

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2022-2023 General Fund revenue collections as compared with the Modified Budget estimates:

**TABLE A**  
**2022-2023 GENERAL FUND REVENUE SUMMARY**  
**COMPARISON OF BUDGET TO ACTUAL**  
**(\$000s)**

Category	2021-2022 Budgetary Basis Actual	2022-2023 Modified Budget	2022-2023 Budgetary Basis Actual	2022-2023 Budget to Actual \$ Variance
Property Tax	\$ 414,123,282	\$ 447,000,000	\$ 449,014,347	\$ 2,014,347
Sales Tax	323,143,574	337,200,000	343,472,084	6,272,084
Transient Occupancy Tax	10,515,117	15,000,000	14,936,816	(63,184)
Business Taxes	85,375,289	87,000,000	89,626,955	2,626,955
Utility Tax	103,591,802	120,950,000	124,266,765	3,316,765
Franchise Fees	48,378,348	44,968,393	44,823,852	(144,541)
Real Property Transfer Tax	110,015,391	65,000,000	56,279,648	(8,720,352)
Telephone Line Tax	21,313,810	20,000,000	21,093,889	1,093,889
Licenses and Permits	22,032,078	20,778,200	17,756,820	(3,021,380)
Fees, Rates, and Charges	22,110,063	22,124,947	23,595,906	1,470,959
Fines, Forfeitures, and Penalties	14,959,847	12,232,000	17,352,624	5,120,624
Rev. from Use of Money/Property	9,126,202	15,779,000	19,157,555	3,378,555
Revenue from Local Agencies	24,755,916	23,846,148	25,497,190	1,651,042
Revenue from State of California	26,241,795	34,536,015	19,912,631	(14,623,384)
Rev. from Federal Government	3,096,138	11,477,963	4,962,143	(6,515,820)
Other Revenue	329,257,694	292,158,629	291,249,120	(909,509)
Subtotal	1,568,036,346	1,570,051,295	1,562,998,345	(7,052,950)
Overhead Reimbursements	70,493,558	74,536,340	75,799,618	1,263,278
Transfers	84,446,673	35,637,596	47,176,528	11,538,932
Reimbursements for Services	16,552,061	18,596,377	17,772,186	(824,191)
Subtotal	171,492,292	128,770,313	140,748,332	11,978,019
<b>TOTALS<sup>1</sup></b>	<b>\$ 1,739,528,638</b>	<b>\$ 1,698,821,608</b>	<b>\$ 1,703,746,677</b>	<b>\$ 4,925,069</b>

<sup>1</sup> Excludes Beginning Fund Balance.

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The General Fund revenue performance for 2022-2023 is discussed in detail in this section. The 2022-2023 actual revenue receipts for each of the major revenue categories are compared to the modified budgets and any significant variances and resulting implications for current year revenue estimates are described. In addition, comparisons with prior fiscal year collection levels are included to indicate collection trends and to provide a historical perspective.

As shown in Table A, total revenue received in the General Fund in 2022-2023 was \$1.70 billion. This collection level was within 0.2%, or \$4.9 million, of the 2022-2023 Modified Budget. After accounting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$23.3 million, or 1.4%, above the 2022-2023 Modified Budget.

The 2022-2023 collection level of \$1.70 billion was \$35.8 million, or 2.1%, below the actual 2021-2022 collections of \$1.74 billion. This year-over-year decline is primarily due to lower 2022-2023 collections for Real Property Transfer Tax (\$53.7 million), Transfers from Other Funds (\$37.3 million), and Other Revenue (\$38.0 million). The lower Real Property Transfer Tax revenue reflects a more constrained real estate market in 2022-2023, compared to 2021-2022. The year-over-year decrease in the Transfers category is primarily due to the American Rescue Plan Fund transfer to the General Fund totaling \$53.8 million in 2021-2022, which is significantly higher than the 2022-2023 transfer of \$16.0 million. These transfers account for City-wide revenue loss that was attributable to the pandemic, in accordance with U.S. Treasury Department regulations. Finally, Other Revenue dropped by \$38.0 million primarily due to Lease Revenue Bond proceeds of \$15.0 million being received in 2021-2022, higher Tax and Revenue Anticipation Notes (TRANs) revenue being issued in 2021-2022 (\$10.0 million), and larger grant revenue being received in 2021-2022 (\$8.8 million). Partially offsetting the lower receipts in these categories were year-over-year increases for Property Tax (\$34.9 million), Sales Tax (\$20.3 million), and Utility Tax (\$20.7 million). These revenues experienced year-over year growth due to several factors including strong economic activity and higher utility rates.

The variances from the Modified Budget levels, implications for current year revenue estimates, and changes from prior year level are further discussed on the following pages for all significant and notable revenue categories, as well as sources with substantial variances.

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#### Property Tax

Property Tax	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Secured Property Tax	415,700,000	416,411,271	711,271	0.2%
Unsecured Property Tax	16,000,000	15,983,433	(16,567)	(0.1%)
SB 813 Property Tax	10,500,000	11,856,372	1,356,372	12.9%
Aircraft Property Tax	3,900,000	3,891,496	(8,504)	(0.2%)
HOPTR	900,000	871,775	(28,225)	(3.1%)
<b>Total</b>	<b>447,000,000</b>	<b>449,014,347</b>	<b>2,014,347</b>	<b>0.5%</b>

The Property Tax revenue category includes Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax, Aircraft Property Tax, and Homeowner's Property Tax Relief (HOPTR). Property Tax receipts in 2022-2023 totaled \$449.0 million, which was \$2.0 million, or 0.5%, above the budgeted estimate of \$447.0 million, and represented an increase of 8.4% from 2021-2022 collections of \$414.1 million.

In 2022-2023, **Secured Property Tax** receipts continued to be the largest source of revenue in the Property Tax category. The Secured Property Tax category includes general Secured Property Tax, Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax, and Educational Revenue Augmentation Fund (ERAF) revenues. In 2022-2023, receipts totaled \$416.4 million, which is slightly above the budgeted estimate of \$415.7 million, and is 7.3% above the 2021-2022 receipts of \$388.0 million. The growth from 2021-2022 collections reflects increased general Secured Property Tax receipts (\$25.4 million) and higher SARA Residual Property Tax receipts (\$4.1 million), partially offset by lower ERAF revenue (\$1.1 million).

The general Property Tax receipts growth of \$25.4 million in 2022-2023 primarily reflects an increase in assessed value, due to the California Consumer Price Index (CCPI) increase of 2%, and increased valuation due to changes in ownership or new construction. 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. On a County-wide basis, the 2022-2023 roll growth was driven primarily by changes in ownership (57.0%), changes in the CCPI (25.1%), and new construction (13.7%).

