

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2023-2024 General Fund revenue collections as compared with the Modified Budget estimates:

**TABLE A**  
**2023-2024 GENERAL FUND REVENUE SUMMARY**  
**COMPARISON OF BUDGET TO ACTUAL**  
**(\$000s)**

Category	2022-2023 Budgetary Basis Actual	2023-2024 Modified Budget	2023-2024 Budgetary Basis Actual	2023-2024 Budget to Actual \$ Variance
Property Tax	\$ 449,014,347	\$ 473,900,000	\$ 473,724,109	\$ (175,891)
Sales Tax	343,472,084	343,400,000	333,411,487	(9,988,513)
Transient Occupancy Tax	14,936,816	16,000,000	15,894,163	(105,837)
Business Taxes	89,626,955	87,500,000	86,072,405	(1,427,595)
Utility Tax	124,266,765	129,550,000	129,770,893	220,893
Franchise Fees	44,823,852	51,825,008	52,475,857	650,849
Real Property Transfer Tax	56,279,648	50,000,000	50,749,321	749,321
Telephone Line Tax	21,093,889	22,000,000	22,291,646	291,646
Licenses and Permits	17,756,820	21,803,666	21,428,006	(375,660)
Fees, Rates, and Charges	23,595,906	25,154,280	25,030,265	(124,015)
Fines, Forfeitures, and Penalties	17,352,624	16,280,000	14,322,746	(1,957,254)
Rev. from Use of Money/Property	19,157,555	18,364,000	22,774,861	4,410,861
Revenue from Local Agencies	25,497,190	22,062,849	23,353,375	1,290,526
Revenue from State of California	19,912,631	50,103,391	27,444,985	(22,658,406)
Rev. from Federal Government	4,962,143	12,366,123	5,462,136	(6,903,987)
Other Revenue	291,249,120	12,344,036	12,664,318	320,282
Subtotal	1,562,998,345	1,352,653,353	1,316,870,573	(35,782,780)
Overhead Reimbursements	75,799,618	78,894,889	80,379,703	1,484,814
Transfers	47,176,528	33,524,730	34,160,106	635,376
Reimbursements for Services	17,772,186	19,331,102	19,049,014	(282,088)
Subtotal	140,748,332	131,750,721	133,588,823	1,838,102
<b>TOTALS<sup>1</sup></b>	<b>\$ 1,703,746,677</b>	<b>\$ 1,484,404,074</b>	<b>\$ 1,450,459,396</b>	<b>\$ (33,944,678)</b>

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

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The General Fund revenue performance for 2023-2024 is discussed in detail in this section. The 2023-2024 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 2023-2024 was \$1.45 billion. This collection level was 2.3% below (\$33.9 million) the 2023-2024 Modified Budget. After accounting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$6.0 million, or 0.4%, below the 2023-2024 Modified Budget.

The 2023-2024 collection level of \$1.45 billion was \$253.3 million, or 14.9%, below the actual 2022-2023 collections of \$1.70 billion. This year-over-year decline is primarily due to lower 2023-2024 collections for Other Revenue (\$278.6 million), Sales Tax (\$10.1 million), and Transfers and Reimbursements (\$7.2 million). The lower Other Revenue collections is due to Tax and Revenue Anticipation Notes (TRANs) revenue not being received in 2023-2024, while revenue (and an offsetting City-Wide Expenditures allocation) of \$275.0 million were allocated in 2022-2023. When excluding the variance related to TRANs within the Other Revenue category, 2023-2024 revenue represented a decrease of \$3.6 million compared to the prior year, which is attributable to lower grant revenue (\$1.7 million) and lower sidewalk repair activity (\$1.3 million). Lower Sales Tax revenue reflects a slowdown in economic activity coupled with several large negative one-time corrections that occurred during 2023-2024. The year-over-year decrease in the Transfers and Reimbursements category is primarily due to the American Rescue Plan Fund transfer to the General Fund for revenue loss that was attributable to the pandemic totaling \$16.0 million in 2022-2023 and \$1.7 million in 2023-2024. Partially offsetting the lower American Rescue Plan Fund transfer is an increased transfer from the Airport for police and fire reimbursements (\$1.4 million). Partially offsetting the lower receipts in these categories were year-over-year increases for Property Tax (\$24.7 million), Franchise Fees (\$7.7 million), and Revenue from the State of California (\$7.5 million). These revenues experienced year-over year growth due to several factors including a strong local real estate market positively impacting Property Tax receipts, PG&E changing the methodology for Franchise Fees remittance, and the timing of when State grants are received.

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	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Secured Property Tax	444,000,000	444,114,657	114,657	0.0%
Unsecured Property Tax	17,000,000	16,891,315	(108,685)	(0.6%)
SB 813 Property Tax	7,000,000	7,427,467	427,467	6.1%
Aircraft Property Tax	5,000,000	4,406,054	(593,946)	(11.9%)
HOPTR	900,000	884,616	(15,384)	(1.7%)
<b>Total</b>	<b>473,900,000</b>	<b>473,724,109</b>	<b>(175,891)</b>	<b>(0.0%)</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 2023-2024 totaled \$473.7 million, which was consistent with the budgeted estimate, and represented an increase of 5.5% from 2022-2023 collections of \$449.0 million.

In 2023-2024, **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 2023-2024, receipts totaled \$444.1 million, which is consistent with the budgeted estimate, and is 6.7% above the 2022-2023 receipts of \$416.4 million. The growth from 2022-2023 collections reflects increased general Secured Property Tax receipts (\$22.2 million), ERAF revenue (\$3.7 million) and SARA Residual Property Tax receipts (\$1.8 million).

The general Secured Property Tax receipts growth of \$22.2 million in 2023-2024 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 2023-2024 roll growth was driven primarily by changes in ownership (52.1%), changes in the CCPI (19.8%), and new construction (16.5%).

