.

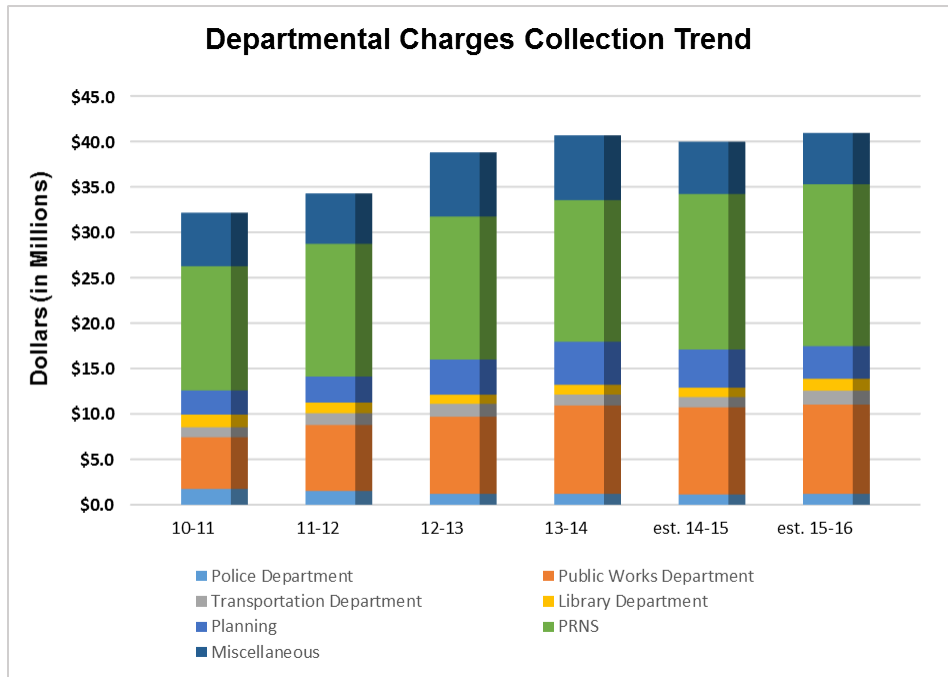
Major Categories:

- Library Fees and Fines
- Parks, Recreation and Neighborhood Services Fees
- Planning Fees
- Police Fees
- Public Works Fees
- Transportation Fees
- Miscellaneous Departmental Fees

Revenue Estimates

Contained in this revenue category are the various fees and charges levied to recover costs of services provided by several City departments. In the 2015-2016 Adopted Budget, Departmental Charges of \$40.9 million are 3.9% above 2014-2015 estimated levels.

The Adopted Budget includes an increase of \$824,000 from the Revised Forecast with adjustments to various individual categories. These adjustments are brought forward to recognize revenues from new fees, maintain cost recovery levels of existing programs, and account for anticipated activity changes in 2015-2016.



GENERAL FUND REVENUE ESTIMATES

DEPARTMENTAL CHARGES

Revenue Estimates

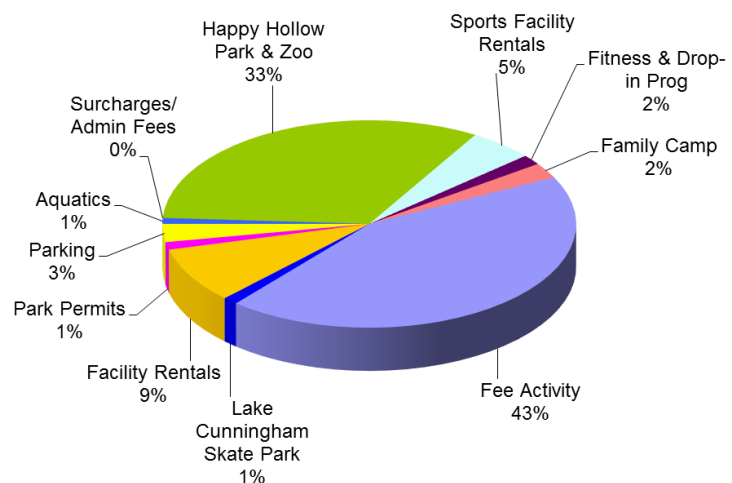
This section highlights the major fee programs in this category. A more detailed description of the changes to various fee programs is available in the 2015-2016 Fees and Charges document that is released under separate cover.