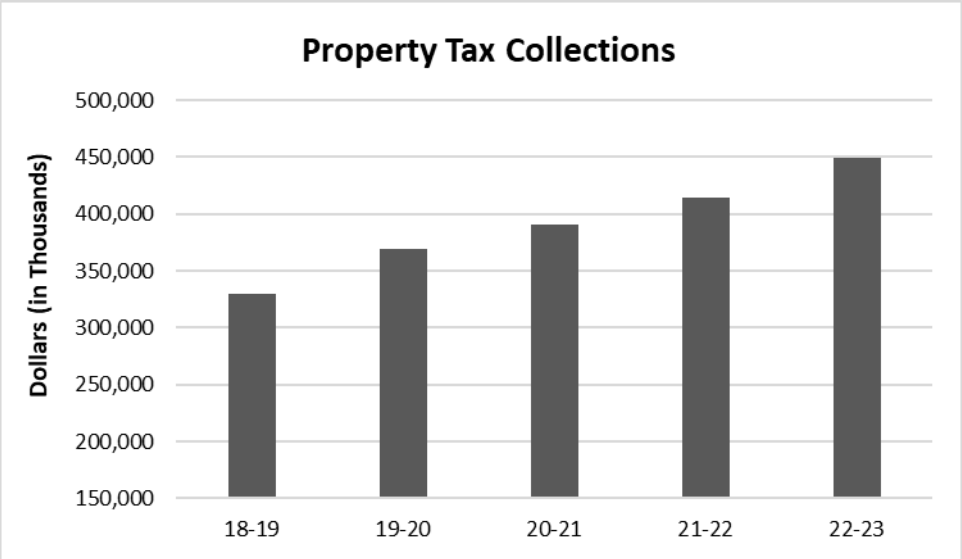
In addition to the changes in assessed value, Secured Property Tax collections were positively impacted by SARA Residual Property Tax receipts. As a result of the SARA bond refunding that occurred in December 2017, the City receives a residual property tax distribution. In 2022-2023 SARA Residual Property Tax receipts totaled \$22.4 million, which is \$4.1 million above the 2021-2022 collection level of \$18.3 million.

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The final component of the Secured Property Tax category is excess ERAF revenue. ERAF collections totaled \$37.7 million in 2022-2023, which is \$1.1 million below the 2021-2022 collection level. Beginning in 1992, agencies have been required to reallocate a portion



of property tax receipts to 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, which generally occurs in March of each fiscal year.

In the **Unsecured Property Tax** category, collections of \$16.0 million were consistent with the 2022-2023 Modified Budget estimate of \$16.0 million and 8.0% (\$1.2 million) above the 2021-2022 collections of \$14.8 million.

The **SB 813 Property Tax** component represents the retroactive taxes reassessed property valuation from the period of resale to the time that the Assessor formally revalues the property. In 2022-2023, receipts of \$11.9 million were \$1.4 million above the 2022-2023 Modified Budget estimate of \$10.5 million and \$4.4 million above the prior year collection level of \$7.5 million.

The remaining Property Tax categories include **Aircraft Property Tax** receipts, which totaled \$3.9 million in 2022-2023 and \$3.0 million in 2021-2022; and **Homeowners Property Tax Relief** revenue, which totaled \$872,000 in 2022-2023 and \$891,000 in 2021-2022.

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### GENERAL FUND REVENUE PERFORMANCE

#### Sales Tax

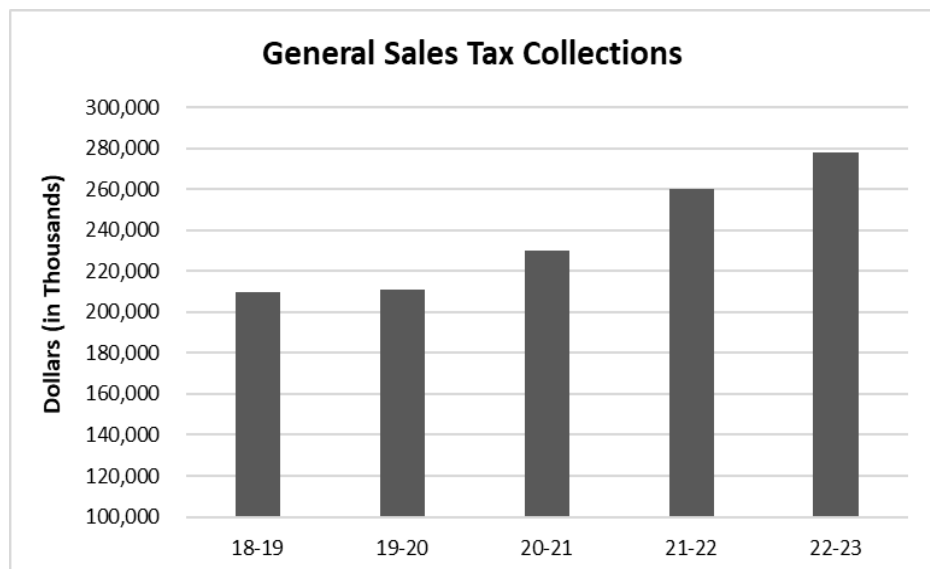
Sales Tax	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
General Sales Tax	272,000,000	277,574,329	5,574,329	2.0%
Local Sales Tax	57,000,000	57,718,830	718,830	1.3%
Prop 172 Sales Tax	8,200,000	8,178,925	(21,075)	(0.3%)
<b>Total</b>	<b>337,200,000</b>	<b>343,472,084</b>	<b>6,272,084</b>	<b>1.9%</b>

As shown in the following table, the City receives 1.25% of the 9.375% Sales Tax collected for items sold in San José. The distribution percentage includes a 0.25% local transaction and use tax enacted by the City of San José effective October 1, 2016 (limited to 15 years). The City also receives a portion of the Public Safety Fund (Proposition 172) Sales Tax collected State-wide.

Agency	Distribution Percentage
State of California	5.500%
City of San José (Bradley Burns)	1.000%
City of San José (Local Tax)	0.250%
Public Safety Fund (Proposition 172)	0.500%
Santa Clara County (Including VTA)	2.000%
Peninsula Corridor Joint Powers Board (Caltrain)	0.125%
<b>Total</b>	<b>9.375%</b>

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Sales Tax. Overall, Sales Tax collections in 2022-2023 of \$337.5 million were 1.9% (\$6.3 million) above the 2022-2023 Modified Budget estimate and 6.3% (\$20.3 million) above the prior year.

**General Sales Tax** revenue is the largest driver of the Sales Tax category and accounts for over 80% of all Sales Tax receipts. In 2022-2023 General Sales Tax collections totaled \$277.6 million, which was slightly (2.0%) above the 2022-2023 Modified Budget level of \$272.0 million and 6.8% above the 2021-2022 collection level.



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#### Sales Tax

The City's Sales Tax consultant, Avenu Insights & Analytics, has provided economic performance data for 2022-2023, as displayed in the following chart. This analysis measures Sales Tax receipts for 2021-2022 and 2022-2023, excluding Sales Tax associated with the Revenue Capture Agreement.

#### General Sales Tax Revenue Performance (Economic Basis)

<b>Economic Sector</b>	<b>2022-2023 % of Total Revenue</b>	<b>2021-2022 % of Total Revenue</b>	<b>% Change of Revenue Received by Category</b>
Business-to-Business	19.4%	16.2%	28.3%
Transportation	18.0%	18.7%	3.8%
General Retail	17.9%	19.1%	0.7%
Food Products	13.5%	13.2%	9.8%
Construction	8.8%	9.6%	(1.6%)
Miscellaneous	0.7%	0.8%	5.6%
County Pool	21.7%	22.4%	3.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

As can be seen in the table above, all categories except Construction experienced year-over-year growth, the largest of which include Business-to-Business, Transportation, General Retail (includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), and Food Products.

In addition, the County Pool, which is where the majority of online transactions are captured, has continued to grow. This growth is attributable to the pandemic's sustained impact of redirecting a significant amount of activity to online sales, and facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the California Department of Tax and Fee Administration (CDTFA). This formula is based each quarter on each jurisdiction's total General Sales Tax receipts divided by the Total General Sales Tax receipts for the entire County. The City typically receives between 45% - 50% of the total County Pool.