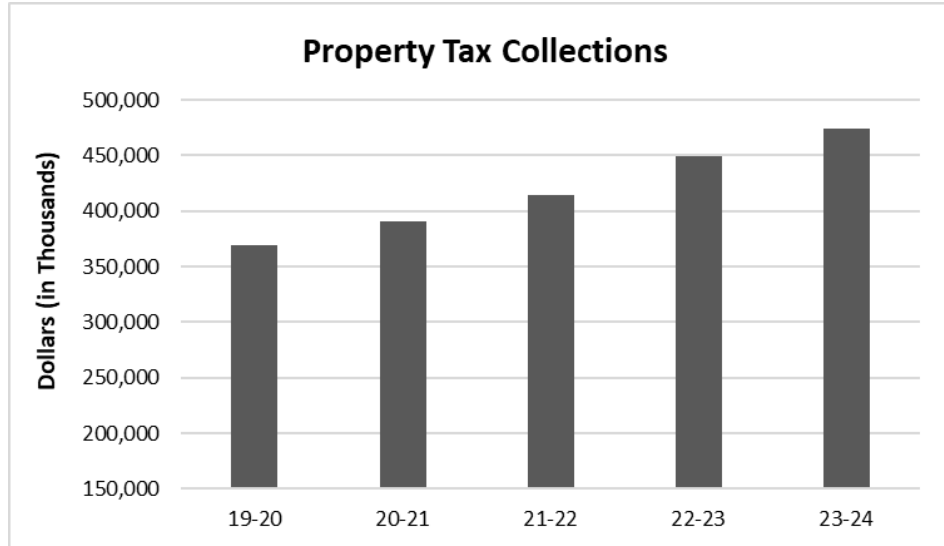
In addition to the changes in assessed value, Secured Property Tax collections were positively impacted by excess ERAF revenue. ERAF collections totaled \$41.5 million in 2023-2024, which is \$3.7 million above the 2022-2023 collection level. Beginning in 1992, agencies have been required to reallocate 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.

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The final component of the Secured Property Tax category is SARA Residual Property Tax. 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 totaled \$24.2 million, which is \$1.8 million above the 2022-2023 collection level of \$22.4 million.



In the **Unsecured Property Tax** category, collections of \$16.9 million were fairly consistent with the budgeted estimate of \$17.0 million and 5.7% (\$908,000) above the 2022-2023 collections of \$16.0 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 2023-2024, receipts of \$7.4 million were 6.1% (\$427,000) above the budgeted estimate of \$7.0 million; however, collections were 37.4% (\$4.4 million) below the prior year collection level of \$11.9 million.

The remaining Property Tax categories include **Aircraft Property Tax** receipts, which totaled \$4.4 million in 2023-2024 and \$3.9 million in 2022-2023; and **Homeowners Property Tax Relief** revenue, which totaled \$885,000 in 2023-2024 and \$872,000 in 2022-2023.

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### GENERAL FUND REVENUE PERFORMANCE

#### Sales Tax

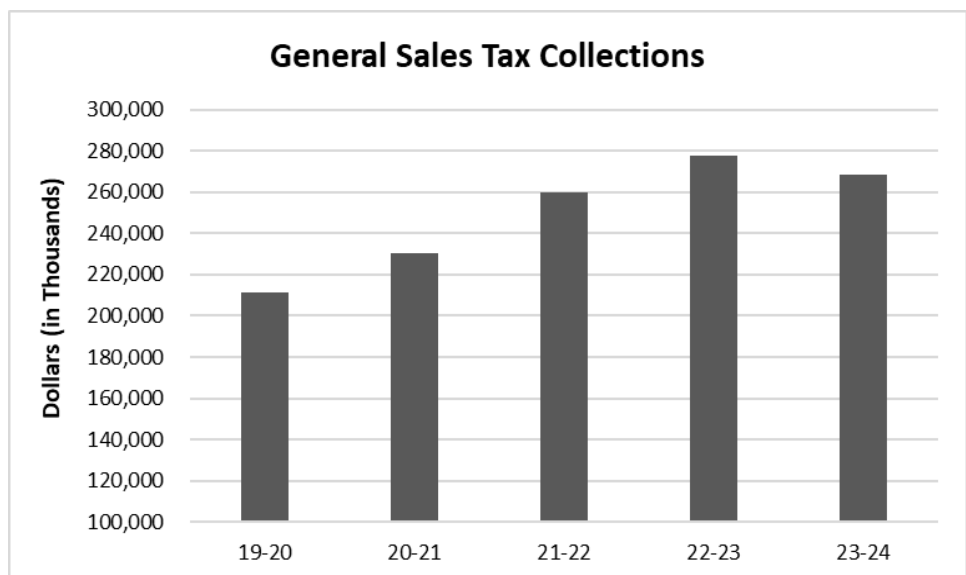
Sales Tax	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
General Sales Tax	278,000,000	268,473,226	(9,526,774)	(3.4%)
Local Sales Tax	57,000,000	56,925,998	(74,002)	(0.1%)
Prop 172 Sales Tax	8,400,000	8,012,263	(387,737)	(4.6%)
<b>Total</b>	<b>343,400,000</b>	<b>333,411,487</b>	<b>(9,988,513)</b>	<b>(2.9%)</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 2023-2024 of \$333.4 million were 2.9% (\$10.0 million) below the budgeted estimate and 2.9% (\$10.1 million) below 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 2023-2024 General Sales Tax collections totaled \$268.5 million, which were 3.4% (\$9.5 million) below the budgeted estimate of \$278.0 million and 3.3%



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(\$9.1 million) below the 2022-2023 collection level. Information related to Sales Tax payments are distributed from the California Department of Tax and Fee Administration (CDTFA) four times throughout the year: November (July-September activity), February (October-December activity), May (January-March activity). In 2023-2024, quarterly sales tax payments experienced year-over-year changes that significantly varied; -0.8%, -9.9%, 7.7%, -9.3%, respectively for each quarter. In addition, several large reallocations occurred in 2023-2024 due to the CDTFA determining prior year General Sales Tax revenue was received by San José but should have been allocated to another jurisdiction. As a result, 2023-2024 General Sales Tax receipts ended the year \$9.5 million below the budgeted estimate.

