

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

PROPERTY TAX	
2022-2023 Actual	\$ 449,014,347
2023-2024 Adopted	\$ 460,400,000
2023-2024 Estimate*	\$ 474,000,000
2024-2025 Forecast	\$ 492,000,000
2024-2025 Proposed	\$ 492,000,000
% of General Fund	32.1 %
% Change from 2022-2023 Adopted	6.9 %

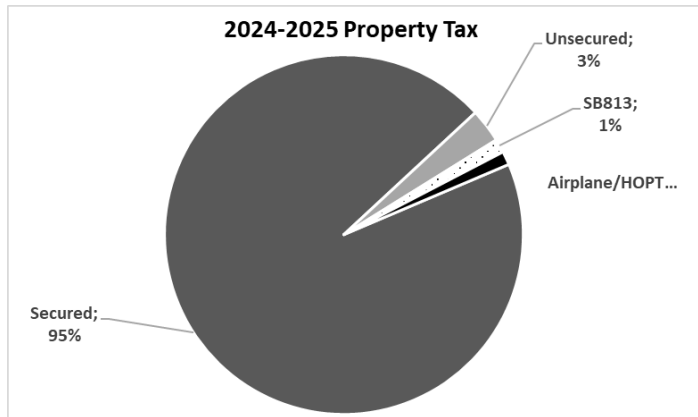
* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Property Tax Category	2024-2025 Proposed Budget
Secured Property Tax	\$ 465,000,000
Unsecured Property Tax	15,000,000
SB 813 Property Tax	6,000,000
Aircraft Property Tax	5,000,000
Homeowner’s Property Tax Relief	1,000,000
Total	\$ 492,000,000

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Aircraft Property Tax, and Homeowner’s Property Tax Relief.

In 2023-2024 Property Tax receipts of \$474.0 million are projected, which is consistent with the modified budget estimate, and is \$25.0 million (5.6%) above the 2022-2023 actual collection level of \$449.0 million. In 2024-2025, Property Tax receipts are anticipated to total \$492.0 million, which reflects overall growth of 4% from estimated 2023-2024 levels. Additional information about each of the Property Tax sub-categories is provided on the following pages.



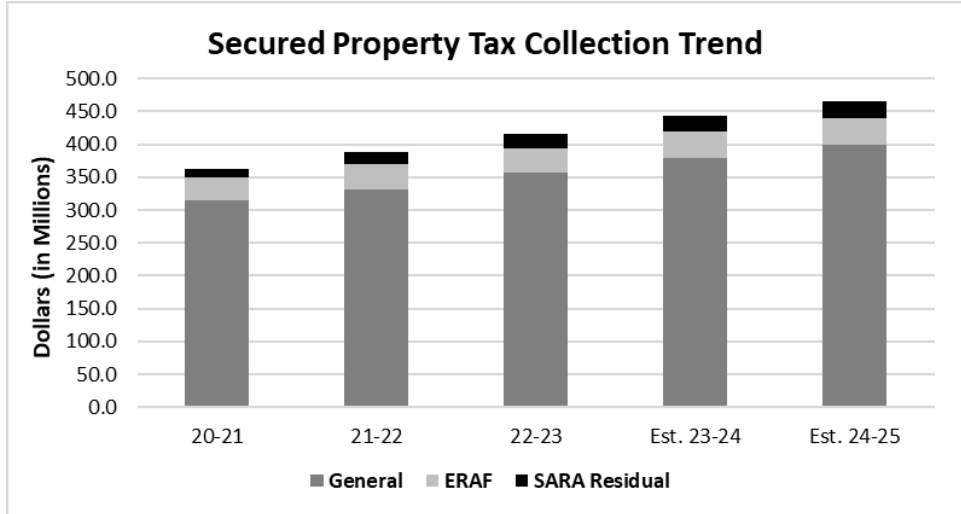
Secured Property Taxes account for over 90% of the revenues in this category. The Secured Property Tax category includes general Secured Property Tax, Educational Revenue Augmentation Fund (ERAF) revenues, and Successor Agency to the Redevelopment Agency (SARA) Residual Property Tax. In 2023-2024, Secured Property Tax receipts are anticipated to total \$444.0 million, including \$379.0 million in general Secured Property Taxes, \$41.0 million in ERAF revenue, and \$24.0 million from SARA Residual Property Tax receipts. In 2024-2025, Secured Property Tax receipts, which will be based on real estate activity through December 31, 2023, are expected to increase by 5% to \$465.0 million.

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PROPERTY TAX

Secured Property Tax

The general Secured Property Tax receipts are estimated at \$379.0 million in 2023-2024, which is 6.4% above the 2022-2023 collection level. This growth 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 2023-2024 roll growth was driven primarily by changes in ownership (52.1%), changes in the CCPI (19.8%), and new construction (16.5%).

In 2024-2025, the general Secured Property Tax receipts are estimated to grow by 5.5% to \$400.0 million, reflecting a 2.0% CCPI and 3.5% increased valuation. The CCPI adjustment for the 2024-2025 tax roll is 2.0%, which is consistent with the prior year level. In addition, even though the activity within the local real estate market has slowed down, residential sale prices continue to be high, which will continue to be a positive factor driving growth in this category, albeit at a more moderate level. In calendar year 2023 the average median single-family home price in the City of San José totaled \$1.5 million, which was consistent with the calendar year 2022 average median single-family home price. However, the number of single-family and multi-family sales transactions dropped over 28% in calendar year 2023; down by 2,001 sales from 2022’s level of 7,089 sales. Moving into 2024, home prices are anticipated to remain high, and with interest rates anticipated to slightly drop, activity levels may improve, resulting in a stronger residential real estate market. The commercial sector, however, is expected to weaken in the future and will exert some downward pressure within this category.

In addition to the changes in assessed value, Secured Property Tax collections are impacted by excess ERAF revenue. 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, which generally occurs in March of each fiscal year. In 2023-2024 ERAF receipts are estimated at \$41.0 million, which is 8.6% above the 2022-2023 collection level of \$37.7 million and in 2024-2025

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PROPERTY TAX

Secured Property Tax (Cont'd.)

ERAF revenue is estimated at \$40.0 million. The 2024-2025 figure anticipates slight growth, offset by the anticipated passage of new legislation that is included in the State of California's Budget that would revise the ERAF calculation, resulting in an approximately \$3 million decrease to previously expected ERAF receipts. It is important to note, however, that 22% of ERAF revenue is at risk on both an ongoing basis beginning in 2024-2025 (\$8 million annually) and a claw back to 2020-2021 (\$33 million) due to an anticipated audit from the State Controller's Office that will challenge the ERAF calculation used by Santa Clara County. The County has preemptively filed litigation to dispute the actions taken by the State Controller, however, a decision on this litigation is not likely to occur until after this fiscal year.

The final component of the Secured Property Tax category is the 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 2023-2024, SARA Residual Property Tax receipts are estimated to total \$24.0 million, which is 7.3% above the 2022-2023 receipts. In 2024-2025, SARA Residual Property Tax receipts are anticipated to grow 5% from 2023-2024 collections and total \$25.0 million.

It should be noted that final data on the actual tax levy for 2024-2025 is not yet available as adjustments are made through June 30, 2024. Each month, the County of Santa Clara provides information on the status of the property tax roll for the upcoming year. Some of the adjustments, however, are not reflected until the latter months of a given fiscal year, such as the reassessments of commercial property, which may experience a spike in activity due to a softening commercial real estate market. As updated information becomes available, refinements to the Property Tax estimates may be brought forward during future budget process.

Unsecured Property Tax

Unsecured Property Taxes are the second largest revenue source in this category. Changes in this category are driven primarily by increases or decreases 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 through January and information provided by Santa Clara County, Unsecured Property Tax receipts are estimated at \$17.0 million in 2023-2024, which is 6.4% above the prior year collection level of \$16.0 million. In 2024-2025 Unsecured Property Taxes are estimated to drop by approximately 10% and total \$15.0 million.

Other Property Taxes

For the other Property Tax categories, collections are estimated at \$13.0 million in 2023-2024 and \$12.0 million in 2024-2025. SB 813 Property Tax receipts are estimated at \$7.1 million in 2023-2024 and \$6.0 million in 2024-2025; Aircraft Property Tax receipts are estimated at \$5.0 million in 2023-2024 and 2024-2025; and Homeowners Property Tax Relief revenue are anticipated to total approximately \$900,000 in 2023-2024 and \$1.0 million in 2024-2025.

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SALES TAX

2022-2023 Actual	\$ 343,472,084
2023-2024 Adopted	\$ 336,400,000
2023-2024 Estimate*	\$ 333,000,000
2024-2025 Forecast	\$ 344,000,000
2024-2025 Proposed	\$ 344,000,000
% of General Fund	22.5 %
% Change from 2023-2024 Adopted	2.3 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time

Distribution of Sales Tax

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%
Total	9.375%

Revenue Estimates

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes. Information related to Sales Tax payments are distributed from the California Department of Tax and Fee Administration (CDTFA) four times throughout the year: November (representing July-September activity); February (representing October-December activity); May (representing January-March activity); and August (representing April-June activity). Based on information received through February 2024 (which reflects two quarters of Sales Tax activity; from July 2023 through December 2023), it is anticipated that 2023-2024 Sales Tax revenue will total \$333.0 million. The 2023-2024 Sales Tax estimate is 3% below the prior year receipts of \$343.5 million, which is reflective of the slowdown in the economy. In 2024-2025, the economy is anticipated to rebound slightly resulting in Sales Tax growing by 3.3% to \$344.0 million. Additional information about each of the Sales Tax sub-categories is provided on the following pages.