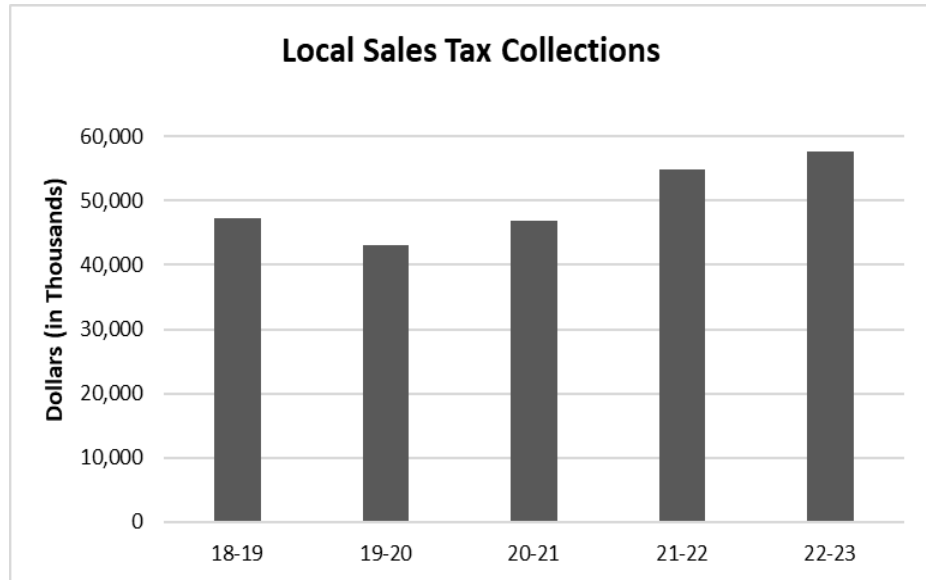
In 2023-2024, General Sales Tax collections are estimated at \$271.0 million, which allows for a 2.4% drop from the 2022-2023 actual collection level. This drop is due to the anticipated slowdown in the economy in 2023-2024. First quarter 2023-2024 General Sales Tax collections (July to September 2023 activity) are anticipated to be received in late November 2023. After these receipts are received and analyzed, updated General Sales Tax information will be included in the 2023-2024 Mid-Year Review.

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#### Sales Tax

In June 2016, San José voters approved a ¼ cent **Local Sales Tax**, which began implementation in October 2016. Local Sales Tax is generated based on the destination of the purchased product; therefore, all out-of-state online retailers' (including marketplace facilitators) sales tax collections are directly distributed to the City



of San José, versus the General Sales Tax revenue that is deposited in the County Pool, where the City only receives approximately 45% - 50% of the proceeds. Due to this distinction, Local Sales Tax revenue may not always experience the same growth and decline rates as General Sales Tax receipts. In 2022-2023, Local Sales Tax revenues totaled \$57.7 million, which was 1.3% above the budget estimate of \$57.0 million, and 5.2% above the prior year collection level of \$54.9 million.

In 2023-2024, Local Sales Tax collections are estimated at \$57.0 million, which allows for a 1.2% drop from the 2022-2023 actual collection level. This drop is due to the anticipated slowdown in the economy in 2023-2024. First quarter 2023-2024 Local Sales Tax collections (July to September 2023 activity) are anticipated to be received in late November 2023. After these receipts are received and analyzed, updated Local Sales Tax information will be included in the 2023-2024 Mid-Year Review.

**Proposition 172 Sales Tax** collections represents the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs. In 2022-2023, receipts of \$8.2 million were consistent with the budgeted estimate, but were slightly below the 2021-2022 collection level of \$8.4 million. This performance reflects the overall Sales Tax performance throughout the State and the relative share that is attributed to San José.

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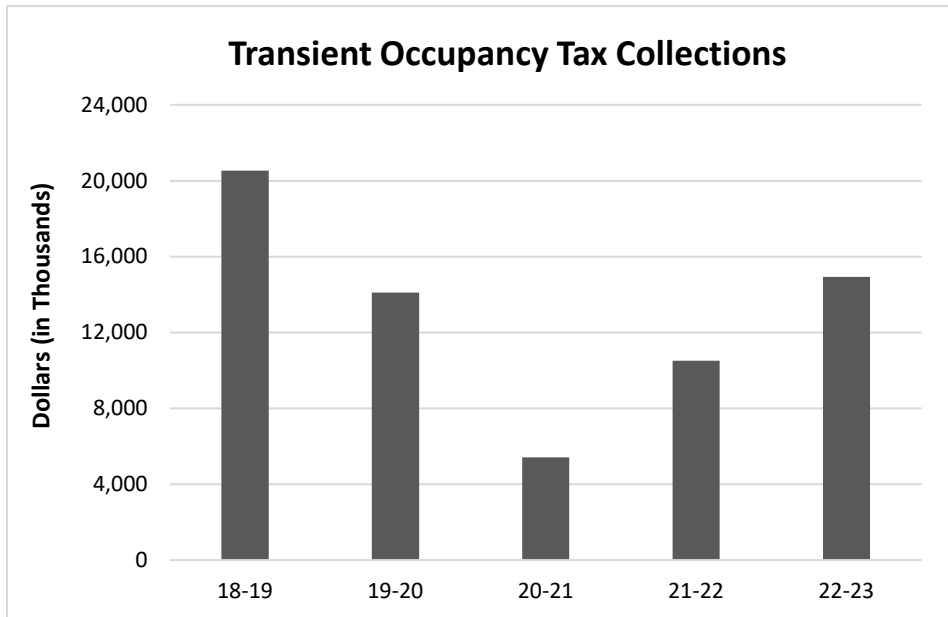
### GENERAL FUND REVENUE PERFORMANCE

#### Transient Occupancy Tax

Transient Occupancy Tax	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Transient Occupancy Tax	15,000,000	14,936,816	(63,184)	(0.4%)
<b>Total</b>	<b>15,000,000</b>	<b>14,936,816</b>	<b>(63,184)</b>	<b>(0.4%)</b>

In 2022-2023, the General Fund’s portion (4.0%) of the City’s **Transient Occupancy Tax (TOT)** totaled \$14.9 million, which was consistent with the 2022-2023 Modified Budget estimate of \$15.0 million. While this performance level represents a significant increase (42.1%) from 2021-2022 collections of \$10.5 million, it is still well below the pre-pandemic high level (2018-2019) of approximately \$20.7 million. When the 2023-2024 Adopted Budget was developed, TOT receipts were estimated to reach \$16.0 million in 2022-2023 and remain flat into 2023-2024. Since 2022-2023 receipts did not meet this estimate, growth of 7.1% is needed to meet the 2023-2024 budgeted estimate.

For the fiscal year ending June 2023, the average hotel occupancy rate reported for the San José market was 62.8%, a 4.83 percentage point increase from 2021-2022. Average room rates increased by 20%, from \$132.01 to \$158.45, and the year-to-date average revenue-per-available room (RevPAR) increased 30%, from \$76.57 to \$99.57, relative to 2021-2022.