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

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

Economic Sector	2023-2024 % of Total Revenue	2022-2023 % of Total Revenue	% Change of Revenue Received by Category
Business-to-Business	20.3%	19.4%	2.3%
General Retail	18.0%	18.0%	(2.2%)
Transportation	17.5%	17.5%	(2.0%)
Food Products	14.4%	13.7%	3.2%
Construction	9.0%	8.9%	(1.2%)
Miscellaneous	1.2%	0.8%	48.3%
County Pool	19.6%	21.7%	(11.5%)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

As can be seen in the table above, several categories experienced year-over-year declines, including General Retail (includes apparel stores, department stores, furniture/appliance stores, drug stores, recreation products, and florists/nurseries), Transportation, and Construction. Partially offsetting these drops were gains in the Business-to-Business, Food Products, and Miscellaneous categories.

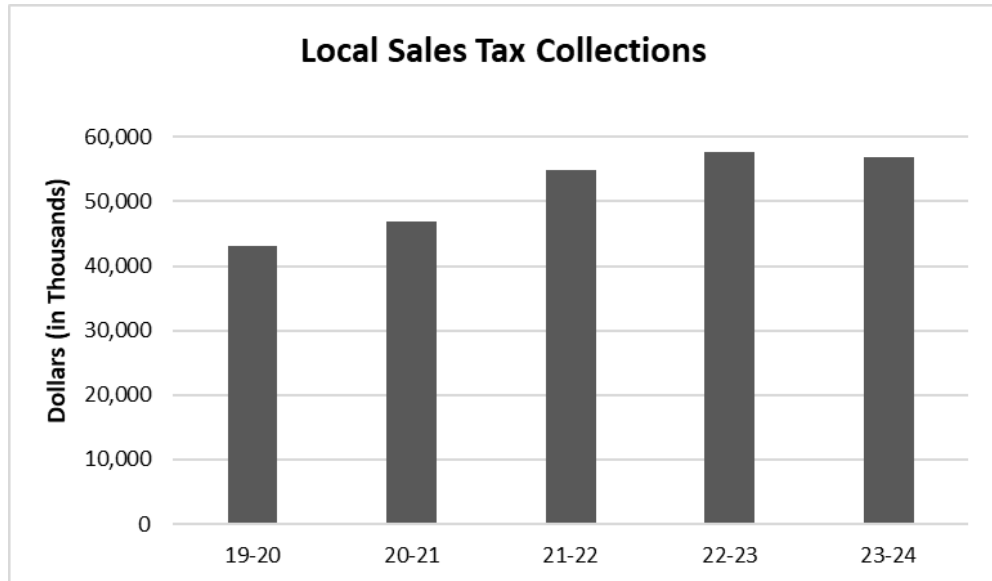
In addition, the County Pool, which is where the majority of online transactions are captured, also declined compared to the prior year (11.5%). The County Pool revenue is distributed to all cities within Santa Clara County based on a distribution formula administered by the CDTFA. This formula is based 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.

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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 2023-2024, Local Sales Tax revenues totaled \$56.9 million, which was consistent with the budget estimate of \$57.0 million, and 1.4% (\$793,000) below the prior year collection level of \$57.7 million.

**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 2023-2024, receipts of \$8.0 million were 4.6% (\$388,000) below the budgeted estimate and were 2.0% (\$167,000) below the 2022-2023 collection level of \$8.2 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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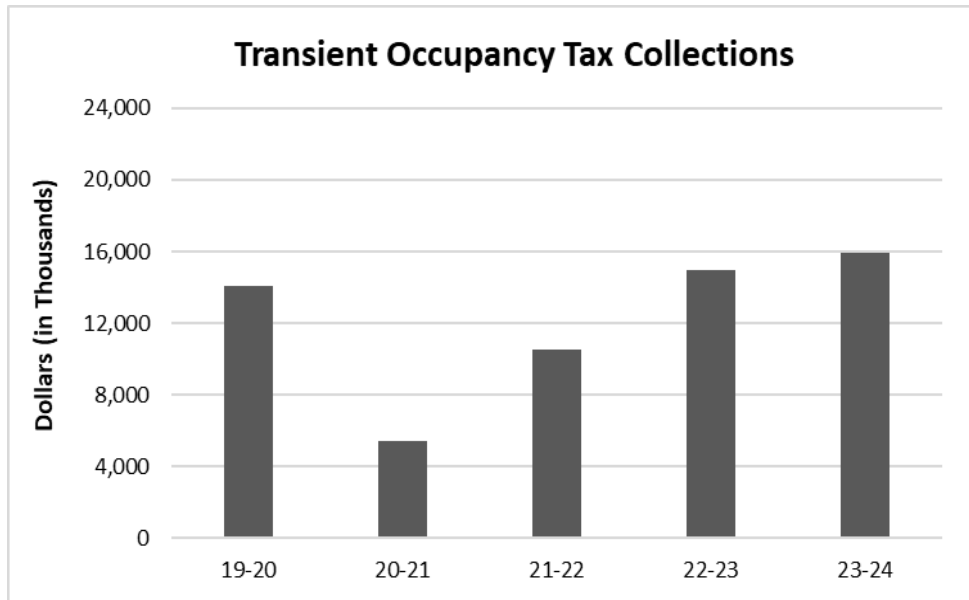
### GENERAL FUND REVENUE PERFORMANCE

#### Transient Occupancy Tax

Transient Occupancy Tax	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Transient Occupancy Tax	16,000,000	15,894,163	(105,837)	(0.7%)
<b>Total</b>	<b>16,000,000</b>	<b>15,894,163</b>	<b>(105,837)</b>	<b>(0.7%)</b>

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. In 2023-2024, the General Fund’s portion (4.0%) of the TOT totaled \$15.9 million, which was slightly below the budgeted estimate of \$16.0 million and 6.4% (\$957,000) higher than 2022-2023 collections of \$14.9 million.