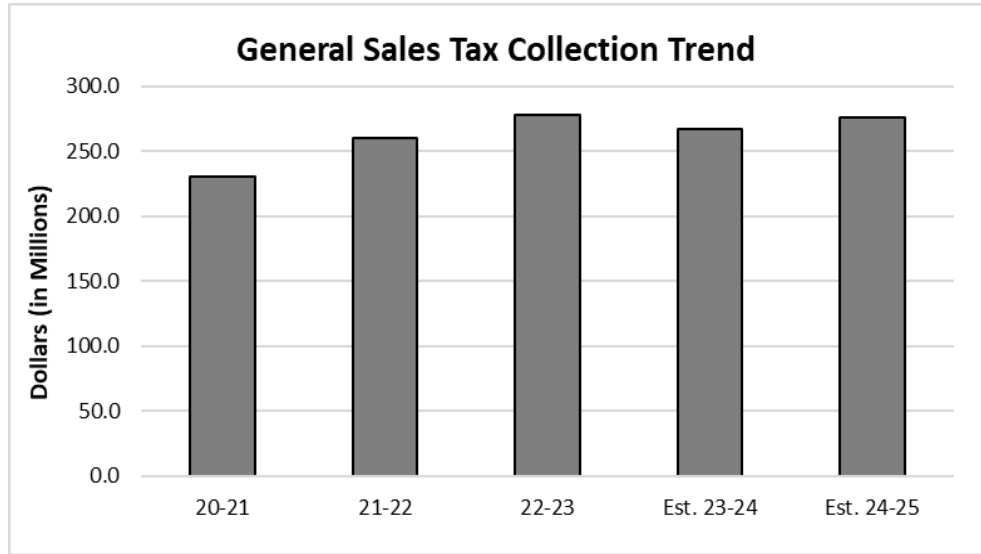
Sales Tax Category	2024-2025 Proposed Budget
General Sales Tax	\$276,000,000
Local Sales Tax	60,000,000
Proposition 172 Sales Tax	8,000,000
Total	\$344,000,000

**CITY OF SAN JOSE
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SALES TAX

General Sales Tax

General Sales Tax is the largest driver of the Sales Tax category and accounts for approximately 80% of all Sales Tax receipts. General Sales Tax receipts for the first quarter (sales tax activity for July-September) and second quarter (sales tax activity for October-December) were



received in November 2023 and February 2024; both quarters declined from the prior year (-0.7% and -10%, respectively), reflecting a slowdown of the economy. Receipts are anticipated to be suppressed for the remainder of the year, therefore third quarter receipts (which will be received in May 2024) are estimated to decline 3%, and the final quarter of 2023-2024 is anticipated to decline 2% from the same time period in 2022-2023. Based on these assumptions, General Sales Tax collections are anticipated to total \$267.0 million in 2023-2024, which reflects an overall decrease of 3.8% from the 2022-2023 collection level.

In 2024-2025, General Sales Tax is anticipated to grow between 1%-6% per quarter compared to the prior year receipts for the same time period. Overall, in 2024-2025, General Sales Tax revenue is estimated at \$276.0 million; reflecting growth of approximately 3.5%.

The City's Sales Tax consultant, Avenu Insights & Analytics, has provided performance data for General Sales Tax revenue, as displayed on the chart on the following page. This analysis measures the first and second quarter General Sales Tax receipts for 2022-2023 and 2023-2024, excluding Sales Tax associated with the Revenue Capture Agreement.

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SALES TAX

General Sales Tax (Cont'd.)

General Sales Tax Revenue Economic Performance
First – Second Quarter Payments

Category	2023-2024 % of Total Revenue	2022-2023 % of Total Revenue	% Change by Category
General Retail	28.9%	28.4%	(3.5%)
Business-to-Business	17.8%	16.7%	1.2%
Transportation	15.0%	15.8%	(9.9%)
Food Products	12.5%	11.5%	3.0%
Construction	7.9%	7.9%	(4.6%)
Miscellaneous	1.7%	0.6%	151.7%
County Pool	16.1%	19.1%	(20.0%)
Total	100.0%	100.0%	

As can be seen in the table above, many of the Sales Tax categories experienced year-over-year declines. Categories experiencing drops include Transportation (-9.9%), Construction (-4.6%), and General Retail (-3.5%; includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries). Partially offsetting these declines was growth in Food Products (3.0%) and Business-to-Business (1.2%). In addition, the County Pool, which is where the majority of online transactions are captured, declined through the first half of the fiscal year compared to the prior year (-20.0%). The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the 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.

Local Sales Tax

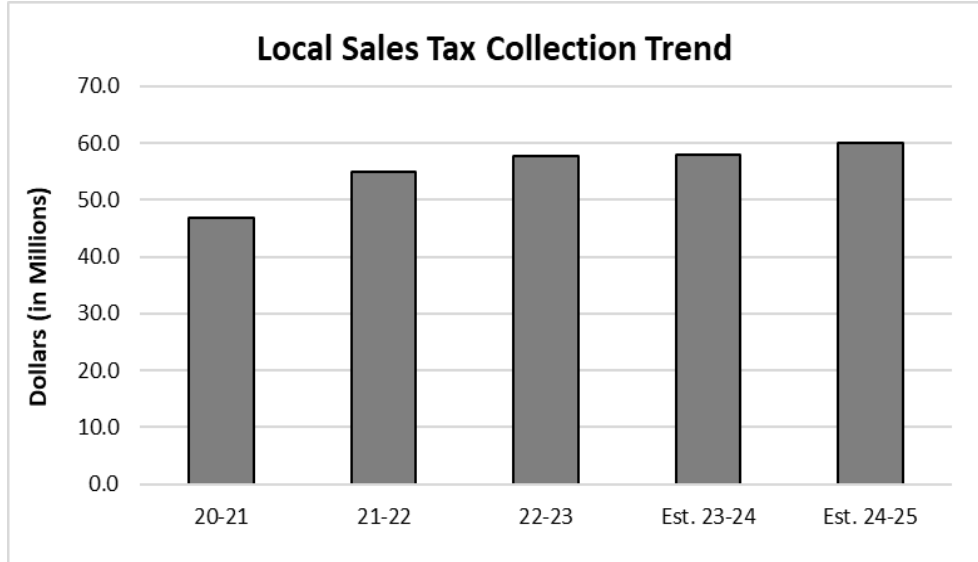
In June 2016, San José voters approved a ¼ cent Local Sales Tax, which was implemented in October 2016. Local Sales Tax is generated based on the destination of the purchased product; therefore, all out-of-state online retailers (including marketplace facilitators) sales tax collections are directly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

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SALES TAX

Local Sales Tax (Cont'd.)

Similar to General Sales Tax, Local Sales Tax receipts for the first quarter (sales tax activity for July-September) and for the second quarter (sales tax activity from October-December) were received in November 2023 and February 2024; both quarters declined from the prior year



(-1.1% and -3.2%, respectively), reflecting a slowdown of the economy. For the remainder of the year, third quarter receipts (which will be received in May 2024) are estimated to grow by 1% and the final quarter of 2023-2024 is anticipated to grow by 3% from the same time period in 2022-2023. Based on these assumptions, Local Sales Tax collections are anticipated to total \$58.0 million in 2023-2024, which is consistent with the prior year collection level.

Public Safety (Proposition 172) Sales Tax

Proposition 172 Sales Tax collections (representing the ½ cent tax that is allocated to counties and cities on an ongoing basis for funding public safety programs) are expected to total \$8.0 million in 2023-2024 and 2024-2025.

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TRANSIENT OCCUPANCY TAX	
2022-2023 Actual	\$ 14,936,816
2023-2024 Adopted	\$ 16,000,000
2023-2024 Estimate*	\$ 16,000,000
2024-2025 Forecast	\$ 16,000,000
2024-2025 Proposed	\$ 16,000,000
% of General Fund	1.0 %
% Change from 2023-2024 Adopted	0.0 %

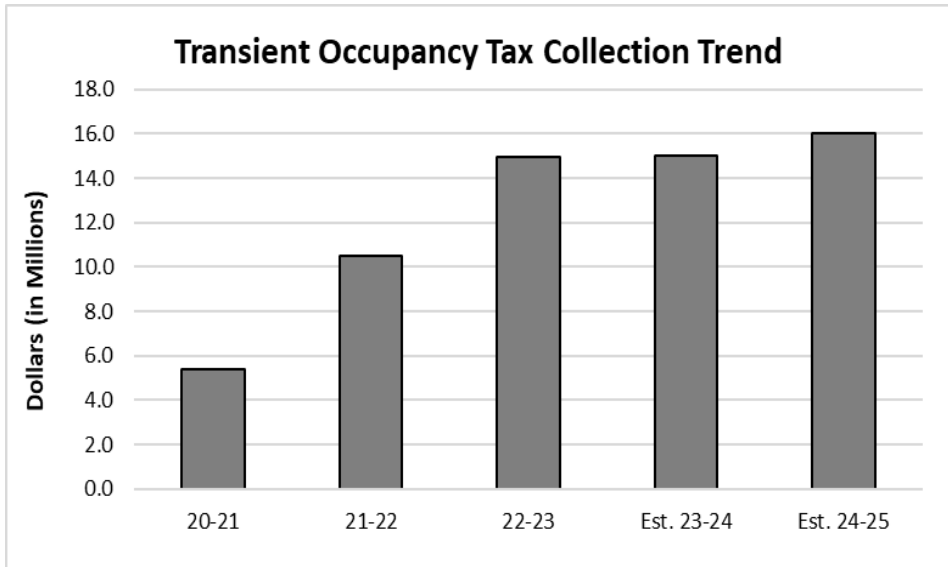
* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Distribution of Transient Occupancy Tax

The City of San José assesses a 10% Transient Occupancy Tax (TOT) on the rental price for transient lodging. Of this 10%, 6% is placed in the Transient Occupancy Tax Fund and 4% is deposited in the General Fund. This discussion addresses the portion of the Transient Occupancy Tax that is allocated to the General Fund.