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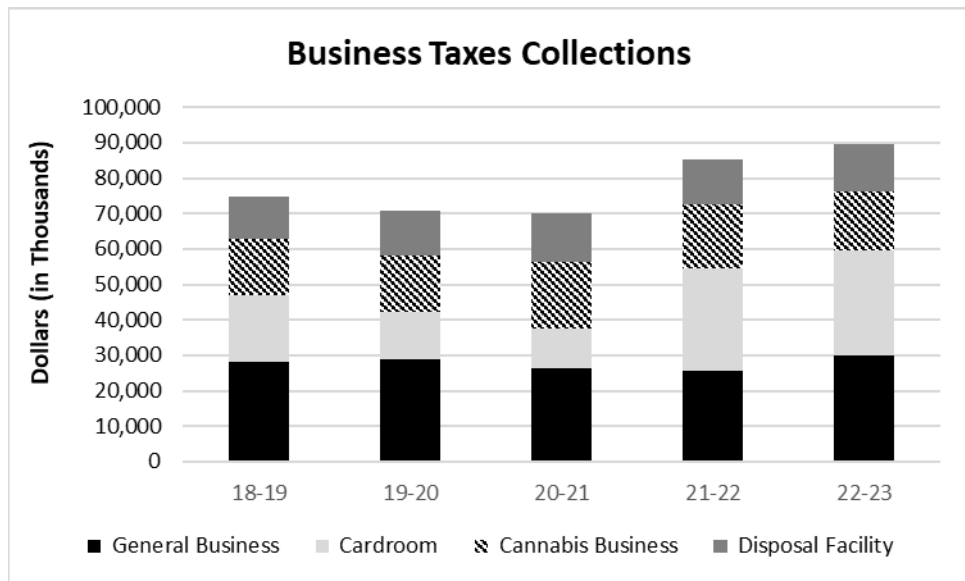
### GENERAL FUND REVENUE PERFORMANCE

#### Business Taxes

Business Taxes	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
General Business Tax	27,000,000	29,947,651	2,947,651	10.9%
Cardroom Tax	32,000,000	29,754,234	(2,245,766)	(7.0%)
Cannabis Business Tax	15,000,000	16,598,018	1,598,018	10.7%
Disposal Facility Tax	13,000,000	13,327,052	327,052	2.5%
<b>Total</b>	<b>87,000,000</b>	<b>89,626,955</b>	<b>2,626,955</b>	<b>3.0%</b>

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$89.6 million were 3.0% above the 2022-2023 Modified Budget estimate of \$87.0 million and \$4.3 million, or 5.0% above the 2021-2022 collection level.

Beginning in 2017-2018, General Business Tax collections reflect changes to the San José business tax, which was approved by San José voters on November 8, 2016 and took effect on July 1, 2017. The adjustments to the business tax included increasing the base tax, increasing the



incremental tax and making it more progressive, increasing the cap (the maximum amount of the tax affecting large businesses), updating the application of the tax to more classes of business, and adding inflation-based adjustments for future tax rates. In 2022-2023, General Business Tax collections of \$29.9 million ended the year \$2.9 million, or 10.9%, above the Modified Budget estimate and \$4.2 million, or 16.4%, above the prior year collection level. The pandemic significantly impacted local businesses, which drove down General Business Tax collections. As local businesses recover from the pandemic, the tax revenue is experiencing a corresponding increase. When the 2023-2024 Adopted Budget was developed, it was anticipated that 2022-2023 collections would total \$26.0 million and grow to \$27.5 million in 2023-2024. However, as 2022-2023 collections ended the year at \$29.9 million, 2023-2024 receipts can drop by 8.2% to meet the budgeted estimate. As collections are not anticipated to decrease in 2023-2024, the 2022-2023 Annual Report includes a recommendation to increase the budgeted estimate by \$2.0 million, from \$27.5 million to \$29.5 million.

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#### Business Taxes

In 2022-2023, **Cardroom Tax** collections of \$29.8 million ended the year \$2.2 million (7.0%) below the 2022-2023 Modified Budget estimate of \$32.0 million. These receipts are inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021. When the 2023-2024 Adopted Budget was developed, it was anticipated Cardroom Tax revenue would total \$32.0 million in 2022-2023 and stay flat in 2023-2024. However, as collections ended the year at \$29.8 million, the 2023-2024 collection level requires growth of 7.5% to meet the budgeted estimate. As this high level of growth is not anticipated, a recommendation is included in the 2022-2023 Annual Report to decrease the Cardroom Tax budgeted estimate by \$2.0 million, from \$32.0 million to \$30.0 million.

**Cannabis Business Tax** collections reflect cannabis business tax as well as cannabis business tax compliance revenues. Cannabis Business Tax collections began after San José voters approved Ballot Measure U on November 2, 2010, which allowed the City to tax marijuana businesses. Further, in November 2016, the California Marijuana Legalization Initiative (Proposition 64) was approved by voters, which legalized recreational marijuana use in California. As a result, the sale of recreational cannabis at the 16 registered businesses in San José began in January 2018. In 2022-2023, Cannabis Business Tax collections totaled \$16.6 million, which included \$1.2 million of Cannabis Business Tax compliance revenue. The 2022-2023 collection level was \$1.6 million above the budgeted estimate; however, receipts were \$1.5 million below the 2021-2022 collection level. In 2023-2024, Cannabis Business Tax receipts are estimated at \$15.0 million, which is consistent with the 2022-2023 collections when excluding the unusually high compliance revenue received in 2022-2023.

In 2022-2023, **Disposal Facility Tax** collections of \$13.3 million were \$327,000 (2.5%) above the 2022-2023 Modified Budgeted estimate and \$596,000 above the 2021-2022 collection level. In 2023-2024, Disposal Facility Tax collections are anticipated to remain fairly flat and total \$13.0 million.

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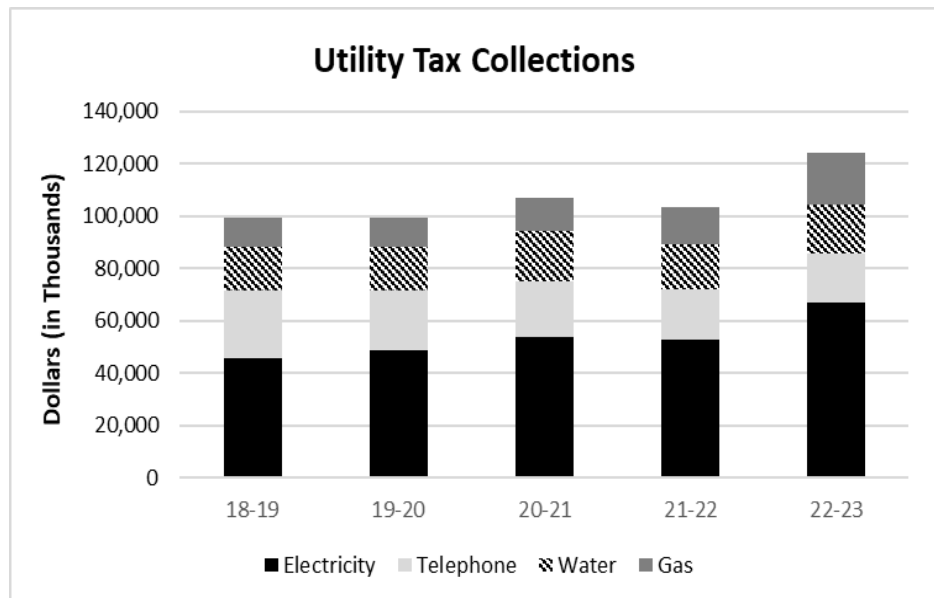
### GENERAL FUND REVENUE PERFORMANCE

#### Utility Tax

Utility Tax	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Electricity Utility Tax	66,000,000	66,883,664	883,664	1.3%
Gas Utility Tax	19,000,000	20,088,513	1,088,513	5.7%
Water Utility Tax	18,000,000	18,667,588	667,588	3.7%
Telephone Utility Tax	17,950,000	18,627,000	677,000	3.8%
<b>Total</b>	<b>120,950,000</b>	<b>124,266,765</b>	<b>3,316,765</b>	<b>2.7%</b>

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$124.3 million were \$3.3 million, or 2.7%, above the 2022-2023 Modified Budget estimate and were 20.0% above the 2021-2022 collection level of \$103.6 million. The year-over-year increase is due to higher rates for electricity and gas, increased consumption, and a payment processing timing issue that resulted in revenue related to 2021-2022 activity being included in 2020-2021 collections.