For the fiscal year ending June 2024, the cumulative average hotel occupancy rate reported for the San José market was 65.12%, a slight increase from the average of 62.83% through the same period in 2022-2023. The average daily room rate increased by 4.1%, from



\$158.53 as of June 2023 to \$165.00 as of June 2024; and the year-to-date average revenue-per-available room (RevPAR) increased by 7.9%, from \$99.61 to \$107.44, relative to the same period in 2022-2023.



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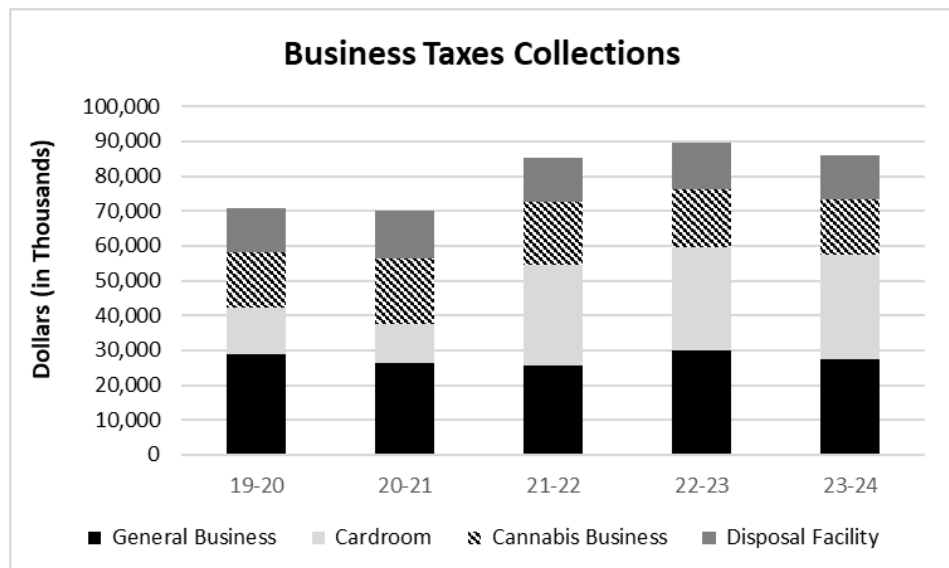
### GENERAL FUND REVENUE PERFORMANCE

#### Business Taxes

Business Taxes	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
General Business Tax	29,500,000	27,424,768	(2,075,232)	(7.0%)
Cardroom Tax	30,000,000	30,066,948	66,948	0.2%
Cannabis Business Tax	15,000,000	15,678,708	678,708	4.5%
Disposal Facility Tax	13,000,000	12,901,981	(98,019)	(0.8%)
<b>Total</b>	<b>87,500,000</b>	<b>86,072,405</b>	<b>(1,427,595)</b>	<b>(1.6%)</b>

Revenues in the Business Taxes category include the General Business Tax, Cardroom Tax, Cannabis Business Tax, and Disposal Facility Tax. Overall, collections of \$86.1 million were 1.6% below the budgeted estimate of \$87.5 million and 4.0% (\$3.6 million) below the prior year collection level. This year-over-year decline is primarily due to overall lower activity levels.

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 2023-2024, General Business Tax collections of \$27.4 million ended the year \$2.1 million, or 7.0%, below the budgeted estimate and \$2.5 million, or 8.4%, below the prior year collection level.

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#### Business Taxes

In 2023-2024, **Cardroom Tax** collections of \$30.1 million ended the year within budgeted levels and 1.1% (\$313,000) above the prior year collection level. These receipts are inclusive of the ballot measure approved by voters in November 2020 that increased taxes on cardroom operators beginning in January 2021.

**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 2023-2024, Cannabis Business Tax collections of \$15.7 million ended the year 4.5% (\$679,000) above the budgeted estimate, but 5.5% (\$919,000) below the 2022-2023 collection level of \$16.6 million due to lower activity levels.

**Disposal Facility Taxes** (DFT) are business taxes based on 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. In 2023-2024, collections of \$12.9 million ended the year within budgeted levels, but were 3.2% (\$425,000) below the 2022-2023 collection level of \$13.3 million due to lower activity levels.

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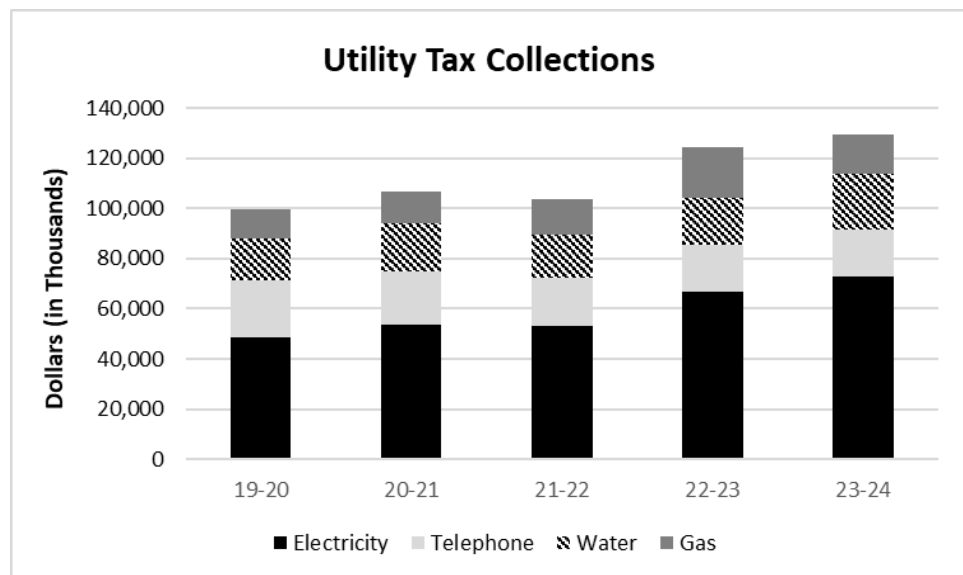
### GENERAL FUND REVENUE PERFORMANCE

#### Utility Tax

Utility Tax	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Electricity Utility Tax	73,000,000	72,886,831	(113,169)	(0.2%)
Gas Utility Tax	18,500,000	15,927,367	(2,572,633)	(13.9%)
Water Utility Tax	18,500,000	22,161,165	3,661,165	19.8%
Telephone Utility Tax	19,550,000	18,795,530	(754,470)	(3.9%)
<b>Total</b>	<b>129,550,000</b>	<b>129,770,893</b>	<b>220,893</b>	<b>0.2%</b>

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$129.8 million ended the year within budgeted levels, and were 4.4% (\$5.5 million) above the 2022-2023 collection level of \$124.3 million. The year-over-year increase is due to higher rates for electricity, gas, and water, as well as increased consumption levels for electricity and water.