Library Fees and Fines

Library Department fees and fines for 2015-2016 are estimated at \$1.3 million, exceeding the 2014-2015 estimate of \$1.0 million. Collections from library fines, which comprise almost 95% of the Library Fees and Fines category, are expected to increase by \$262,000 in 2015-2016 due to both the expansion of services to six days a week as well as the opening of the new Village Square Branch Library (\$285,000 ongoing).

Parks, Recreation and Neighborhood Services Fees

Parks, Recreation and Neighborhood Services Department (PRNS) fee collections are estimated at \$17.8 million in 2015-2016 based on projected activity levels and fees. The 2015-2016 Adopted Operating Budget includes a few upward revenue adjustments totaling \$265,000 reflecting the following: increased rentals revenue at the 54 community centers (\$81,000); new parking revenues collected at Kelley Park as the result of re-opening the K4 parking lot (\$53,000); revenue associated with two animal exhibits, acquisition of new animals, and a new ride expected to come online in 2016 at Happy Hollow Park and Zoo (\$52,000); new park permit revenues resulting from the amendment to the Community Special Events Ordinance adopted on June 17, 2014, whereby permits can now be issued to for-profit events (\$41,000); revenue associated with expanding programming efforts at Alum Rock Park by offering leisure and outdoor recreation classes year round (\$30,000); and increased activity at the Lake Cunningham Skate Park (\$8,000).



associated with two animal exhibits, acquisition of new animals, and a new ride expected to come online in 2016 at Happy Hollow Park and Zoo (\$52,000); new park permit revenues resulting from the amendment to the Community Special Events Ordinance adopted on June 17, 2014, whereby permits can now be issued to for-profit events (\$41,000); revenue associated with expanding programming efforts at Alum Rock Park by offering leisure and outdoor recreation classes year round (\$30,000); and increased activity at the Lake Cunningham Skate Park (\$8,000).

Planning Fees

The Planning, Building and Code Enforcement Department administers a variety of fees and charges related to the processing of planning permit applications.

In 2015-2016, Planning Fees are anticipated to generate approximately \$3.6 million, a decrease from the 2014-2015 estimated collection level of \$4.2 million. The 2015-2016 revenue estimate assumes the continuation of strong development performance, but allows for some drop-off from 2014-2015 and the peak levels experienced in 2013-2014. This collection level, along with the use of a portion

GENERAL FUND REVENUE ESTIMATES

DEPARTMENTAL CHARGES

Revenue Estimates

Planning Fees (Cont'd.)

of the Planning Development Fee Program Reserve, is sufficient to support program additions in 2015-2016 without any fee increases. Minimal expenditure additions are included in this budget, including funding of \$10,000 for library digital file conversion and various shared resources additions resulting in the addition of 1.02 positions.

The 2015-2016 estimated collection level is below the projected cost to deliver this program. In order to balance this program and remain at 100% cost recovery, the use of the Planning Development Fee Program Reserve is included as part of this budget. This includes \$1.6 million that was incorporated into the Forecast and an additional \$121,000 to provide funding for budget actions in 2015-2016. These actions will result in an estimated remaining Planning Development Fee Program Reserve of \$37,000 at the beginning of 2015-2016.

Additional detail on these budget actions is provided in the Planning, Building and Code Enforcement and Information Technology Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2015-2016 Fees and Charges document that is released under separate cover.

Police Fees

The 2015-2016 revenue estimate for Police Fees totals \$1.2 million, slightly above the 2014-2015 anticipated collection levels of \$1.1 million. Fee adjustments resulting in a net increase of \$22,000 to various Police fees and charges are included based on an analysis of the cost to deliver various services.

Public Works Fees

In 2015-2016, Public Works fee revenues are projected to total \$9.8 million (\$7.3 million from the Development Fee Program and \$2.5 million from the Utility Fee Program), which is slightly above the 2014-2015 estimated collection level of \$9.6 million. This collection level, along with the use of a portion of the Public Works Development Fee Program Reserve, is sufficient to support the program additions in 2015-2016. No fee increases are included in this budget; however, a number of targeted fee adjustments are included in the following categories to more effectively structure these fees: Development Application Review: Preliminary Review; Development Application Review: Site Development Permits/Conditional Use Permits/Special Use Permits; Development Application Review: Traffic Reports; and Materials Testing Laboratory Review Services.