Receipts in the **Electricity Utility Tax** category of \$66.9 million were 1.3% above the 2022-2023 Modified Budget level of \$66.0 million and 26.4% higher than the 2021-2022 collection level. As mentioned above, this increase is due to higher rates, increased consumption, and a payment processing timing issue that resulted in Electricity Utility Tax



revenue related to 2021-2022 activity being included in 2020-2021 collections. In 2023-2024, Electricity Utility Tax revenue is anticipated to total \$70.0 million, which reflects a 4.7% increase from the 2022-2023 collection level.

**Gas Utility Tax** receipts of \$20.1 million were \$1.1 million (5.7%) above the budgeted estimate and \$5.9 million (41.6%) above 2021-2022 receipts. This increase is due to higher Pacific Gas & Electric rates, increased consumption, and a payment processing timing issue that resulted in Gas Utility Tax revenue related to 2021-2022 activity being included in 2020-2021 collections.

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#### Utility Tax

When the 2023-2024 Adopted Budget was being developed, it was anticipated 2022-2023 collections would total \$18.0 million and grow to \$19.0 million in 2023-2024. However, as 2022-2023 collections ended the year at \$20.1 million, revenue can decline by 5.4% in 2023-2024 and meet the budgeted estimate. Gas Utility Tax receipts will be monitored and a budget adjustment may be brought forward later in the budget process to increase the Gas Utility Tax budgeted estimate. However, it is important to note that this category can also vary significantly from year to year based on weather conditions.

Receipts in the **Water Utility Tax** category of \$18.7 million were \$668,000 (3.7%) above the budgeted estimate and \$1.4 million, and 8.3%, above the 2021-2022 collection level. This increase is due to higher rates and increased consumption. In 2023-2024, Water Utility Tax revenue is anticipated to total \$19.0 million, which reflects a 1.8% increase from the 2022-2023 collection level.

Receipts in the **Telephone Utility Tax** category of \$18.6 million ended the year \$677,000, or 3.8%, above the budgeted estimate, but were \$607,000 (3.2%) below the 2021-2022 collection level. Revenues in this category have been consistently declining in recent years as a result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and the shifting of wireless communications to increase reliance on data plans, which are not taxable.

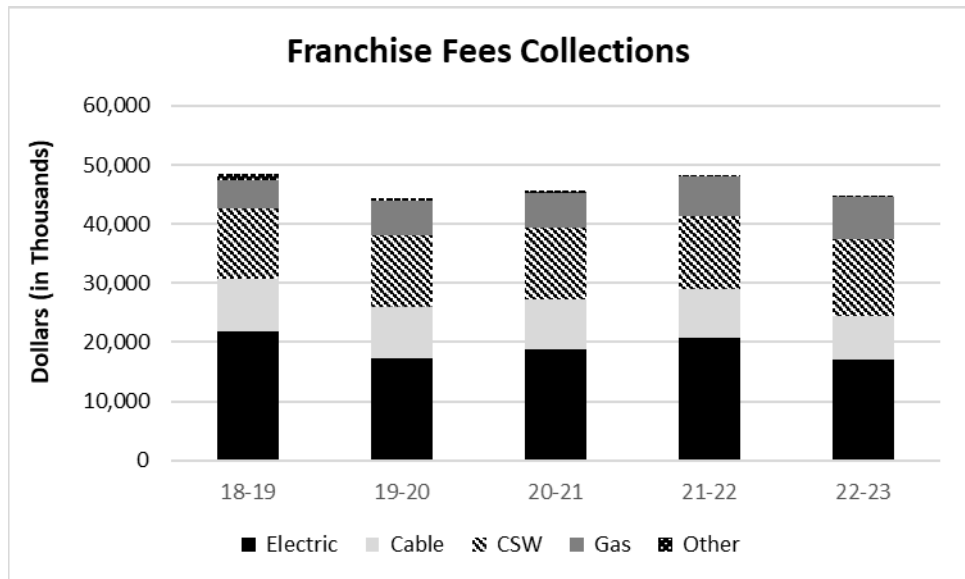
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#### Franchise Fees

Franchise Fees	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Electric Franchise Fee	17,000,000	16,989,931	(10,069)	(0.1%)
Commercial Solid Waste	13,003,393	13,045,927	42,534	0.3%
Cable Franchise Fee	7,600,000	7,472,969	(127,031)	(1.7%)
Gas Franchise Fee	7,000,000	6,980,788	(19,212)	(0.3%)
Great Oaks Water	250,000	242,485	(7,515)	N/A
Nitrogen and Jet Fuel	65,000	85,911	20,911	32.2%
Tow	50,000	5,841	(44,159)	(88.3%)
<b>Total</b>	<b>44,968,393</b>	<b>44,823,852</b>	<b>(144,541)</b>	<b>(0.3%)</b>

Franchise Fee collections of \$44.8 million were slightly (0.3%) below the 2022-2023 Modified Budget level of \$45.0 million and \$3.6 million (7.3%) below the 2021-2022 collection level. The year-over-year variance is due to lower Electric Franchise Fee and Cable



Franchise Fee revenue, partially offset by higher Commercial Solid Waste and Gas Franchise Fee receipts. Franchise Fee receipts dropped in 2022-2023 due to a change in the timing of PG&E payments. Previously, PG&E provided three advance progress payments and then a clean-up payment for franchise fees; however, under the new system PG&E will only provide one payment per year, based on the calendar year. As a result of this timing change, the April 2023 payment only included a clean-up payment for the 2022 calendar year and no quarterly progress payment was received in June 2023; instead, the next payment will not be received until April 2024. In 2023-2024, Franchise Fees are expected to return to normal levels and total \$51.8 million.

