



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

**SUBJECT: UPDATED INFORMATION
REGARDING THE 2009-2010
GENERAL FUND PROPERTY
TAX REVENUE ESTIMATE**

DATE: June 2, 2009

Approved

Date

6/3/09

RECOMMENDATION

Based on updated information released from the County Assessor's Office, it is recommended that the 2009-2010 General Fund revenue estimate for Property Tax be increased by \$4,781,000. If the City Council chooses, these funds would be available for allocation during the 2009-2010 budget process. Any unallocated funds would be recommended to be distributed to the Economic Uncertainty Reserve.

BACKGROUND

The Budget Office monitors the City's actual revenue collections as well as analyzes data that can be used to project future performance on an ongoing basis to determine if adjustments to the revenue estimates are necessary. This is particularly important in this volatile economic environment. Since the release of the 2009-2010 Proposed Operating Budget on May 1, 2009, updated information has become available on the current status of the 2009-2010 Property Tax roll. This information results in the availability of additional funding for City Council allocation in 2009-2010 or for distribution to the Economic Uncertainty Reserve.

ANALYSIS

An increase of \$4.78 million to the Property Tax estimate is recommended to reflect an updated Secured Property Tax estimate for 2009-2010. When the 2009-2010 Proposed Budget was developed, it was assumed that Secured Property Tax receipts would decline 6.5% from the 2008-2009 estimated collection level. This estimate was developed based on the information available from the County Assessor's Office at the time the Proposed Budget was released which showed a decline of 5.1% in secured property roll growth for 2009-2010 (properties in San José excluding the Redevelopment Agency) and information that further declines in the property tax roll from residential, commercial, and industrial properties would be experienced before the roll was finalized on July 1, 2009.

HONORABLE MAYOR AND CITY COUNCIL

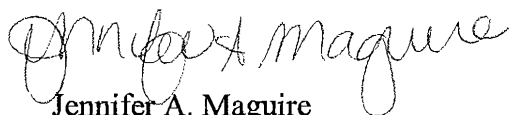
June 2, 2009

Subject: Updated Information Regarding the 2009-2010 General Fund Property Tax Revenue Estimate

Page 2

Since the release of the data in April 2009, the County Assessor has provided updates on the status of the 2009-2010 property tax roll, with the latest update provided on June 1, 2009. The latest report shows some improvement from the information released in April, with a decline in the 2009-2010 secured property tax roll as of June 1, 2009 of 3.09% for the City of San José. Although still a significant decline, the lower drop in receipts is due, in part, to the Assessor's Office continued evaluation of property reassessments resulting from the current year drop in property values (Proposition 8 adjustments). The value of these negative adjustments is currently tracking at \$9.5 billion, which is below the \$10.5 billion figure provided in April 2009. The updated negative Proposition 8 estimate of \$9.5 billion, however, is still 339% higher than the 2008-2009 amount of \$2.2 billion.

While the Property Tax roll will not be finalized until July 1, 2009, based on this updated information from the County Assessor, it is now anticipated that the Secured Property Tax receipts will drop by no more than 4.0% in 2009-2010 rather than the 6.5% decline assumed in the 2009-2010 Proposed Budget. The revised figure allows for some slight downward adjustments to the final roll as well as a slight decline during the year as a result of appeals and other adjustments. Based on this assumption, Secured Property Tax receipts are expected to total \$183.57 million, up \$4.78 million from the estimate of \$178.78 million in the 2009-2010 Proposed Budget. The total 2009-2010 Property Tax estimate is proposed to be increased from \$193.47 million to \$198.25 million.



Jennifer A. Maguire
Budget Director