Revenue Estimates

In 2023-2024, Transient Occupancy Tax (TOT) receipts in the General Fund (which represent 40% of the total tax) are estimated to reach \$15.0 million, which is fairly consistent with the 2022-2023 collection level. In 2024-2025, TOT revenue is anticipated to grow slightly to \$16.0 million, which is still significantly below



the pre-pandemic annual collections of approximately \$20 million.

Based on December 2023 data, the cumulative average hotel occupancy rate reported for the San José market was 64.21%, a slight increase from the average of 64.01% through the same period in 2022-2023. The average daily room rate increased slightly (0.6%), from \$158.67 as of December 2022 to \$159.58 as of December 2023; and the year-to-date average revenue-per-available room (RevPAR) increased by 0.89%, from \$101.57 to \$102.47, relative to the same period in 2022-2023.

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FRANCHISE FEES	
2022-2023 Actual	\$ 44,823,852
2023-2024 Adopted	\$ 51,825,008
2023-2024 Estimate*	\$ 50,925,008
2024-2025 Forecast	\$ 54,445,008
2024-2025 Proposed	\$ 55,022,632
% of General Fund	3.6 %
% Change from 2023-2024 Adopted	6.2 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Franchise Category	2024-2025 Proposed Budget
Electric	\$ 25,000,000
Gas	8,000,000
Commercial Solid Waste	14,597,632
Cable Television	7,000,000
Great Oaks Water	300,000
Nitrogen Gas Pipeline Fees	85,000
City-Generated Tow	40,000
Total	\$ 55,022,632

Franchise Fees are collected in the Electricity, Gas, Commercial Solid Waste, Cable, Water, Nitrogen Gas Pipeline, and City-Generated Tow categories. Overall, collections are projected at \$50.9 million in 2023-2024, which are 13.6% above the prior year receipts of \$44.8 million. In 2022-2023 PG&E changed their timing of Electric and Gas Franchise Fee payments. Previously, PG&E provided 3 advance payments and then a clean-up payment for these franchise fees; however, under the new system PG&E only provides one payment per year, based on the calendar year. As a result of this timing change, no Electric or Gas Franchise Fee information is known until April of each year. In 2024-2025, Franchise Fees are estimated to total \$55.0 million, which is 8% above the 2023-2024 estimated level. The 2024-2025 level reflects increased revenue of \$577,624 related to a Consumer Price Index (CPI) adjustment for the Commercial Solid Waste Franchise Fee. Additional information about each of the Franchise Fees sub-categories is provided below.

Electricity Franchise Fee

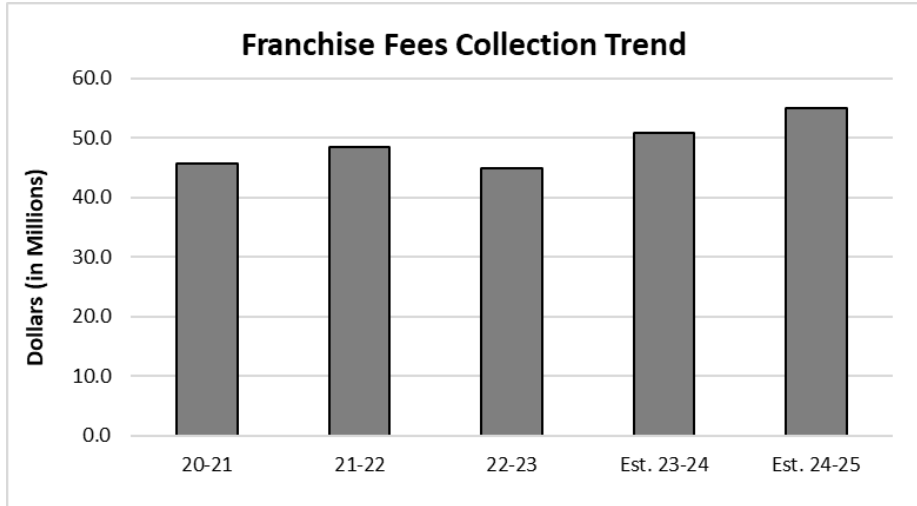
In the Electricity Franchise Fee category, collections in 2023-2024 are anticipated to reach \$22.0 million, which is significantly above the prior year receipt of \$17.0 million. This increase is due to the changing of the timing of PG&E’s franchise fee payments in 2022-2023. In 2024-2025, the Electricity Franchise Fee category is estimated to grow to \$25.0 million.

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FRANCHISE FEES

Gas Franchise Fee

In the Gas Franchise Fee category, collections in 2023-2024 are estimated at \$7.5 million, which is 7.4% above the prior year receipt of \$7.0 million. This increase is due to the changing of the timing of PG&E’s franchise fee payments. In 2024-2025, the Gas Franchise Fee category is estimated to grow to \$8.0 million; however, it is important to note, that receipts can fluctuate significantly due to consumption changes associated with the weather and future rate changes.



Commercial Solid Waste Fee

Commercial Solid Waste (CSW) Franchise Fee collections are estimated to reach \$14.0 million in 2023-2024, 7.5% above the prior year collections, which is primarily due to the 2023-2024 CPI-based increase. Collections reflect the revised methodology for assessing this fee that became effective July 1, 2012. On October 19, 2010, the City Council amended the CSW fee to charge franchises based on geographic collection districts rather than volume. The fee structure is a base of \$5 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 CPI rate during the prior two calendar years. It should be noted that this increase is not automatic, and is subject to City Council approval each year. Therefore, the 2024-2025 Forecast estimate of \$14.0 million does not automatically assume an adjustment. However, the 2024-2025 Proposed Budget includes an action to increase the CSW fee by 4.1%, which will generate an additional \$577,624, bringing the budget estimate to \$14.6 million in 2024-2025.

Cable Television Fee

In the Cable Franchise Fee category, collections in 2023-2024 and 2024-2025 are estimated at \$7.0 million, which is slightly below the \$7.5 million received in 2022-2023.

Other Franchise Fees

Remaining franchise fees include the City-Generated Tow, Great Oaks Water, and Nitrogen Gas Pipeline categories. City-Generated Tow receipts are estimated at \$40,000 in 2023-2024 and 2024-2025, Great Oaks Water receipts are estimated at \$280,000 in 2023-2024 and \$300,000 in 2024-2025, and Nitrogen Gas Pipeline receipts are estimated at \$85,000 in 2023-2024 and 2024-2025.

**CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
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UTILITY TAXES

2022-2023 Actual	\$ 124,266,765
2023-2024 Adopted	\$ 126,550,000
2023-2024 Estimate*	\$ 128,650,000
2024-2025 Forecast	\$ 136,000,000
2024-2025 Proposed	\$ 136,000,000
% of General Fund	8.9 %
% Change from 2023-2024 Adopted	7.5 %

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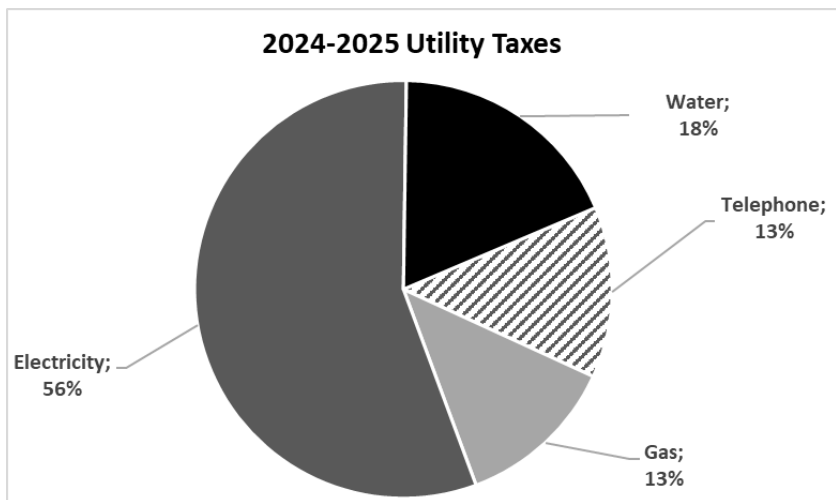
Revenue Estimates

Utility Taxes Category	2024-2025 Proposed Budget
Electricity	\$ 76,000,000
Gas	17,000,000
Water	25,000,000
Telephone	18,000,000
Total	\$ 136,000,000

Utility Taxes are imposed on electricity, gas, water, and telephone usage. Collections in 2023-2024 are anticipated to total \$128.7 million, which is 3.5% above the 2022-2023 collection level of \$124.3 million. This increase is due to higher usage and increased rates, primarily related to the Electricity and Gas Utility Tax categories. In 2024-2025, Utility Tax collections are projected at \$136.0 million. Additional information about each of the Utility Tax sub-categories is provided below.