## II. GENERAL FUND BUDGET PERFORMANCE

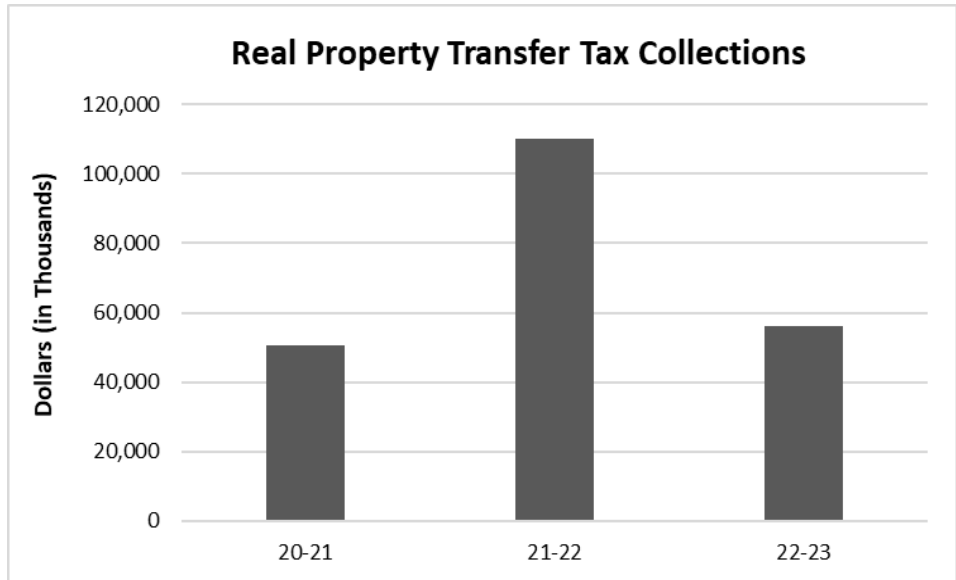
### GENERAL FUND REVENUE PERFORMANCE

#### Real Property Transfer Tax

Real Property Transfer Tax	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Real Property Transfer Tax	65,000,000	56,279,648	(8,720,352)	(13.4%)
Total	65,000,000	56,279,648	(8,720,352)	(13.4%)

On March 3, 2020, San José voters approved Measure E, the Real Property Transfer Tax. This new tax, which became effective on July 1, 2020, is imposed at a tiered level for property transfers (sales) over \$2.0 million. In accordance with City Policy 1-18, Section 22, this tax revenue is allocated for the development of new affordable housing, homeless prevention, and homelessness support programs.

In 2022-2023 collections totaled \$56.3 million, which was \$8.7 million, or 13.4%, below the budgeted estimate of \$65.0 million. In addition, 2022-2023 collections were \$53.7 million (48.8%) below the 2021-2022 collection level of \$110.0 million. The high 2021-2022 collection level was due to



several factors. First, due to the timing of when a payment from Santa Clara County was processed, funding of \$9.7 million was reflected in 2021-2022 but was attributable to 2020-2021 activity. In addition, in comparison to the currently constrained real estate market, a larger amount of high-value property transfers occurred in the prior year. In 2023-2024 Real Property Transfer Tax collections are anticipated to further drop to \$50.0 million, due to the continued slow-down in the local real estate market. As this revenue source is significantly impacted by high-value commercial property transactions, if those sales decrease, the tax revenue will be impacted.

In accordance with City Council Policy 1-18, Section 22, revenues generated from Measure E are allocated for the development of new affordable housing, homelessness prevention, and homeless supportive services. As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions*, due to the 2022-2023 Real Property Transfer Tax collections being \$8.7 million lower than the budgeted estimate, actions to decrease corresponding Measure E allocations, as well as perform various technical adjustments to align expenditure and reserve appropriations in accordance with prior City Council direction are recommended in this report.

## II. GENERAL FUND BUDGET PERFORMANCE

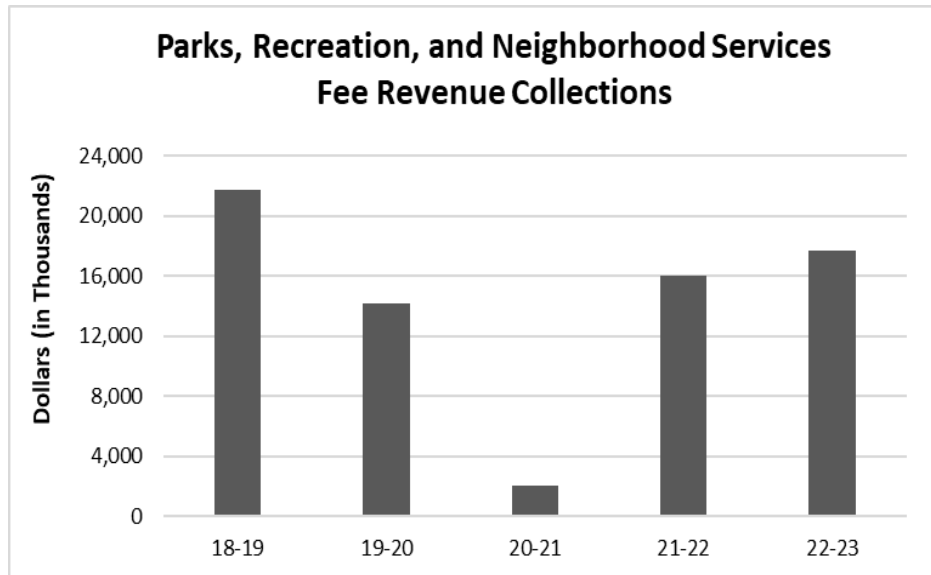
### GENERAL FUND REVENUE PERFORMANCE

#### Fees, Rates, and Charges

Fees, Rates, and Charges	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
PRNS Fees	16,009,879	17,707,000	1,697,121	10.6%
Transportation Fees	2,106,292	1,633,383	(472,909)	(22.5%)
Police Fees	1,243,186	1,178,209	(64,977)	(5.2%)
Library Fees	25,500	78,238	52,738	206.8%
Miscellaneous Fees	2,740,090	2,999,076	258,986	9.5%
<b>Total</b>	<b>22,124,947</b>	<b>23,595,906</b>	<b>1,470,959</b>	<b>6.6%</b>

Revenues in the Fees, Rates, and Charges category include various fees and charges levied to recover costs of services provided by the several City departments, the largest of which are Parks, Recreation, and Neighborhood Services (PRNS) Department Fees. Overall, Fees, Rates, and Charges collections of \$23.6 million were \$1.5 million above the 2022-2023 Modified Budget level and the 2021-2022 collection level of \$22.1 million. This increase in revenue is primarily due to higher fee-related activity within the PRNS Department.

Revenues in the **PRNS Departmental Fee** category include Happy Hollow Park and Zoo; Fee Activity (classes, camps, and after-school activities); Facility Rentals; Sports Facilities Reservations; Lake Cunningham Action Sports Park; Gym and Fitness; Parking; Park Permits; Arcadia Ball Park; Family Camp; and Aquatics Program.



PRNS Department Fee revenue ended the year at \$17.7 million, which is \$1.7 million above the 2022-2023 Modified Budget estimate and the 2021-2022 collection level of \$16.0 million. This large year over year increase in PRNS fee revenue is due to the PRNS fee program continuing to rebound from the deep impact felt by pandemic-related health orders on PRNS fee related programs.

Remaining collections in the Fees, Rates, and Charges category include **Transportation Fees, Police Fees, Library Fees, and Miscellaneous Fees**. In total, departmental revenue (excluding PRNS fees discussed above) ended the year at \$5.9 million, which is slightly below the Modified Budget estimate and the prior year collection level of \$6.1 million.