Receipts in the **Electricity Utility Tax** category of \$72.9 million ended the year within budgeted levels, and were 9.0% (\$6.0 million) above the 2022-2023 collection level. This increase is primarily due to higher electricity rates and increased consumption levels.



**Gas Utility Tax** receipts of \$15.9 million were \$2.6 million (13.9%) below the budgeted estimate and \$4.2 million (20.7%) below prior year receipts. The suppressed Gas Utility Tax receipts reflect higher gas rates offset by lower consumption levels.

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Receipts in the **Water Utility Tax** category of \$22.2 million were \$3.7 million (19.8%) above the budgeted estimate and \$3.5 million, and 18.7%, above the 2022-2023 collection level. This increase is due to higher rates and increased consumption levels.

Receipts in the **Telephone Utility Tax** category of \$18.8 million ended the year \$754,000, or 3.9%, below the budgeted estimate, but were \$169,000 (0.9%) above the 2022-2023 collection level. Revenues in this category were historically over \$30 million, however, beginning in 2014-2015 receipts began consistently declining 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.

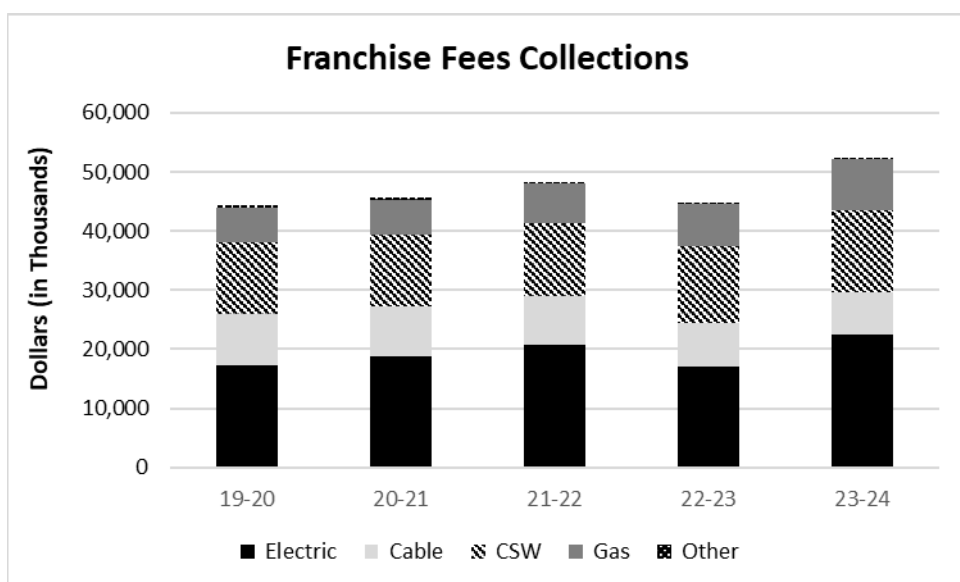
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#### Franchise Fees

Franchise Fees	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Electric Franchise Fee	22,000,000	22,544,635	544,635	2.5%
Commercial Solid Waste	14,020,008	13,846,728	(173,280)	(1.2%)
Cable Franchise Fee	8,000,000	7,184,714	(815,286)	(10.2%)
Gas Franchise Fee	7,500,000	8,546,617	1,046,617	14.0%
Great Oaks Water	240,000	243,020	3,020	1.3%
Nitrogen and Jet Fuel	65,000	85,217	20,217	31.1%
Tow	0	24,926	24,926	N/A
<b>Total</b>	<b>51,825,008</b>	<b>52,475,857</b>	<b>650,849</b>	<b>1.3%</b>

Franchise Fee collections of \$52.5 million were slightly (1.3%) above the 2023-2024 Modified Budget level of \$51.8 million and \$7.7 million (17.1%) above the 2022-2023 collection level. The year-over-year variance is primarily due to higher Electric



Franchise Fee and Gas Franchise Fee receipts, which is related to a change in the timing of PG&E payments that began in 2022-2023. As a result of the timing change, the 2022-2023 payment was negatively impacted, however, in 2023-2024 Electric and Gas Franchise Fees have returned to normal levels.

Remaining collections in the Franchise Fees category include **Commercial Solid Waste, Cable Franchise Fees, Great Oaks Water, Nitrogen and Jet Fuel, and Tow Fees**. In total, these revenues ended the year at \$21.4 million, which is 4.2% (\$940,000) below the 2023-2024 Modified Budget estimate, but 2.5% (\$531,000) above the prior year collection level of \$20.9 million.