Electricity Utility Tax

The Electricity Utility Tax is anticipated to generate \$72.0 million in 2023-2024 and grow by 5% to \$76.0 million in 2024-2025. This increase is anticipated due to electricity rate increases, which will drive up Electricity Utility Tax receipts. As rates have been consistently increasing for several years, however, customers may begin decreasing consumption. The Administration will continue to monitor Electricity Utility Tax receipts and revise estimates based on updated information, as appropriate.



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UTILITY TAXES

Gas Utility Tax

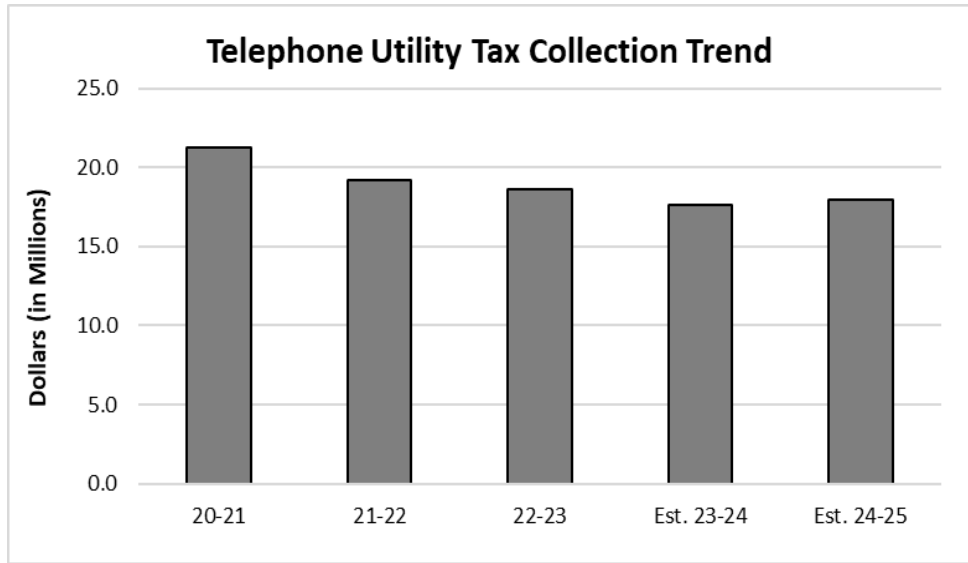
The Gas Utility Tax is anticipated to generate \$16.0 million in 2023-2024 and grow by approximately 5% to \$17.0 million in 2024-2025. This increase is anticipated due to gas rate increases, which will drive up Gas Utility Tax receipts. As rates have been consistently increasing for several years, however, customers may begin decreasing consumption. The Administration will continue to monitor Gas Utility Tax receipts and revise estimates based on updated information, as appropriate.

Water Utility Tax

Based on current year collection levels, Water Utility Tax receipts of \$23.0 million are anticipated to be received in 2023-2024. In 2024-2025, water rates are anticipated to rise, therefore Water Utility Tax receipts are estimated at \$25.0 million, which reflects a 7.5% increase from the 2023-2024 anticipated collection level.

Telephone Utility Tax

In the Telephone Utility Tax category, revenues are collected on landlines, wireless, VoIP, and prepaid wireless services sold at retail locations. Receipts in 2023-2024 are projected at \$17.7 million, a 2% drop from the 2022-2023 collection level. In 2024-2025, receipts are projected to remain fairly flat and



total \$18.0 million. The Telephone Utility Tax category has experienced continuous declines as a result of wireless consumers shifting to less expensive prepaid wireless plans, competition with cellular companies that keep prices down, and that the data component of wireless plans not being taxable.

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BUSINESS TAXES

2022-2023 Actual	\$ 89,626,955
2023-2024 Adopted	\$ 87,500,000
2023-2024 Estimate*	\$ 87,000,000
2024-2025 Forecast	\$ 87,000,000
2024-2025 Proposed	\$ 87,000,000
% of General Fund	5.7 %
% Change from 2023-2024 Adopted	(0.6 %)

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

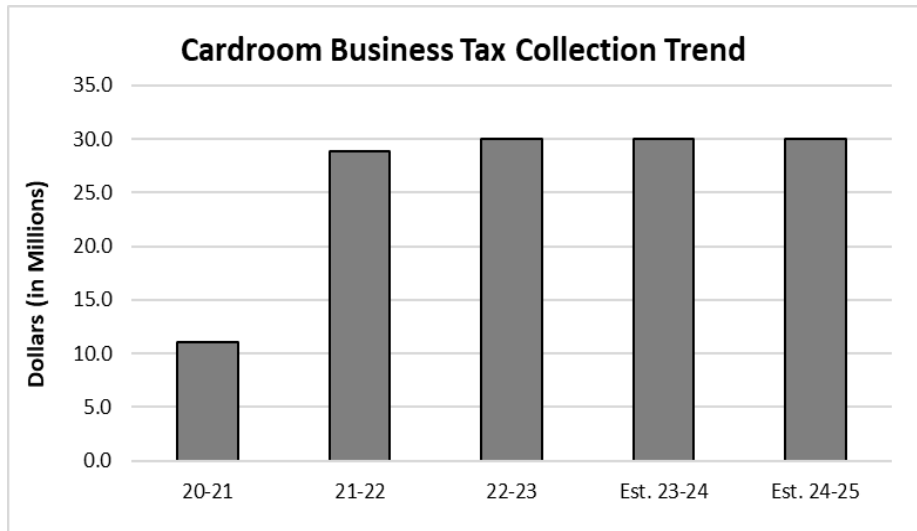
Revenue Estimates

Business Taxes Category	2024-2025 Proposed Budget
Cardroom Business Tax	\$ 30,000,000
General Business Tax	29,000,000
Cannabis Business Tax	15,000,000
Disposal Facility Tax	13,000,000
Total	\$ 87,000,000

This category includes Cardroom Business Tax, General Business Tax, Cannabis Business Tax, and Disposal Facility Tax. Business Taxes are estimated to reach \$87.0 million in 2023-2024, a 2.9% decrease from prior year levels, which is primarily due to decreased General Business Tax revenue. In 2024-2025, Business Taxes revenues are anticipated to remain flat at \$87.0 million. Additional information about each of the Business Taxes sub-categories is provided below.

Cardroom Business Tax

Cardroom Business Tax receipts are estimated at \$30.0 million in 2023-2024 and 2024-2025, which is consistent with the 2022-2023 collections of \$29.9 million. The estimates for Cardroom Tax receipts are inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021.

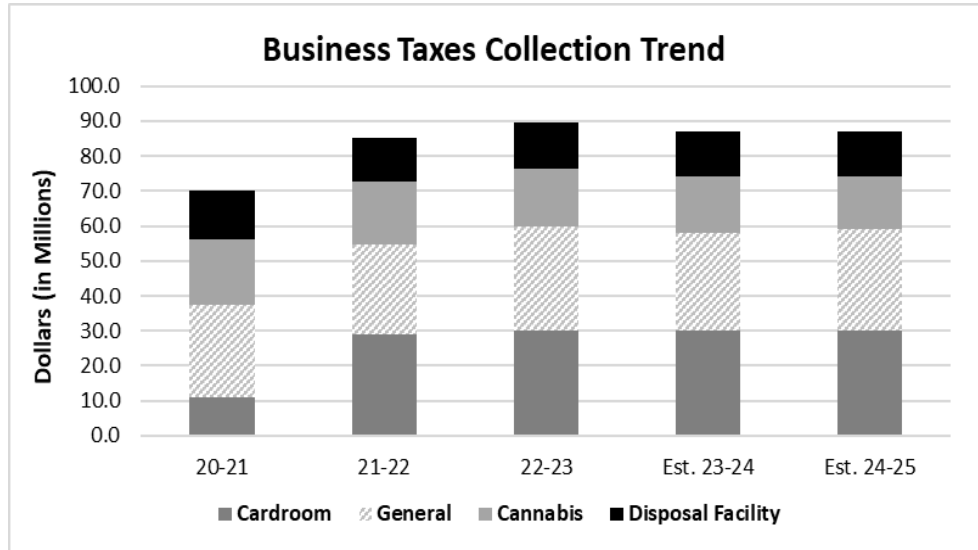


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BUSINESS TAXES

General Business Tax

Beginning in 2017-2018, General Business Tax collections reflect the modernization of 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 2023-2024, General Business Tax proceeds are anticipated to reach \$28.0 million, which is 6% below the 2022-2023 collection level of \$29.8 million. In 2024-2025, General Business Tax revenue is anticipated to grow by approximately 2% to \$29.0 million, which reflects a Consumer Price Index (CPI) increase and slightly higher activity levels.

Cannabis Business Taxes

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 licensed dispensaries began in San José in January 2018. Based on current collections, it is anticipated Cannabis Business Tax receipts will total \$16.0 million in 2023-2024, which includes \$1.0 million in compliance revenue. In 2024-2025 receipts are projected at \$15.0 million as compliance revenue isn't budgeted on an ongoing basis due to its inconsistent collection level.

Disposal Facility Tax

Disposal Facility Taxes (DFT) are business taxes based on the tons of solid waste disposed at landfills within the City. This revenue stream can vary 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. Based on current collection trends, 2023-2024 DFT collections are estimated at \$13.0 million, which is slightly below the 2022-2023 collection level of \$13.3 million. In 2024-2025, receipts are anticipated to remain flat at \$13.0 million.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REAL PROPERTY TRANSFER TAX	
2022-2023 Actual	\$ 56,279,648
2023-2024 Adopted	\$ 50,000,000
2023-2024 Estimate*	\$ 45,000,000
2024-2025 Forecast**	\$ 0
2024-2025 Proposed	\$ 0
% of General Fund	0.0 %
% Change from 2023-2024 Adopted	N/A

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2024-2025 Forecast was decreased by \$50.0 from the February Forecast; additional details can be found in the General Fund Overview section and is further described below.