A number of expenditure actions totaling \$246,000 are included, resulting in the addition of 1.85 positions and shared resources in order to improve target cycle times and customer service levels. The 2015-2016 estimated collection level, however, is below the projected cost to deliver this program. In order to balance this program and remain at 100% cost recovery, the use of the Public Works Development Fee Program Reserve is included as part of this budget. This includes \$699,000 that was incorporated into the Forecast and an additional \$246,000 to provide funding for budget actions in 2015-2016. These actions will result in an estimated remaining Public Works Development Fee

GENERAL FUND REVENUE ESTIMATES

DEPARTMENTAL CHARGES

Revenue Estimates

Public Works Fees (Cont'd.)

Program Reserve of \$5.1 million at the beginning of 2015-2016, primarily for works-in-progress projects.

Additional detail on these budget actions is provided in the Public Works, Planning, Building, and Code Enforcement, and Information Technology Departments under the *City Departments* section of this document. A more detailed description of the various fees is provided in the 2015-2016 Fees and Charges document that is released under separate cover.

Transportation Fees

The revenue estimate for Transportation Fees totals \$1.5 million in 2015-2016, which is significantly above the 2014-2015 estimate of \$1.1 million. Fee adjustments resulting in a net increase of \$494,000 to various Transportation fees and charges are included based on an analysis of the cost to deliver various services. This primarily reflects an increase of \$304,000 to the revenue estimate for Sidewalk Administration Fees and is offset by the addition of 2.0 Associate Construction Inspector positions to address an increasing sidewalk repair workload due to higher service requests. Additional adjustments are included to better align revenues with current costs, the largest of which are various increases to Signal Design/Review (\$141,000).

Miscellaneous Departmental Fees

Collections of \$5.6 million are anticipated in 2015-2016 from a variety of fees and charges. This collection level reflects a net decrease of \$234,000 from the Revised Forecast estimate based on approved fee changes.

The majority of the revenue in this category is generated from the Solid Waste Enforcement Fee (SWEF) Program with a 2015-2016 revenue estimate of \$4.2 million. This revenue estimate reflects a decrease of \$313,000 from the Forecast Base as the fee was reduced by 6.9% from \$1.16 per ton to \$1.08 per ton. With the use of \$530,000 of estimated 2015-2016 Beginning Fund Balance to support the program combined with the approved fee decrease, this program is projected to be 100% cost recovery in 2015-2016.

The decrease in the SWEF Program is partially offset by increases in the following: Animal Care and Services Fees (\$47,000); Abandoned Cart Program Fee (\$24,000) increasing the fee from \$345 per year to \$490 per year, consistent with a five-year phased approach to bringing this program to 100% cost-recovery levels; and an increase of \$8,000 in City Clerk's Lobbyist registration fees to improve cost recovery levels from 73% to 85.8%.

Animal Care and Services Fees included in the category are estimated to total \$713,000 in 2015-2016 including the approved changes.

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

2013-2014 Actual*	\$ 137,402,203
2014-2015 Adopted	\$ 15,161,073
2015-2016 Forecast**	\$ 13,904,253
2015-2016 Adopted	\$ 26,259,638
% of General Fund	2.2 %
% Change from 2014-2015 Adopted	73.2 %

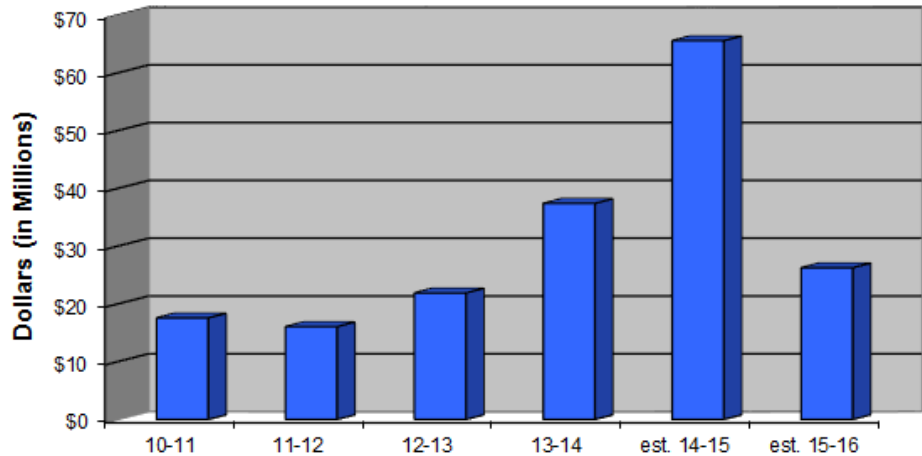
* The 2013-2014 Actual includes revenues associated with the issuance of a \$100 million TRANs based on cash flow needs.