## II. GENERAL FUND BUDGET PERFORMANCE

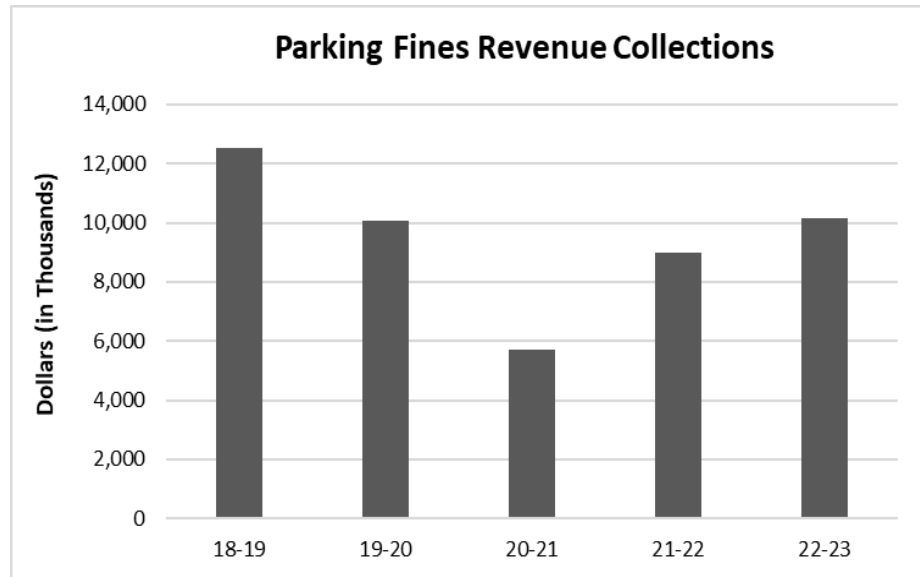
### GENERAL FUND REVENUE PERFORMANCE

#### Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Parking Fines	8,500,000	10,133,290	1,633,290	19.2%
Vehicle Code Fines	1,000,000	968,625	(31,375)	(3.1%)
Business License Penalties	1,500,000	4,271,934	2,771,934	184.8%
Other Fines and Penalties	1,232,000	1,978,775	746,775	60.6%
<b>Total</b>	<b>12,232,000</b>	<b>17,352,624</b>	<b>5,120,624</b>	<b>41.9%</b>

The primary sources of revenue in the Fines, Forfeitures, and Penalties revenue category are Parking Fines, Vehicle Code Fines, Business License Penalties, and Other Fines and Penalties. Collections of \$17.4 million in this category were \$5.1 million, or 41.9%, above the 2022-2023 Modified Budget estimate of \$12.2 million and \$2.4 million (16.0%) above the prior year collection level. The significant increase in year-over-year revenue is primarily due to higher Business License Penalties and Parking Fines.

**Parking Fines**, the largest component of this revenue category, ended the year at \$10.1 million, which was \$1.6 million (19.2%) above the 2022-2023 Modified Budget estimate of \$8.5 million and \$1.1 million above 2021-2022 collections. While parking fine revenue experienced a year-over-year increase, collections still remain



below historical Parking Fine collections of approximately \$11 million to \$12 million annually.

**Business License Penalties** of \$4.3 million ended the year significantly above the budgeted estimate of \$1.5 million and the prior year collection level of \$2.1 million. **Vehicle Code Fines** ended the year at \$969,000, which was \$31,000 below the budgeted estimate and \$201,000 below the prior year collections. The **Other Fines and Penalties** category ended the year at \$2.0 million, which was \$747,000 above the budgeted estimate, but \$771,000 below the prior year collection level.



## II. GENERAL FUND BUDGET PERFORMANCE

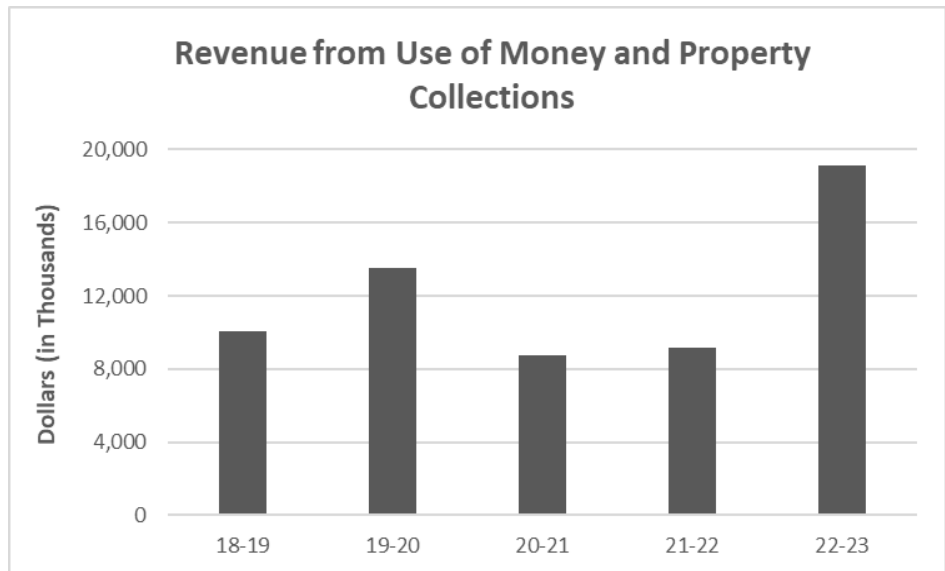
### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from Use of Money and Property

Use of Money and Property	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Interest Earnings	11,200,000	14,716,425	3,516,425	31.4%
City-Owned Property Rentals	3,025,000	2,917,659	(107,341)	(3.5%)
Digital Inclusion Program	819,000	1,104,467	285,467	34.9%
Subrogation Recovery	500,000	146,618	(353,382)	(70.7%)
Other Use of Money/Property	235,000	272,386	37,386	15.9%
<b>Total</b>	<b>15,779,000</b>	<b>19,157,555</b>	<b>3,378,555</b>	<b>21.4%</b>

The Use of Money and Property category primarily consists of interest income earned on the General Fund, rental income from various City properties, and subrogation recovery revenues. Collections of \$19.2 million ended the year \$3.4 million (21.4%) above the 2022-2023 budgeted estimate and \$10.0 million above the 2021-2022 collection level. The year-over-year increase is primarily attributable to higher interest earnings on the General Fund, which is the largest component of this revenue category.

Interest income of \$14.7 million was 31.4% above the budgeted level of \$11.2 million, and significantly above the prior year collection of \$4.6 million. This increase is primarily due to rising interest rates and higher cash balances.



Remaining collections in this category include **City-Owned**

**Property Rentals**, which totaled \$2.9 million in 2022-2023, \$107,000 below budgeted levels. **Digital Inclusion Program** revenue of \$1.1 million was \$285,000 above the budgeted estimate, which reflects higher lease revenue received for City-owned light poles from wireless carriers. **Subrogation Recovery** and **Other Uses of Money and Property** ended the year at \$419,000, which was \$316,000 below the budgeted levels.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from Local Agencies

Revenue from Local Agencies	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Central Fire District	8,850,000	9,335,930	485,930	5.5%
Paramedic Program	3,000,000	4,682,594	1,682,594	56.1%
Police BART Reimbursement	2,101,942	2,099,850	(2,092)	(0.1%)
Other Local Agency Payments	9,894,206	9,378,816	(515,390)	(5.2%)
<b>Total</b>	<b>23,846,148</b>	<b>25,497,190</b>	<b>1,651,042</b>	<b>6.9%</b>

The Revenue from Local Agencies category contains revenue received from a variety of other local government agencies. The largest sources of revenue are the Central Fire District for fire services provided to County residents by the San José Fire Department, County of Santa Clara for the Paramedic Program, and the Valley Transportation Authority (VTA) reimbursement for police services at the Berryessa Bay Area Rapid Transit (BART) station.

Revenue collections of \$25.5 million ended the year \$1.7 million (6.9%) above the budgeted estimate of \$23.8 million, which was primarily due to higher Paramedic Program collections. Additionally, 2022-2023 local agency revenue was \$741,000, or 3.0%, above the 2021-2022 collection level. The year-over-year increase in revenue is primarily attributable to higher Paramedic Program and Central Fire District payments.