Revenue Estimates

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 2023-2024 collections are projected at \$45.0 million, which is significantly below the prior year collections of \$56.3 million. While the number of real estate transactions have experienced year-over-year increases compared to 2022-2023, fewer high-value commercial property transfers have occurred, resulting in the significant estimated year-over-year decline in collections. The Real Property Transfer Tax is significantly impacted by high dollar commercial property transactions, if those sales decrease, the tax revenue is impacted. In 2024-2025, transactions are anticipated to continue growing slightly, pushing up collections up slightly to \$50.0 million.

Beginning in 2024-2025, Real Property Transfer Tax revenue and its associated expenditures for new affordable housing, homeless prevention, and homelessness support programs have been transferred from the General Fund to the Real Property Transfer Tax Fund.

Additional information regarding the use of funds related to the Real Property Transfer Tax is provided in the Housing Department under the *City Departments* section of this document.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

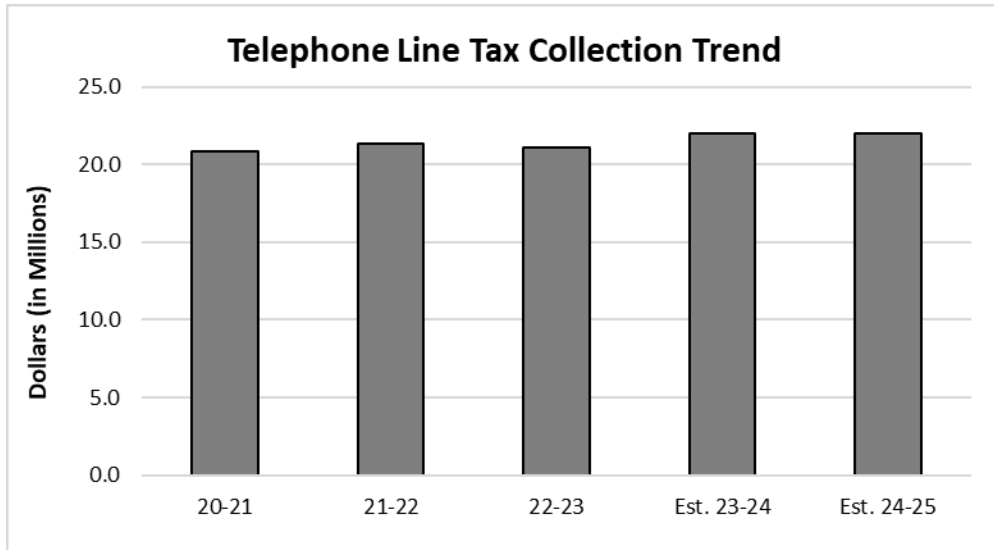
TELEPHONE LINE TAX

2022-2023 Actual	\$ 21,093,889
2023-2024 Adopted	\$ 22,000,000
2023-2024 Estimate*	\$ 22,000,000
2024-2025 Forecast	\$ 22,000,000
2024-2025 Proposed	\$ 22,000,000
% of General Fund	1.4 %
% Change from 2023-2024 Adopted	0.0 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

In November 2008, voters approved Measure J, a tax that is collected from telephone users on their telephone bills. The tax amount, which does not grow with inflation, is \$1.57 per telephone line per month and \$11.82 per commercial type trunk line. Exemptions to the tax include low-income seniors and disabled persons who receive lifeline telephone service. Based on the current collection trend, receipts (excluding compliance revenue) in 2023-2024 and 2024-2025 are estimated to total \$22.0 million.



CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

LICENSES AND PERMITS	
2022-2023 Actual	\$ 17,756,820
2023-2024 Adopted	\$ 22,005,622
2023-2024 Estimate*	\$ 21,335,176
2024-2025 Forecast	\$ 21,314,491
2024-2025 Proposed	\$ 22,179,390
% of General Fund	1.4 %
% Change from 2023-2024 Adopted	0.8 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Licenses and Permits Category	2024-2025 Proposed Budget
Fire Permits	\$7,179,700
Other Licenses and Permits	14,999,690
Total	\$ 22,179,390

The Licenses and Permits category contain non-development fees and charges collected by various City departments, the largest of which are Fire Permits. Licenses and Permits are projected based on City Council-approved cost-recovery policies with the goal of a net-zero impact on the General Fund.

The Licenses and Permits category is estimated to total \$21.3 million in 2023-2024 and grow to \$22.2 million in 2024-2025. The 2024-2025 Proposed Budget includes actions to increase the Fire Department Non-Development Fee revenue by \$469,700 (from \$6.7 million to \$7.2 million) which reflects a 7% fee increase to all Fire Department Non-Development fees to maintain cost recovery levels.

In addition, the 2024-2025 Proposed Budget includes actions to increase the Other Licenses and Permits category by \$395,199 (from \$14.6 million to \$15.0 million) to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. Licenses and permits changes are reflected for the Planning, Building and Code Enforcement Department (\$940,179), Public Works Department; Animal Care and Services (\$270,495), Finance Department (\$1,070), and Police Department (-\$816,545). The Planning, Building and Code Enforcement Department change includes an action to increase revenue by \$99,499 (ongoing revenue of \$100,176) and add 1.0 Community Activity Worker to assist the Tenant/Landlord Resources Center. In addition, the Police Department changes includes an action to decrease revenue by \$900,942 to reflect the reduction of the Cannabis Program. Per City Council direction, a reduction in the Annual Operating Fee is included, which requires a corresponding reduction in positions allocated to the Cannabis Program, as this program is cost-neutral. Additional detail on this budget action is provided in the Planning, Building and Code Enforcement Department and the Police Department under the *City Departments* section of this document. A Manager’s Budget Addendum will be released later in the budget process that describes the impact of the fee change and explores alternatives for the City Council’s consideration.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FEES, RATES, AND CHARGES

2022-2023 Actual	\$ 23,595,906
2023-2024 Adopted	\$ 22,372,680
2023-2024 Estimate*	\$ 24,525,210
2024-2025 Forecast**	\$ 25,806,133
2024-2025 Proposed	\$ 26,740,860
% of General Fund	1.7 %
% Change from 2023-2024 Adopted	19.5 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2024-2025 Forecast was increased \$1.3 million from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

Fees, Rates, and Charges Category	2024-2025 Proposed Budget
Parks, Recreation and Neighborhood Services	\$ 19,825,083
Transportation	1,491,652
Police	1,071,081
Library	108,000
Miscellaneous	4,245,044
Total	\$ 26,740,860

The Fees, Rates, and Charges revenue category includes various fees and charges levied to recover costs of services provided by several City departments, the largest of which are Parks, Recreation, and Neighborhood Services (PRNS) Department Fees. All fees and charges are projected based on City Council-approved cost-recovery policies with the overall goal of a net-zero impact on the General Fund, though exceptions of lower cost recovery levels for a number of fees also exist. In 2023-2024, the Fees, Rates, and Charges category is estimated at \$24.5 million, which is slightly higher than the 2022-2023 collection level of \$23.6 million.

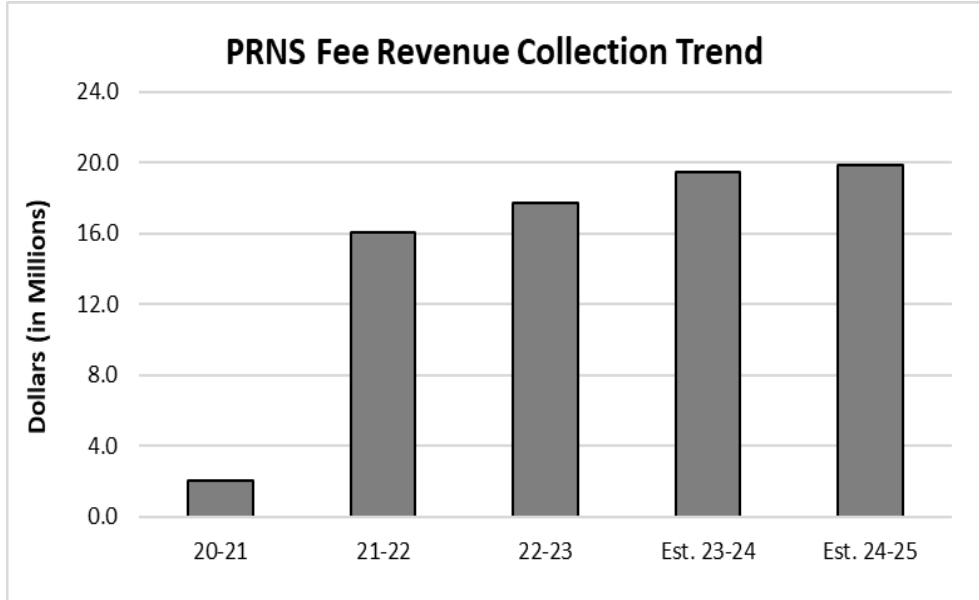
In 2024-2025, the Fees, Rates, and Charges category is estimated at \$26.7 million. The 2024-2025 Proposed Budget includes actions to increase Miscellaneous Fee revenue by a net of \$1.0 million. This net change includes an increase to revenue associated with the Ambulance Transport and User Fee (\$1.7 million) and a decrease to the Solid Waste Enforcement fee (-\$680,000). Actions recommended to increase the Police Department fee revenue (\$15,963), and Transportation Department fee revenue (\$80,273) align various revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels. The 2024-2025 Proposed Budget also includes actions to decrease PRNS fee revenue by \$174,917 related to Happy Hollow Park and Zoo (\$34,452), Gym and Fitness revenue (-\$115,000), and Fee Activity revenue (-\$94,369), which are further described below.

**CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

FEES, RATES, AND CHARGES

Parks, Recreation and Neighborhood Services Fees

PRNS fee collections are estimated at \$20 million in 2023-2024 and \$19.8 million in 2024-2025. PRNS program delivery and revenue generation fee categories 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. The 2024-2025 Proposed Budget includes several actions that impact fee revenue. A recommendation to add 1.0 Senior Recreation Leader at Happy Hollow Park and Zoo to assist with the new Brew at the Zoo events will generate additional revenue of \$34,452. In addition, a recommendation to close community center fitness centers will result in a loss of Gym and Fitness revenue of \$115,000. Finally, a recommendation to eliminate all nature programming at Almaden Lake and Alum Rock Park, which includes outdoor experiences, leisure classes, and camps, results in a reduction to Fee Activity revenue of \$94,369. Additional details on these budget actions are provided in the Parks, Recreation and Neighborhood Services Department under the *City Departments* section of this document.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

FINES, FORFEITURES, AND PENALTIES

2022-2023 Actual	\$ 17,352,624
2023-2024 Adopted	\$ 15,080,000
2023-2024 Estimate*	\$ 16,300,797
2024-2025 Forecast	\$ 16,804,797
2024-2025 Proposed	\$ 17,604,797
% of General Fund	1.2 %
% Change from 2023-2024 Adopted	16.7 %

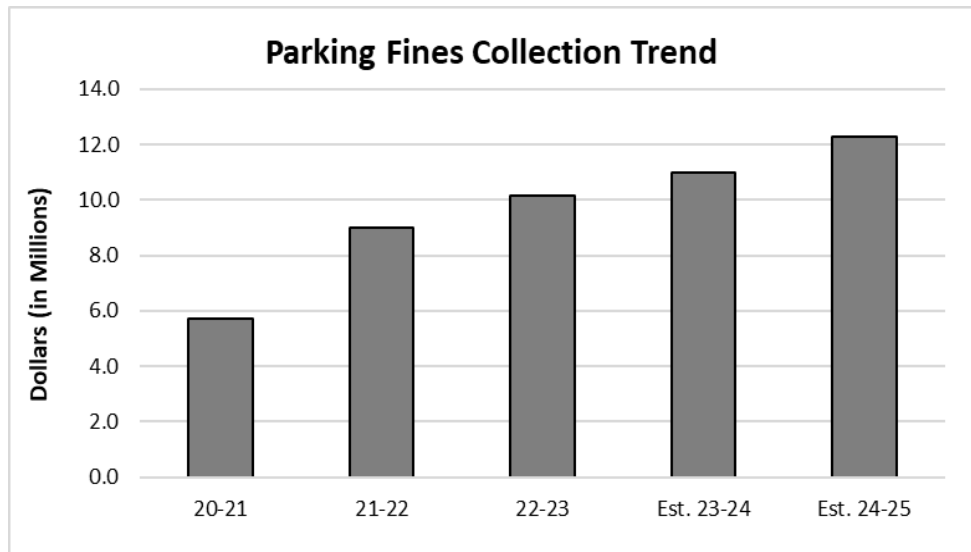
* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Fines, Forfeitures, and Penalties category in 2023-2024 is estimated at \$16.3 million, which is 6.1% below the 2022-2023 actual collection level. This drop is primarily due an unusually high level of \$4.3 million being received in 2022-2023 for Business License Penalties; however, receipts are anticipated to return to the normal level of \$2.0 million in 2023-2024. In 2024-2025, Fines, Forfeitures, and Penalties are anticipated to grow from the estimated 2023-2024 collection level and total \$17.6 million. This growth is primarily attributable to increased Parking Fines, which is further discussed below.

Parking Fines

Parking Fines are the largest driver in the Fines, Forfeitures, and Penalties revenue category. The 2023-2024 estimate for Parking Fines totals \$11.0 million and revenue is anticipated to grow to \$12.3 million in 2024-2025. This growth is attributable to increasing parking violations by \$5 for



bike lanes, street sweeping zones, Residential Permit Parking (RPP) zones, and metered parking spots. Parking Fines have not been increased since 2014-2015 and current fines are not at a level believed to discourage parking violations.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM USE OF MONEY AND PROPERTY	
2022-2023 Actual	\$ 19,157,555
2023-2024 Adopted	\$ 14,864,000
2023-2024 Estimate*	\$ 19,044,000
2024-2025 Forecast	\$ 18,735,000
2024-2025 Proposed	\$ 18,735,000
% of General Fund	1.2 %
% Change from 2023-2024 Adopted	26.0 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

The Revenue from the Use of Money and Property category consists of revenue associated with the rental of City-owned property, subrogation recovery efforts, interest income, and small cell lease revenue. Overall revenue in this category is anticipated to generate \$19.0 million in 2023-2024 and drop slightly to \$18.7 million in 2024-2025, primarily due to slightly lower interest earnings. Additional information about the largest Revenue from Use of Money and Property components is provided below.

Rental of City-Owned Property

Collections reflected in the Rental of City-Owned Properties category include revenue related to the City Hall lease to the United States Patent and Trademark Office (USPTO), rental of communications facilities, and rental of various City-owned properties. Rental of City-Owned Property revenue is anticipated at \$2.9 million in 2023-2024, growing slightly to \$3.0 million in 2024-2025.

General Fund Interest Earnings

The interest earnings collection on the General Fund in 2023-2024 is estimated at \$14.4 million. In 2024-2025, General Fund interest earnings are estimated to drop slightly to \$14.0 million, primarily due to slightly less interest earnings on the General Fund due to the partial spend down of accumulated balances.

Small Cell Lease Revenue

Lease revenue received for small cells represents revenue for lease of City-owned light poles from wireless carriers including Verizon, Mobilitie, and AT&T. In 2024-2025 revenues are anticipated to total \$730,000, which is set aside in the Digital Inclusion Fund allocation in *City-Wide Expenses* section of this document.

**CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES**

REVENUE FROM LOCAL AGENCIES

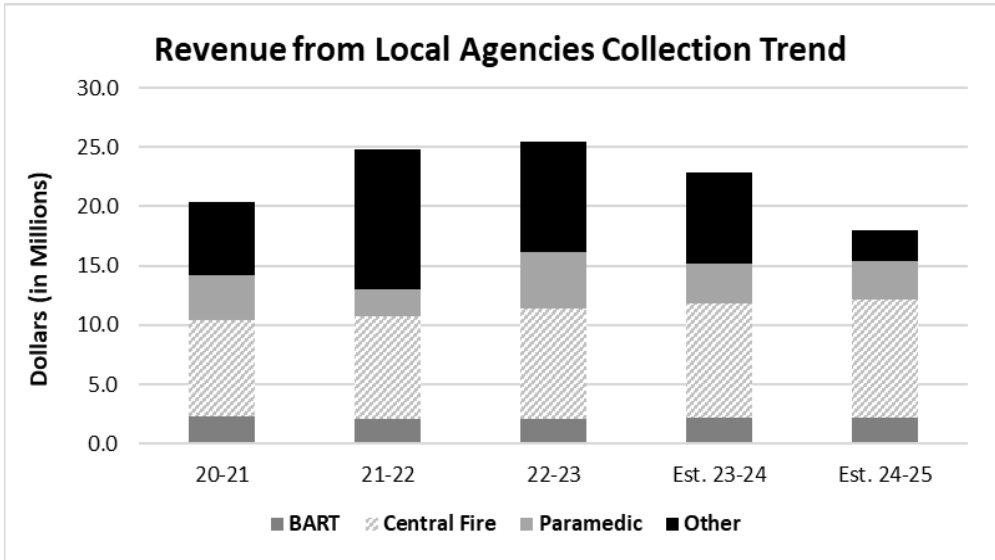
2022-2023 Actual	\$ 25,497,190
2023-2024 Adopted	\$ 18,975,403
2023-2024 Estimate*	\$ 22,838,765
2024-2025 Forecast**	\$ 17,371,268
2024-2025 Proposed	\$ 17,951,649
% of General Fund	1.2 %
% Change from 2023-2024 Adopted	(5.4 %)

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2024-2025 Forecast was decreased \$215,000 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

In 2023-2024, revenue of \$22.8 million is projected from other local agencies, such as the Central Fire District payment for fire services provided to County residents by the San José Fire Department, the County of Santa Clara payments for the Paramedic



Program and Senior Nutrition, and the Valley Transportation Authority reimbursement for police services at the Berryessa BART station. In 2024-2025, revenue in this category is projected at \$18.0 million, which is \$4.9 million below the 2023-2024 estimate. This decrease is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated, partially offset one new grant anticipated to be received in 2024-2025 from Valley Water. Additional information about the largest Revenue from Local Agencies components is provided below.

Central Fire District

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 information provided by the Central Fire District, payments of \$9.7 million are anticipated in 2023-2024 and receipts of \$9.9 million are anticipated in 2024-2025.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM LOCAL AGENCIES

Paramedic Program

A reimbursement from the County of Santa Clara for the first responder advanced life support program (Paramedic Program) is estimated at \$3.3 million in 2023-2024 and 2024-2025, which includes the equipment reimbursement component (Annex B, Category A funds; \$1.7 million) and service-related component (Annex B, Category B; \$1.6 million).