** The 2015-2016 Forecast was increased \$40,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section

Major Categories:

- Litigation Settlements
- SAP Center at San José Revenues
- Investment Program Reimbursement
- Public, Education, and Government (PEG) Access Facilities
- Sale of Surplus Property
- Sidewalk Repair and Tree Maintenance Activities
- Miscellaneous Other Revenue

Other Revenue Collection Trend



* Beginning in 2010-2011 revenues have been adjusted to exclude the issuance of the TRANs.

Revenue Estimates

In 2015-2016, the revenue estimate of \$26.3 million assumes the continuation of current year activity levels with revisions, where appropriate, for 2015-2016 costs or agreements and the elimination of one-time funding sources. This figure excludes revenues associated with the issuance of the TRANs that will be brought forward in 2015-2016 with an offsetting expenditure based on estimated cash flow needs.

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Revenue Estimates

Litigation Settlements

In 2014-2015, Litigation Settlements revenue of \$565,000 is estimated based on actual collections, this is compared to the \$403,000 and \$62,000 received in 2012-2013 and 2013-2014 respectively. For 2015-2016, Litigation Settlements revenue of \$275,000 is included in the Adopted Budget.

SAP Center at San José Revenues

The City receives payments from Arena Management associated with the use of SAP Center at San José. In 2015-2016, \$5.7 million is projected from Arena Rental, Suite, Parking, and Naming revenues, this is slightly above the 2014-2015 estimate of \$5.5 million. It should be noted that the agreement with Sharks Sports Entertainment to lease the San José Arena and the naming rights agreement with SAP was set to end in 2017-2018. The City Council approved new terms in May 2015 that would extend the committed term through 2024-2025. While revenues will not be impacted in 2015-2016, future years will see a decrease that will be incorporated into future budget processes. The new agreement is expected to be finalized and executed in 2015-2016.

Investment Program Reimbursement

The 2015-2016 revenue estimate for this category is \$2.0 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings.

Public, Education, and Government (PEG) Access Facilities

In 2015-2016, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$2.0 million. As defined in the Franchise Agreement, these funds will be used to support the Public, Education, and Government (PEG) Access Facilities. There is an associated City-Wide Expenses allocation for this purpose.

Sale of Surplus Property

In 2015-2016, the proceeds from the Sale of Surplus Property category is estimated at \$4.4 million. based on the anticipated assets that will be sold next fiscal year.

Sidewalk Repair and Tree Maintenance Activities

When the City performs sidewalk repair services for non-owner occupied residences, the property owners reimburse the City for those costs. The 2015-2016 revenue estimate for this category is \$1.5 million, which includes an increase of \$500,000 in the Adopted Budget. This adjustment reflects the anticipated increase in reimbursements from property owners for contractual sidewalk repairs performed by the City on behalf of the property owners as a result of the expansion of the Sidewalk Repair Program. There is also a corresponding expenditure increase in the City-Wide Expenses allocation to fund the contractual sidewalk repairs, as described in the *City-Wide Expenses* section of this document.

GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Revenue Estimates

Sidewalk Repair and Tree Maintenance Activities (Cont'd.)

Property owners are also assessed for the costs of tree services provided by the City. If the City performs emergency tree services, such as removing a tree that has fallen in the street during a storm, the property owner is assessed a fee to cover the cost of this service. This fee is expected to generate \$200,000 in 2015-2016 and there is a corresponding City-Wide Expenses allocation to provide this service.

Miscellaneous Other Revenue

Various other revenue sources are included in this revenue category including: SB90 reimbursements from the State of California (\$300,000), Silicon Valley Energy Watch Grant (\$747,000), Miscellaneous city-wide revenues and accounts receivable penalties and interest (\$200,000), City Hall parking revenues (\$100,000), P-Card Incentive Payments (\$100,000), wrecked vehicle sales (\$97,000), Secondary Employer Insurance reimbursement from Police Officers (\$84,000), and several other revenue categories.