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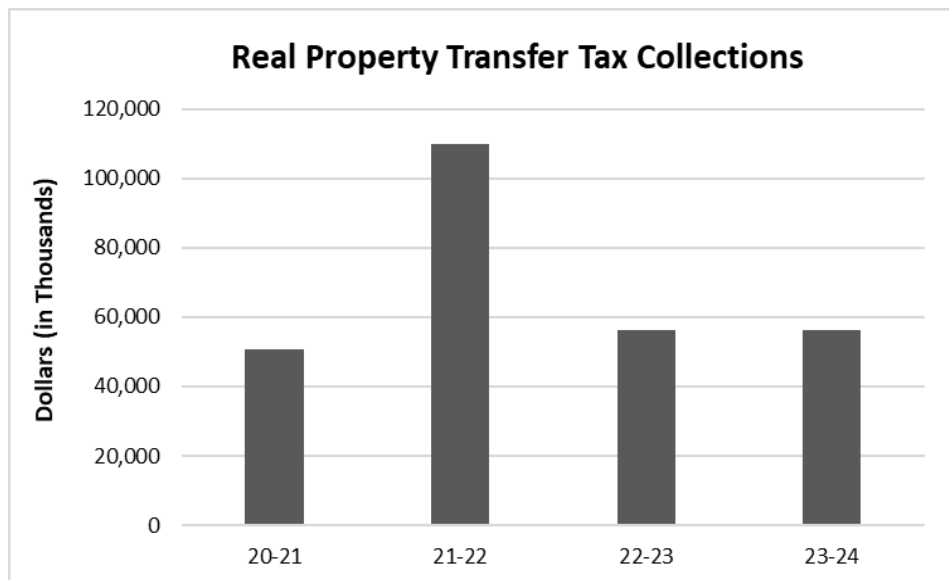
### GENERAL FUND REVENUE PERFORMANCE

#### Real Property Transfer Tax

Real Property Transfer Tax	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Real Property Transfer Tax	50,000,000	50,749,321	749,321	1.5%
<b>Total</b>	<b>50,000,000</b>	<b>50,749,321</b>	<b>749,321</b>	<b>1.5%</b>

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 totaled \$50.7 million, which was consistent with the budgeted estimate, but was \$5.5 million (9.8%) below the 2022-2023 collection level. The year-over-year decrease is due to less high valued transactions occurring in 2023-2024 compared to the prior year. 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*, various technical adjustments to align expenditure and reserve appropriations in accordance with prior City Council direction are recommended in this report.

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.

## II. GENERAL FUND BUDGET PERFORMANCE

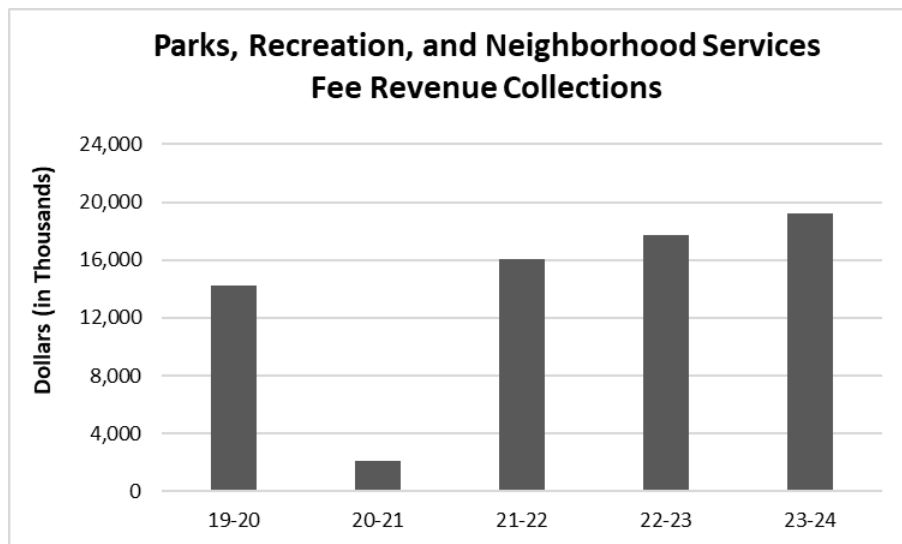
### GENERAL FUND REVENUE PERFORMANCE

#### Fees, Rates, and Charges

Fees, Rates, and Charges	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
PRNS Fees	19,101,901	19,216,499	114,598	0.6%
Transportation Fees	1,895,555	1,697,980	(197,575)	(10.4%)
Police Fees	1,276,329	1,227,085	(49,244)	(3.9%)
Library Fees	66,000	111,072	45,072	68.3%
Miscellaneous Fees	2,814,495	2,777,629	(36,866)	(1.3%)
<b>Total</b>	<b>25,154,280</b>	<b>25,030,265</b>	<b>(124,015)</b>	<b>(0.5%)</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 \$25.0 million ended the year at budgeted levels, and were 6.1% (\$1.4 million) above the 2022-2023 collection level of \$23.6 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 \$19.2 million, which is consistent with the budgeted estimate and \$1.5 million (8.5%) above the 2022-2023 collection level of \$17.7 million. This large year over year increase in PRNS fee revenue is due higher activity levels for PRNS fee 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 \$5.8 million, which is 3.9% below the budgeted estimate and 1.3% below the prior year collection level. This decrease represents slightly less activity levels for the fee categories.