Berryessa BART Station Police Services

Beginning in 2020-2021, reimbursement revenue is received annually from the VTA for supplemental law enforcement support services at the Berryessa/North San José BART Station. Reimbursement revenue of \$2.2 million is anticipated in 2023-2024 and 2024-2025 from the VTA.

Other Local Agency

In 2023-2024, the remaining local agency funding is estimated at \$7.7 million, which reflects one-time grant or reimbursements (\$5.3 million) and reimbursements that are received on an annual basis (\$2.4 million). In 2024-2025, the budgeted estimate totals \$2.5 million, which includes ongoing reimbursement funding anticipated to be received from various local agencies (\$1.9 million) and new grant funding (\$580,381). The City receives several reimbursements from local agencies on an annual basis, the largest of which includes reimbursements from other agencies for services related to Animal Care and Services (ACS). This reimbursement, which is estimated at \$1.3 million in 2023-2024, is anticipated to decrease to \$1.1 million in 2024-2025 due to the Town of Los Gatos not renewing their ACS contract with the City of San José in 2024-2025. The Proposed Budget also includes an action to reflect a new grant anticipated to be received from Valley Water (\$580,381) for the Regulatory Compliance and Purified Water Program. Additional details on this budget action is provided in the Environmental Services Department under the *City Departments* section of this document.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM STATE OF CALIFORNIA	
2022-2023 Actual	\$ 19,912,631
2023-2024 Adopted	\$ 22,110,719
2023-2024 Estimate*	\$ 40,500,887
2024-2025 Forecast	\$ 13,100,000
2024-2025 Proposed	\$ 29,100,000
% of General Fund	1.9 %
% Change from 2023-2024 Adopted	31.6 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

Funding reflected in the Revenue from the State of California category includes Tobacco Settlement funds, State grant revenue, and other State reimbursements. Collections in this category are estimated to reach \$40.5 million in 2023-2024 and \$29.1 million in 2024-2025. The decrease in 2024-2025 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated. Additional information about the largest Revenue from the State components is provided below.

Tobacco Settlement Revenue

Beginning in 2010-2011, Tobacco Settlement revenue from the State has been deposited in the General Fund. This payment is received from the State of California in April of each year. The 2023-2024 payment was recently received and totaled \$9.6 million, which is \$1.2 million below the 2022-2023 receipts of \$10.7 million. The 2024-2025 budget assumes collections will return to the 2022-2023 collection level of \$10.7 million.

State Grants/Reimbursements

The City receives several reimbursements from the State on an annual basis, which total \$2.4 million in 2024-2025, which is consistent with the 2023-2024 estimated collection levels. These ongoing revenues include: Auto Theft reimbursement (\$800,000); Abandoned Vehicle Abatement (\$500,000); and Highway Maintenance Charges reimbursement (\$100,000). In addition, funding received from the State for Vehicle License Fees Collection in Excess is included in this revenue category. This funding, which is estimated at \$1.0 million in 2024-2025, accounts for the Vehicle License Fee revenues that are collected by the Department of Motor Vehicles as a result of certain compliance procedures that are equally apportioned to counties and cities on a population basis.

The 2024-2025 Proposed Budget also includes actions to recognize new grant funding totaling \$16.0 million from the State to support the City's Interim Housing Portfolio, including \$5.0 million from the Housing and Homeless Incentive Program (though not yet officially approved by the State and the local Medi-Cal Managed Care Plans), and an additional \$11.0 million of additional funding that will be sought in collaboration with the City's regional partners. To the extent that the \$11.0 million is not be received, a corresponding amount of resources in the Real Property Transfer Tax Fund will be reallocated from affordable housing production to support the Interim Housing portfolio as part of a future budget process. Additional details on these budget actions, including the expenditures associated with the programs, are provided in the Housing Department under the *City Departments* section of this document.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

REVENUE FROM FEDERAL GOVERNMENT	
2022-2023 Actual	\$ 4,962,143
2023-2024 Adopted	\$ 7,391,504
2023-2024 Estimate*	\$ 11,971,116
2024-2025 Forecast	\$ 0
2024-2025 Proposed	\$ 1,384,000
% of General Fund	0.1 %
% Change from 2022-2023 Adopted	(81.3 %)

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

Revenue Estimates

The Revenue from the Federal Government category accounts for grants and reimbursements that are received from the Federal Government. Collections in this category are estimated to reach \$12.0 million in 2023-2024 and \$1.4 million in 2024-2025. The decrease in 2024-2025 revenue is primarily due to reimbursements and grants that are not secured on an ongoing basis being eliminated.

The 2024-2025 Proposed Budget includes actions to recognize new grant funding totaling \$1.4 million from the Federal Government for two grant programs. These new grants include funding from the Transportation, and Housing and Urban Development, and Related Agencies (THUD) for the Rue Ferrari Emergency Interim Housing (\$1.0 million) and the Environmental Protection Agency for the Clean Creeks, Healthy Watersheds (\$384,000).

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

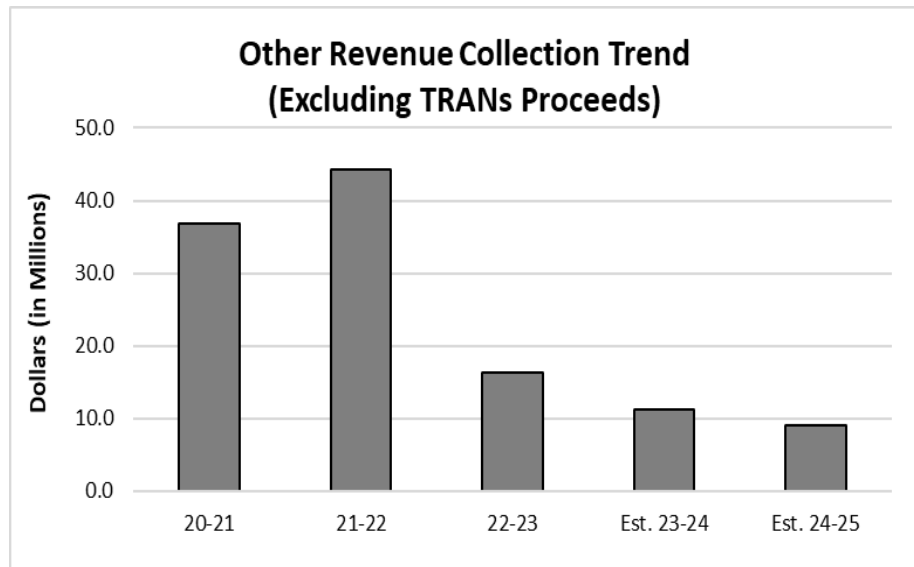
OTHER REVENUE	
2022-2023 Actual	\$ 291,249,120
2023-2024 Adopted	\$ 10,257,667
2023-2024 Estimate*	\$ 11,141,361
2024-2025 Forecast**	\$ 8,738,257
2024-2025 Proposed	\$ 9,050,067
% of General Fund	0.6 %
% Change from 2023-2024 Adopted	(11.8 %)

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2024-2025 Forecast was increased \$110 from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

The Other Revenue category consists of miscellaneous revenues received from a variety of sources, including payments from Comcast and AT&T required under the Franchise Agreement, cost reimbursements for the Investment Program, proceeds from the Sale of Surplus Property, Sidewalk Repair and Tree Maintenance Activities, and Miscellaneous Other Revenue.



In 2023-2024, this category is expected to generate \$11.1 million and the 2024-2025 estimate totals \$9.1 million. The 2024-2025 Other Revenue estimate assumes the continuation of current year activity levels with revisions, where appropriate, for 2024-2025 costs or agreements and the elimination of one-time funding sources.

In 2024-2025, the Other Revenue category includes an action to recognize funding of \$300,000 that will be received as the result of the Finance Department conducting an Accounts Receivable Amnesty Program. As part of this program, customers with delinquent invoices will be notified that if the invoiced amount is paid, all penalties, interest, and late fees will be waived. In addition, the 2024-2025 budgeted estimate includes actions in the Transportation Department to align revenues with estimated activity levels, reflect fee revisions, and maintain cost recovery levels (\$11,810).

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

OTHER REVENUE

Revenue Estimates (Cont'd.)

The major ongoing components of the Other Revenue category are described below.

Investment Program Reimbursement

The 2024-2025 revenue estimate for Investment Program Reimbursements is \$1.0 million based on the estimated costs of Investment Program in the Finance Department that will be reimbursed from investment earnings. This reimbursement amount is slightly below the 2023-2024 estimated level of \$1.1 million.

Public, Education, and Government (PEG) Access Facilities

In 2024-2025, payments from Comcast and AT&T required under the Franchise Agreement are estimated at \$1.4 million, which is consistent with the 2023-2024 estimate. 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, which is further described in the *City-Wide Expenses* section of this document.

Sale of Surplus Property

The proceeds from the sale of surplus properties are estimated to generate \$500,000 in 2024-2025 based on City assets that are anticipated to be sold.

Sidewalk Repair

When the City performs sidewalk repair services for non-owner occupied residences, the property owners reimburse the City for those costs. The 2024-2025 revenue estimate for this category is \$2.5 million, which is consistent with the 2023-2024 budgeted estimate. There is a corresponding City-Wide Expenses allocation to fund the contractual sidewalk repairs, which is further described in the *City-Wide Expenses* section of this document.

Tree Maintenance Activities

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, the property owner is assessed a fee to cover the cost of this service. In 2024-2025 this fee revenue is estimated at \$500,000, which is consistent with the 2023-2024 budgeted estimate. There is a corresponding City-Wide Expenses allocation to provide this service, which is further described in the *City-Wide Expenses* section of this document.