Included in the 2015-2016 Adopted Budget are the following additional adjustments:

- An increase of \$7.8 million for the Energy and Utility Conservation Measures Program.
- An increase of \$3.5 million from the developer of the Airport West Property to contribute toward a tunnel connection to the Santa Clara Caltrain Station.
- An increase of \$15,000 for the estimated reimbursement from the Christmas in the Park Foundation. Part-time City staff hours are needed to transport props to and from the City warehouse. Incurred costs are fully reimbursed by the Christmas in the Park Foundation.
- An increase of \$15,000 for new subdivision traffic control signs and pavement markings revenues to reflect fee adjustments to maintain cost recovery levels.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

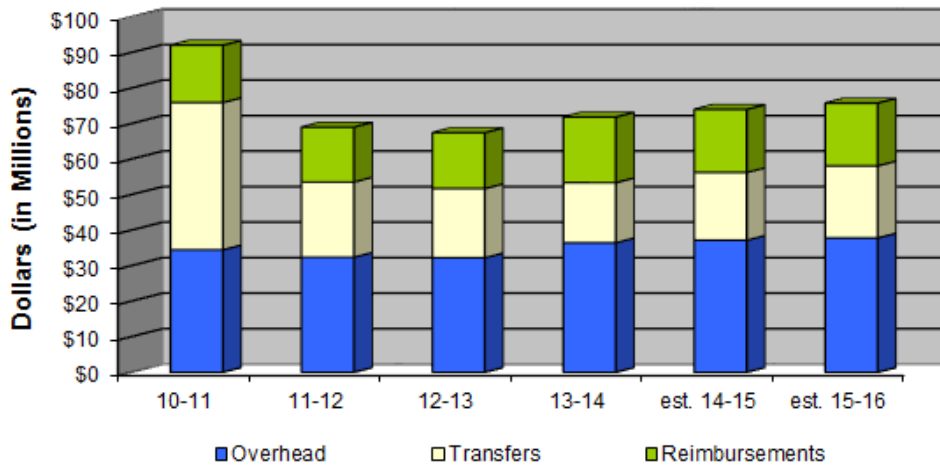
2013-2014 Actual	\$ 71,843,458
2014-2015 Adopted	\$ 73,914,067
2015-2016 Forecast*	\$ 73,842,080
2015-2016 Adopted	\$ 75,763,879
% of General Fund	6.5 %
% Change from 2014-2015 Adopted	2.5 %

* The 2015-2016 Forecast was increased \$221,000 from the February Forecast due to updated information; additional details can be found in the Overview of this section.

Major Categories:

- Overhead Reimbursements
- Transfers
- Reimbursements for Services

Transfers & Reimbursements Collection Trend



Revenue Estimates

The Transfers and Reimbursements revenue category is used to account for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or simple transfers. In total, Transfers and Reimbursements are anticipated to generate approximately \$75.8 million in 2015-2016. This amount is above the current 2014-2015 estimate of \$74.0 million due to increased overhead reimbursements and budgeted transfers. The following is a discussion of the three major subcategories, including detail regarding the net increase approved for 2015-2016 of \$1.9 million.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Revenue Estimates

Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2015-2016, a total of \$37.8 million in reimbursements are projected based on 2015-2016 overhead rates prepared by the Finance Department applied against the projected 2015-2016 applicable salaries. This figure reflects the following: a decrease of \$149,000 incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and an increase of \$881,000 incorporated into the 2015-2016 Adopted Budget (\$924,000 ongoing) generated from various budget actions that changed the staffing levels funded by capital and special funds. Descriptions of the budget actions that generate these overhead reimbursement changes can be found in the *City Departments* Section of this document. Following is a summary of the overhead reimbursement changes from the Revised Forecast by fund.