## II. GENERAL FUND BUDGET PERFORMANCE

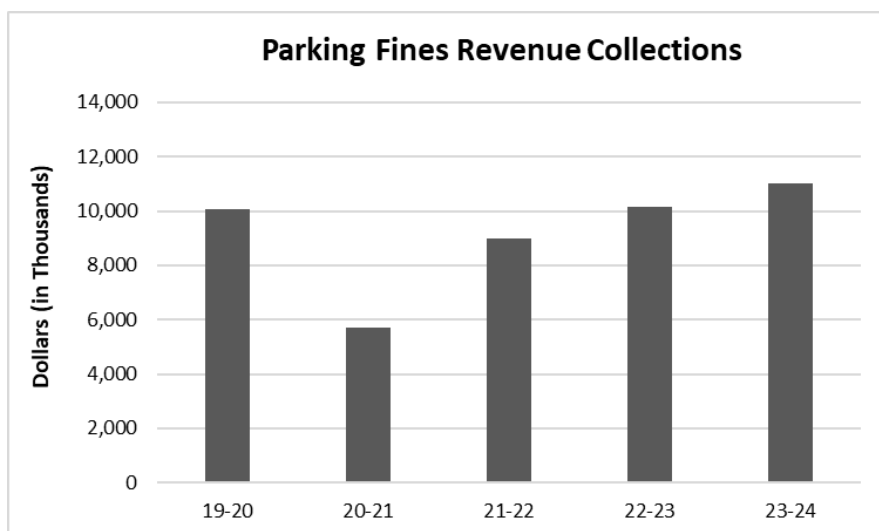
### GENERAL FUND REVENUE PERFORMANCE

#### Fines, Forfeitures and Penalties

Fines, Forfeitures and Penalties	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Parking Fines	11,000,000	11,027,869	27,869	0.3%
Vehicle Code Fines	1,200,000	1,477,016	277,016	23.1%
Business License Penalties	2,000,000	210,415	(1,789,585)	(89.5%)
Other Fines and Penalties	2,080,000	1,607,446	(472,554)	(22.7%)
<b>Total</b>	<b>16,280,000</b>	<b>14,322,746</b>	<b>(1,957,254)</b>	<b>(12.0%)</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 \$14.3 million in this category were \$2.0 million, or 12.0%, below the 2023-2024 Modified Budget estimate and \$3.0 million (17.5%) below the prior year collection level. The significant decrease in year-over-year revenue is primarily due to lower Business License Penalties revenue.

**Parking Fines**, the largest component of this revenue category, ended the year at \$11.0 million, which was within the 2023-2024 budgeted level and 8.8% (\$895,000) above the 2022-2023 collection level of \$10.1 million. During the pandemic, parking fine revenue was significantly impacted,



with 2020-2021 revenue totaling only \$5.7 million. Since 2020-2021 revenue has consistently been increasing, with 2023-2024 receipts reaching pre-pandemic historical collection levels of \$11 million to \$12 million annually.

**Business License Penalties** of \$210,000 ended the year significantly below the budgeted estimate of \$2.0 million and the prior year collection level of \$4.3 million. **Vehicle Code Fines** ended the year at \$1.5 million, which was 23.1% (\$277,000) above the budgeted estimate and 52.5% (\$508,000) above the prior year collections. The **Other Fines and Penalties** category ended the year at \$1.6 million, which was 22.7% (\$473,000) below the budgeted estimate, and 18.8% (\$371,000) below the prior year collection level. Fine and penalty revenue can vary, with collections significantly changing each year.



## II. GENERAL FUND BUDGET PERFORMANCE

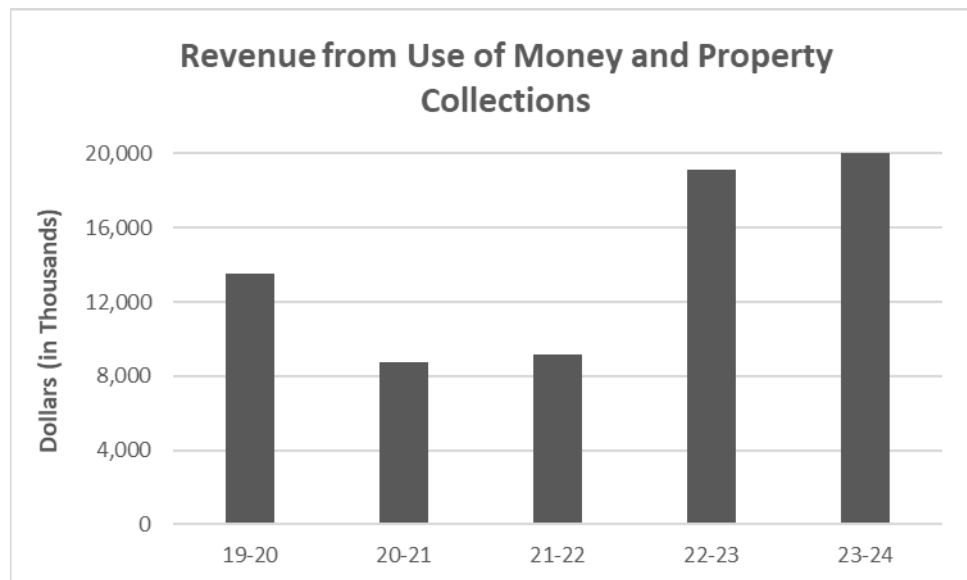
### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from Use of Money and Property

Use of Money and Property	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Interest Earnings	14,000,000	17,939,441	3,939,441	28.1%
City-Owned Property Rentals	2,648,000	2,958,608	310,608	11.7%
Digital Inclusion Program	756,000	833,319	77,319	10.2%
Subrogation Recovery	750,000	273,444	(476,556)	(63.5%)
Other Use of Money/Property	210,000	770,048	560,048	266.7%
<b>Total</b>	<b>18,364,000</b>	<b>22,774,860</b>	<b>4,410,860</b>	<b>24.0%</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 \$22.8 million ended the year \$4.4 million (24.0%) above the 2023-2024 budgeted estimate and \$3.6 million (18.9%) above the 2022-2023 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 \$17.9 million was 28.1% above the budgeted level of \$14.0 million, and 21.9% (\$3.2 million) above the prior year collection of \$14.7 million. This increase is primarily due to due to rising interest rates and higher cash balances.



Remaining collections in this category include **City-Owned Property Rentals**, which totaled \$3.0 million in 2023-2024, 11.7% above budgeted levels reflecting higher rental revenue. **Digital Inclusion Program** revenue of \$833,000 was 10.2% 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 \$1.0 million, which was \$83,000 above the budgeted levels.

## II. GENERAL FUND BUDGET PERFORMANCE

### GENERAL FUND REVENUE PERFORMANCE

#### Revenue from Local Agencies

Revenue from Local Agencies	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Central Fire District	9,400,000	9,901,865	501,865	5.3%
Paramedic Program	3,000,000	2,469,815	(530,185)	(17.7%)
Police BART Reimbursement	2,159,869	2,470,172	310,303	14.4%
Other Local Agency Payments	7,502,980	8,511,523	1,008,543	13.4%
<b>Total</b>	<b>22,062,849</b>	<b>23,353,375</b>	<b>1,290,526</b>	<b>5.8%</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 \$23.4 million ended the year \$1.3 million (5.8%) above the budgeted estimate of \$22.1 million, which was primarily due to higher Central Fire District payments. However, 2023-2024 local agency revenue was \$2.1 million, or 8.4%, below the 2022-2023 collection level. The year-over-year decrease in revenue is primarily attributable to lower Paramedic Program payments due to the timing of when these payments have been received and deposited.