In 2022-2023, **Central Fire District** payments of \$9.3 million ended the year \$486,000 (5.5%) above the budgeted estimate and \$656,000 above the prior year collection level of \$8.7 million. These payments represent property taxes collected by the Central Fire District for areas of the County served by the San José Fire Department. The year-over-year increase of payments is due to the change in Property Tax valuation in those areas.

Reimbursement from the County of Santa Clara for the first responder advanced life support program (**Paramedic Program**) of \$4.7 million was \$1.7 million (56.1%) above the budgeted estimate, and \$2.5 million above the 2021-2022 collection level of \$2.2 million. This increase is primarily due to the timing of payments related to 2021-2022 activity being received and accounted for in the 2022-2023 collections. The 2022-2023 receipts included the equipment reimbursement component (Annex B, Category A; \$2.6 million) and service-related component (Annex B, Category B; \$2.1 million) and are reflective of the Fire Department's improved response times for emergency medical service calls.

The 2023-2024 Adopted Budget included the rebudget of revenues for various local grants and reimbursements in the amount of \$319,000. In addition, rebudget adjustments totaling \$20,000 are recommended in this report to account for revenues that were not received 2022-2023, but are now anticipated to be received in 2023-2024. Additional information on the rebudget of local agency revenue, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from the State of California

Revenue from State of California	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Tobacco Settlement	11,800,000	10,714,304	(1,085,696)	(9.2%)
Motor Vehicle In-Lieu Tax	1,100,000	1,521,131	421,131	38.3%
State Grants	18,246,950	3,866,452	(14,380,498)	(78.8%)
Other State Revenue	3,389,065	3,810,744	421,679	12.4%
<b>Total</b>	<b>34,536,015</b>	<b>19,912,631</b>	<b>(14,623,384)</b>	<b>(42.3%)</b>

The Revenue from the State of California category contains Tobacco Settlement Revenue, State Grants, and Other State Revenue. In 2022-2023, Revenue from the State of California totaled \$19.9 million, which is \$14.6 million (42.3%) below the 2022-2023 Modified Budget estimate of \$34.5 million. This variance is primarily due to the timing of grant revenue payments.

The Tobacco Settlement revenue, which is the largest revenue source in this category, totaled \$10.7 million in 2022-2023, which was \$1.1 million below the budgeted estimate and the prior year collection level of \$11.8 million. State grants and other reimbursements totaled \$9.2 million; \$13.5 million below the 2022-2023 Modified Budget estimate, which was the result of a timing difference of many grants (and their associated expenditures).

The 2023-2024 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$2.9 million. In addition, rebudget adjustments totaling \$11.3 million are recommended in this report to account for revenues that were not received in 2022-2023, but are now anticipated to be received in 2023-2024, the largest of which is the California for All Youth Workforce grant. Additional information on the rebudget of State grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV - Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

#### Revenue from the Federal Government

Revenue from Federal Government	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
Federal Grants	11,477,963	4,962,143	(6,515,820)	(56.8%)
<b>Total</b>	<b>11,477,963</b>	<b>4,962,143</b>	<b>(6,515,820)</b>	<b>(56.8%)</b>

The Revenue from the Federal Government category contains various federal grants and reimbursements. In 2022-2023, Revenue from the Federal Government of \$5.0 million was \$6.5 million (56.8%) below the budgeted estimate of \$11.5 million. The negative variance from the 2022-2023 Modified Budget estimate was primarily the result of the timing of various grants (and their associated expenditures) where the work was not yet completed in 2022-2023, or was completed but the reimbursement revenue has not yet been received.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from the Federal Government

The 2023-2024 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$5.4 million. In addition, rebudget adjustments totaling \$1.2 million are recommended in this report to account for revenues that were not received 2022-2023, but are now anticipated to be received in 2023-2024. Additional information on the rebudget of Federal grants, as well as budget actions to recognize new grants and reimbursements are described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

#### Other Revenue

Other Revenue	2022-2023 Budget (\$)	2022-2023 Actuals (\$)	2022-2023 Variance (\$)	2022-2023 Variance (%)
TRANS Proceeds	275,000,000	275,000,000	-	0.0%
Fire Training Center Property	4,200,000	4,239,437	39,437	0.9%
Miscellaneous Grants	3,518,009	3,309,654	(208,355)	(5.9%)
Other Revenue	9,440,620	8,700,029	(740,591)	(7.8%)
<b>Total</b>	<b>292,158,629</b>	<b>291,249,120</b>	<b>(909,509)</b>	<b>(0.3%)</b>

The Other Revenue category contains a number of unrelated revenue sources and totaled \$291.2 million in 2022-2023, which was 0.3% below the Modified Budget estimate of \$292.2 million.

The 2023-2024 Adopted Budget included the rebudget of revenues and associated expenditures for various grants in the amount of \$75,000. In addition, rebudget adjustments totaling \$391,000 are recommended in this report to account for revenues that were not received 2022-2023, but are now anticipated to be received in 2023-2024. Additional information on the rebudget of grants and other revenue, as well as budget actions to recognize new grants and reimbursements are described in *Section IV - Recommended Budget Adjustments and Clean-up/Rebudget Actions* of this report.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

#### Summary

In 2022-2023, total revenue received in the General Fund was \$1.70 billion. This collection level was within 0.3%, or \$4.9 million, of the 2022-2023 Modified Budget. After adjusting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$23.3 million (1.4%) above the 2022-2023 Modified Budget estimate. This is an extremely small variance given the diversity of over 450 City revenues, the overall size of the General Fund, the changing economic conditions, including higher levels of inflation.

The 2022-2023 collection level of \$1.70 billion was \$35.8 million, or 2.1%, below the actual 2021-2022 collections of \$1.74 billion. Lower 2022-2023 collections were received from Real Property Transfer Tax (\$53.7 million), Transfers from Other Funds (\$37.3 million), and Other Revenue (\$38.0 million). The lower Real Property Transfer Tax revenue reflects a more constrained real estate market in 2022-2023, compared to 2021-2022. The year-over-year decrease in the Transfers category is primarily due to the American Rescue Plan Fund transfer to the General Fund totaling \$53.8 million in 2021-2022, which is significantly higher than the 2022-2023 transfer of \$16.0 million. These transfers account for City-wide revenue loss that was attributable to the pandemic, in accordance with U.S. Treasury Department regulations. Finally, Other Revenue dropped by \$38.0 million primarily due to Lease Revenue Bond proceeds of \$15.0 million being received in 2021-2022, higher Tax and Revenue Anticipation Notes (TRANs) revenue being issued in 2021-2022 (\$10.0 million), and larger grant revenue being received in 2021-2022 (\$8.8 million). Partially offsetting the lower receipts in these categories were year-over-year increases for Property Tax (\$34.9 million), Sales Tax (\$20.3 million), and Utility Tax (\$20.7 million). These revenues experienced year-over year growth due to several factors including strong economic activity and higher utility rates.

Revenue across most General Fund categories have been performing positively over the past year. However, due to economic uncertainties that impact many revenue categories including Sales Tax and Real Property Transfer Tax categories, the Administration will continue to actively monitor economic indicators and revenues in 2023-2024 through the Bi- Monthly Financial Report and the Mid-Year Budget Review process, and return to the Mayor and City Council with recommendations for any revisions, if necessary.