<u>Fund</u>	<u>Overhead Adjustment</u>
Capital Funds	\$ 763,348
San José/Santa Clara Treatment Plant Operating Fund (513)	150,006
Maintenance District Funds (various)	83,698
Storm Sewer Operating Fund (446)	49,525
Sewer Service and Use Charge Fund (541)	45,921
Low and Moderate Income Housing Asset Fund (346)	28,765
Water Utility Fund (515)	16,460
Vehicle Maintenance and Operations Fund (552)	5,679
Community Development Block Grant Fund (441)	3,456
Housing Trust Fund (440)	(4,191)
Airport Maintenance and Operating Fund (523)	(9,050)
Multi-Source Housing Fund (448)	(28,444)
Integrated Waste Management Fund (423)	(223,804)
Total Adjustments	\$ 881,369

Transfers

The Transfers category is projected at \$20.3 million in 2015-2016. The largest component of this category (\$10.6 million) is a transfer from the Airport Maintenance and Operating Fund to reimburse the General Fund for police and aircraft rescue and firefighting services provided by the Police and Fire Departments. These reimbursements have been built to cover the 2015-2016 direct costs as well as the indirect costs. For the Fire Rescue reimbursement, the indirect costs have been discounted to help with cost competitiveness of this service. Additional large transfers programmed for 2015-2016 include the following: Construction and Conveyance Tax Fund transfer (\$3.4 million) associated with park maintenance costs and methane monitoring; Construction Excise Tax Fund transfer (\$1.8 million); General Purpose Parking Fund (\$807,000); Workforce Development Act Fund for the reuse of City facilities (\$548,000); Convention and Cultural Facilities Revenue Fund (\$367,000); interest earnings from various funds, the largest of which is the Construction and Conveyance Tax Fund (\$354,000); and Integrated Waste Management Fund transfer (\$300,000) primarily reflecting unclaimed Construction and Demolition Diversion Deposits.

GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Revenue Estimates

Transfers (Cont'd.)

In addition, the 2015-2016 Adopted Budget incorporates a one-time transfer of \$940,000 from various special and capital funds for the Human Resources/Payroll/Budget Systems upgrades. The partial reimbursement from the development fee programs and the various special and capital funds allows the distribution of costs across all of the funds that will benefit from these systems. Previously, the cost of the existing Human Resources/Payroll Upgrade project was spread among the City's various funds. The new Budget System project, however, had been budgeted in the General Fund only. The approved reimbursements will distribute the costs to the other funds for the existing Budget Systems project as well as the cost increase for the now combined Human Resources/Payroll/Budget Systems Upgrade project budgeted in 2015-2016, as described in the *City-Wide Expenses* section of this document.

Reimbursements for Services

Reimbursements for services represent the cost to the General Fund for staff and supplies provided on behalf of other City funds. For 2015-2016, the revenue estimate for this category is \$17.7 million.

The largest single source of revenue in this category is reimbursements from the Gas Tax Funds for the cost of City street-related expenses. Based on year-to-date performance, the Gas Tax receipts in 2014-2015 are projected to reach \$17.0 million, which is below the prior year level collection level. Collections are expected to remain flat or decline slightly to \$16.9 million in 2015-2016. Several factors impact collections, including volatile gas prices, the lingering impacts of the economic downturn, and a move to more energy efficient automobiles. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well.

The Reimbursements for Services category also includes reimbursement for actual City costs associated with administering the Deferred Compensation Program (\$597,000) and the Maintenance Assessment District Funds (\$160,000).

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 32,700,000
Rebudgets: Earmarked Reserves/Expenditures	\$159,354,583
Unexpended Earmarked Reserves*	\$ 34,178,894
2014-2015 Expenditure Savings/Additional Revenue*	\$ 5,342,915
2014-2015 Ending Fund Balance Reserve	\$19,750,000
Liquidation of Prior Year Encumbrances*	\$ 1,500,000
Fund Balance Subtotal:	\$ 252,826,392
Reserve for Encumbrances	\$40,777,371
Fund Balance Total:	\$ 293,603,763
% of General Fund**	21.4%

* Used for 2015-2016 Adopted Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2014-2015 Ending Fund Balance/2015-2016 Beginning Fund Balance, totaling \$293.6 million, are included as part of the 2015-2016 Adopted Budget. The estimate for the encumbrance reserve is set at the 2013-2014 actual level (\$40.8 million). The Adopted Budget included a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2015-2016.

The estimate for unrestricted fund balance was set at \$252.8 million, representing a \$190.1 million increase from the revised 2015-2016 Forecast level of \$62.7 million. When the initial Forecast was developed, the fund balance projection totaled \$62.3 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$32.7 million; a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances totaling \$23.0 million; and additional funding of approximately \$6.6 million from various reserves to support specific costs programmed in 2015-2016 (\$4.2 million from the Building Development Fee Program Reserve, \$1.6 million from the Planning Development Fee Program Reserve, and \$699,000 from the Public Works Development Fee Program Reserve were included in the fund balance estimate to cover costs associated with these fee programs in 2015-2016).