In 2023-2024, **Central Fire District** payments of \$9.9 million ended the year \$502,000 (5.3%) above the budgeted estimate and \$566,000 above the prior year collection level. 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 \$2.5 million was \$530,000 below the budgeted estimate, and \$2.2 million below the 2022-2023 collection. This year-over-year decrease is primarily due to the timing of payments related to 2022-2023 collections reflecting revenue associated from 2021-2022 activity. Additionally, \$530,000 associated with 2023-2024 activity was not received until recently and will be reflected in 2024-2025.

Rebudget and clean-up adjustments totaling \$1.3 are recommended in this report to account for revenues that were not received 2023-2024, but are now anticipated to be received in 2024-2025. 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	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Tobacco Settlement	10,700,000	9,555,146	(1,144,854)	(10.7%)
Motor Vehicle In-Lieu Tax	1,000,000	1,254,762	254,762	25.5%
State Grants	36,822,351	15,368,989	(21,453,362)	(58.3%)
Other State Revenue	1,581,040	1,266,088	(314,952)	(19.9%)
<b>Total</b>	<b>50,103,391</b>	<b>27,444,985</b>	<b>(22,658,406)</b>	<b>(45.2%)</b>

The Revenue from the State of California category contains Tobacco Settlement Revenue, State Grants, and Other State Revenue. In 2023-2024, Revenue from the State of California totaled \$27.4 million, which is \$22.7 million (45.2%) below the 2023-2024 budgeted estimate. 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 \$9.6 million in 2023-2024, which was \$1.1 million below the budgeted estimate and \$1.2 million below the prior year collection level. State grants and other reimbursements totaled \$17.9 million; \$21.5 million below the budgeted estimate, which was the result of a timing difference of many grants (and their associated expenditures).

The 2024-2025 Adopted Budget included the rebudget of revenues and associated expenditures for various State grants in the amount of \$15.4 million. In addition, rebudget and clean-up adjustments totaling \$7.0 million are recommended in this report to account for revenues that were not received in 2023-2024, but are now anticipated to be received in 2024-2025. 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	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Federal Grants	12,366,123	5,462,136	(6,903,987)	(55.8%)
<b>Total</b>	<b>12,366,123</b>	<b>5,462,136</b>	<b>(6,903,987)</b>	<b>(55.8%)</b>

The Revenue from the Federal Government category contains various federal grants and reimbursements. In 2023-2024, Revenue from the Federal Government of \$5.5 million was \$6.9 million (55.8%) below the budgeted estimate. The negative variance from the 2023-2024 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 2023-2024, 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 2024-2025 Adopted Budget included the rebudget of revenues and associated expenditures for various Federal grants in the amount of \$9.5 million. In addition, rebudget and clean-up adjustments with a net negative adjustment totaling \$5.6 million are recommended in this report to account for revenues that were not received 2023-2024, but are now anticipated to be received in 2024-2025. 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	2023-2024 Budget (\$)	2023-2024 Actuals (\$)	2023-2024 Variance (\$)	2023-2024 Variance (%)
Sidewalk Repairs	2,500,000	870,952	(1,629,048)	(65.2%)
Miscellaneous Grants	1,950,431	1,617,693	(332,738)	(17.1%)
Other Revenue	7,893,605	10,175,673	2,282,068	28.9%
<b>Total</b>	<b>12,344,036</b>	<b>12,664,318</b>	<b>320,282</b>	<b>2.6%</b>

The Other Revenue category contains a number of unrelated revenue sources and totaled \$12.7 million in 2023-2024, which was \$320,000 (2.6%) above the 2023-2024 Modified Budget estimate of \$12.3 million.

The 2024-2025 Adopted Budget included the rebudget of revenues and associated expenditures for various grants in the amount of \$250,000. In addition, rebudget and clean-up adjustments totaling \$245,000 are recommended in this report to account for revenues that were not received 2023-2024, but are now anticipated to be received in 2024-2025. 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 2023-2024, total revenue received in the General Fund was \$1.45 billion. This collection level was 2.3% (\$33.9 million) below the 2023-2024 Modified Budget. After accounting for reconciling items, rebudgets, and other clean-up actions, revenues ended the year \$6.0 million, or 0.4%, below the 2023-2024 Modified Budget. 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 2023-2024 collection level of \$1.45 billion was \$253.3 million, or 14.9%, below the actual 2022-2023 collections of \$1.70 billion. This year-over-year decline is primarily due to lower 2023-2024 collections for Other Revenue (\$278.6 million), Sales Tax (\$10.1 million), and Transfers and Reimbursements (\$7.2 million). The lower Other Revenue collections is due to Tax and Revenue Anticipation Notes (TRANs) revenue not being received in 2023-2024, while revenue (and an offsetting City-Wide Expenditures allocation) of \$275.0 million were allocated in 2022-2023. When excluding the variance related to TRANs, 2023-2024 revenue represented a decrease of \$3.6 million compared to the prior year, which is attributable to lower grant revenue (\$1.7 million) and lower sidewalk repair activity (\$1.3 million). Lower Sales Tax revenue reflects a slowdown in economic activity coupled with several large negative one-time corrections that occurred during 2023-2024. The year-over-year decrease in the Transfers and Reimbursements category is primarily due to the American Rescue Plan Fund transfer to the General Fund for revenue loss that was attributable to the pandemic totaling \$16.0 million in 2022-2023 and \$1.7 million in 2023-2024. Partially offsetting the lower American Rescue Plan Fund transfer is an increased transfer from the Airport for police and fire reimbursements (\$1.4 million). Partially offsetting the lower receipts in these categories were year-over-year increases for Property Tax (\$24.7 million) and Franchise Fees (\$7.7 million), and Revenue from the State of California (\$7.5 million). These revenues experienced year-over-year growth due to several factors including a strong local real estate market, PG&E changing the methodology for Franchise Fees remittance, and the timing of when State grants are received.

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 2024-2025 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.