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

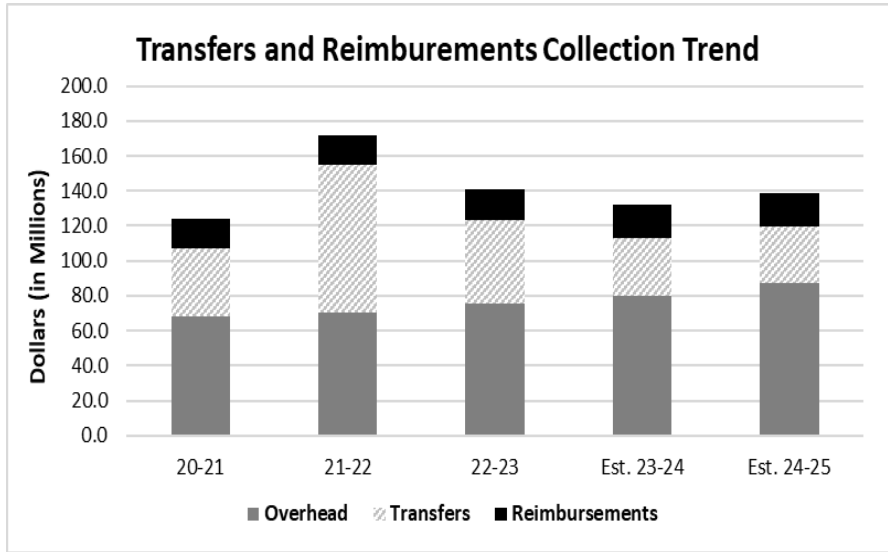
2022-2023 Actual	\$ 140,748,332
2023-2024 Adopted	\$ 125,768,078
2023-2024 Estimate*	\$ 131,839,030
2024-2025 Forecast**	\$ 138,987,687
2024-2025 Proposed	\$ 139,014,498
% of General Fund	9.1 %
% Change from 2023-2024 Adopted	10.5 %

* The 2023-2024 Estimate is developed as part of the Proposed Budget and reflects information known at that time.

** The 2024-2025 Forecast was increased by \$2.7 million from the February Forecast; additional details can be found in the General Fund Overview section.

Revenue Estimates

The Transfers and Reimbursements revenue category accounts for funds received by the General Fund from other City funds through a combination of means, including overhead charges, reimbursements for services rendered, or transfers. In total, Transfers and Reimbursements are anticipated to generate approximately \$139.0 million in 2024-2025. The following is a discussion of



the three major subcategories included in the Transfers and Reimbursements revenue category: Overhead Reimbursements; Transfers; and Reimbursements for Services.

Overhead Reimbursements

The Overhead Reimbursements category includes overhead reimbursements from both operating and capital funds. In 2024-2025, a total of \$87.1 million in overhead reimbursements are projected based on 2024-2025 overhead rates prepared by the Finance Department applied against the budgeted 2024-2025 applicable salaries. This figure reflects the following: an increase of \$1.9 million incorporated into the Revised Forecast based on final overhead rates and updated allocations of staff across funds; and a decrease of \$273,189 million incorporated into the 2024-2025 Proposed Budget generated from various budget actions that changed the staffing

CITY OF SAN JOSE
2024-2025 PROPOSED OPERATING BUDGET
GENERAL FUND REVENUE ESTIMATES

TRANSFERS AND REIMBURSEMENTS

Overhead Reimbursements (Cont'd.)

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. A summary of the overhead reimbursement between the Revised Forecast and the Proposed Budget by fund is detailed below.

Fund	Overhead Adjustment
Public Works Development Fee Program Fund (241)	\$ 165,760
Multi-Source Housing Fund (448)	79,937
Public Works Program Support Fund (150)	65,136
Water Utility Fund (515)	56,349
San José Clean Energy Fund (501)	47,713
Integrated Waste Management Fund (423)	22,478
Homeless Housing, Assistance, and Prevention Fund (454)	22,078
Housing Authority Litigation Award Fund (484)	22,078
Storm Sewer Operating Fund (446)	22,029
Vehicle Maintenance and Operations Fund (552)	15,565
Community Development Block Grant Fund (441)	8,717
Home Investment Partnership Program Fund (445)	6,018
St. James Park Management District Fund (345)	4,710
South Bay Water Recycling Operating Fund (570)	1,063
Building Development Fee Program Fund (237)	(388,184)
Public Works Small Cell Permitting Fee Program Fund (242)	(121,298)
Capital Funds	(117,060)
Fire Development Fee Program Fund (240)	(75,549)
Sewer Service and Use Charge Fund (541)	(45,511)
Planning Development Fee Program Fund (238)	(19,737)
Low and Moderate Income Housing Asset Fund (346)	(19,289)
Airport Maintenance and Operation Fund (523)	(17,630)
San José/Santa Clara Treatment Plant Operating Fund (513)	(7,608)
City-Wide Planning Fee Program Fund (239)	(954)
Total Adjustments	\$ (273,189)

Transfers

The Transfers category is projected at \$32.7 million in 2024-2025. The largest component of this category is a transfer from the Airport Maintenance and Operating Fund totaling \$20.7 million 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 2024-2025 direct and indirect costs associated with these emergency services. Additional large 2024-2025 revenues include transfers from Construction and Conveyance Tax Funds (\$4.0 million) for park maintenance costs and methane monitoring, interest earnings that are transferred from various funds to the General Fund (\$3.9 million), and Construction Excise Tax Fund (\$2.1 million). The funding received from the Construction Excise Tax Fund includes \$300,000 to help address the General Fund shortfall. This transfer amount will continue in 2025-2026.

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Reimbursements for Services

The largest single source of revenue in the Reimbursement for Services category is reimbursements from the Gas Tax Funds for the cost of City street-related expenses. Gas Tax Fund collections are based on a per gallon charge, regardless of gasoline prices, therefore revenue is heavily reliant on activity levels. Higher gasoline consumption levels positively impact revenue collections. In addition, a portion of the Gas Tax revenue is allocated to cover various State-wide expenses, which affects net receipts as well. In 2023-2024 Gas Tax receipts are estimated at \$18.0 million, which is higher than the 2022-2023 actual collections of \$17.2 million. In 2024-2025, Gas Tax receipts are estimated to grow slightly from the 2023-2024 estimated level and total \$18.4 million.

The Reimbursements for Services category reimburses the City for actual costs associated with the Deferred Compensation Program, Voluntary Employee Beneficiary Association (VEBA) Fund, and the Maintenance Assessment District Funds. These amounts have been set to recover costs in 2024-2025 of \$827,186.

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BEGINNING FUND BALANCE	
Rebudget: Contingency Reserve	\$ 50,000,000
Rebudget: Expenditures	\$ 647,830
Unexpended Earmarked Reserves*	\$ 854,000
2023-2024 Ending Fund Balance Reserve*	\$ 13,450,000
2023-2024 Expenditure Savings/Additional Revenue*	\$ 30,093,944
Liquidation of Prior Year Encumbrances*	\$ 1,825,368
Fund Balance Subtotal:	\$ 96,871,142
Reserve for Encumbrances	\$ 84,474,436
Fund Balance Total:	\$ 181,345,578
% of General Fund**	6.4%

* Used for 2024-2025 Proposed Budget balancing purposes.

** Excludes Reserve for Encumbrances.

Estimates for both the unrestricted and restricted (reserve for encumbrances) portions of the 2023-2024 Ending Fund Balance/2024-2025 Beginning Fund Balance, totaling \$181.3 million, are included as part of the 2024-2025 Proposed Budget. The estimate for the encumbrance reserve is set at the 2022-2023 actual level (\$84.5 million). The Proposed Budget includes a matching expenditure amount intended to reflect the corresponding encumbrances that are estimated for 2024-2025.

The estimate for unrestricted Beginning Fund Balance is set at \$96.9 million in 2024-2025, which represents a \$7.7 million increase from the 2024-2025 Forecast level of \$89.2 million. When the Forecast was initially developed, the Beginning Fund Balance projection totaled \$85.2 million and included the following: an unexpended (rebudgeted) Contingency Reserve estimate of \$50.0 million; a combination of excess revenues and expenditure savings totaling \$34.5 million; liquidation of reserve funding (\$174,000) from the Citywide Business Development Staffing Reserve, which will support specific costs programmed in 2024-2025; and the liquidation of prior year encumbrances (\$500,000). After the release of the Five-Year Forecast in February 2024, the Beginning Fund Balance was increased by \$4.0 million to reflect expenditure savings from various Measure E appropriations that are not anticipated to be expended by the end of 2023-2024 and will be rebudgeted to 2024-2025 in the General Fund and then transferred to the newly established Real Property Transfer Tax Fund to support the corresponding Base Budget costs that will be expended in the Real Property Transfer Tax Fund instead of the General Fund. As a result of this action, the 2024-2025 Revised Forecast Beginning Fund Balance totaled \$89.2 million.

In the Proposed Budget, Beginning Fund Balance adjustments totaling \$7.7 million are included, which is primarily attributable to increased estimated revenue and expenditure savings (\$5.0 million), the liquidation of prior year encumbrances (\$1.3 million), the liquidation of the Solid Waste Code Enforcement Reserve (\$680,000). As a result of these actions, the Beginning Fund Balance increased from the Revised Forecast level of \$89.2 million to \$96.9 million (excluding the Reserve for Encumbrances).