The Revised Forecast adjusted the unrestricted fund balance up by \$481,000 to \$62.7 million to reflect the use of a portion of the Fire Development Fee Program Reserve to cover 2015-2016 base program costs for a net-zero impact on the General Fund.

The \$190.1 million increase in the fund balance projection from the Revised Forecast (from \$62.7 million to \$252.8 million) primarily reflects the rebudget of \$159.4 million for expenditure-related line items. The higher fund balance also includes the use of various unexpended earmarked reserves of \$27.1 million, which includes an increase in expectations for excess revenues and expenditure savings of \$3.6 million (\$21.5 million to \$25.1 million). The majority of the projected excess revenues and expenditure savings was set aside in the 2014-2015 Ending Fund Balance Reserve, which totaled \$19.8 million as shown in the chart above.

GENERAL FUND REVENUE ESTIMATES

BEGINNING FUND BALANCE

Following is a discussion of the fund balance components:

- The Beginning Fund Balance estimate assumed the carryover of the 2014-2015 Contingency Reserve of \$32.7 million, with the assumption that this amount would not be used in 2014-2015 and would be available in 2015-2016. This reserve level complied with the City Council policy to maintain a minimum of 3% Contingency Reserve during the development of the 2015-2016 General Fund Forecast. In the 2015-2016 Adopted Budget, the Contingency reserve was increased by \$1.3 million to \$34.0 million in order to remain in compliance with the City Council policy for the 2015-2016 Adopted Operating Budget. The Contingency Reserve is approximately enough to cover General Fund payroll costs for less than two and one-half weeks in an emergency.
- Rebudgeted Earmarked Reserves and expenditures totaled \$159.4 million. Details of the Earmarked Reserves of \$97.69 million that are rebudgeted from 2014-2015 to 2015-2016 can be found in the *City-Wide Expenses, Capital, Transfers, and Reserves* section of this document. Major Earmarked Reserve rebudgets include: Development Fee Program Reserves (\$39.0 million – Building \$22.3 million, Fire \$5.9 million, Public Works \$5.0 million, Technology \$4.5 million, and Planning \$1.3 million); Workers' Compensation/General Liability Reserve (\$15.0 million); Budget Stabilization Reserve (\$10.0 million); Police Department Staffing/Operations Reserve (\$11.0 million); Retiree Healthcare Solutions Reserve (\$6.2 million); Sick Leave Upon Retirement Reserve (\$6.0 million); and Salaries and Benefits Reserve (\$5.2 million). Expenditure rebudgets totaled \$61.7 million, the majority of which represent City-Wide Expenses that were not complete in 2014-2015 for which funding was carried over to 2015-2016. A large portion of these rebudgets reflect the carry-over of unexpended grant funding.
- The use of various Unexpended Earmarked Reserves of \$34.2 million include: Police Department Staffing/Operations Reserve (\$7.0 million); 2015-2016 Police Department Overtime Reserve (\$5.0 million); 2014-2015 Police Sworn Hire Ahead Program Reserve (\$3.0 million); various Development Fee Program Reserves (Building \$6.1 million, Planning \$1.7 million, Public Works \$985,000, and Fire \$186,000); 2015-2016 Future Deficit Reserve (\$2.4 million); 2015-2016 Homeless Rapid Rehousing Reserve (\$2.0 million); 2015-2016 Homeless Response Team Reserve (\$1.5 million); 2015-2016 San José BEST and Safe Summer Initiative Programs Reserve (\$1.5 million); Cultural Facilities Capital Maintenance Reserve (\$1.1 million); and General Plan Update Reserve (\$413,000).
- The 2014-2015 Ending Fund Balance Reserve (\$19.75 million) and the Expenditure Savings/Additional Revenue (\$5.3 million) represent the total excess revenues and expenditure savings of \$25.1 million expected to be generated at the end of 2014-2015 for use in 2015-2016.

The Liquidation of Prior Year Encumbrances was estimated at \$1.5 million in 2014-2015 to be available for use in 2015-2016. This is consistent with the level assumed in the Forecast.